

Private Equity- Snapshot

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AGENDA

- PE-Overview
- Why Private Equity
- PE-India
- Case Studies
- Conclusion

Motilal Oswal Private Equity

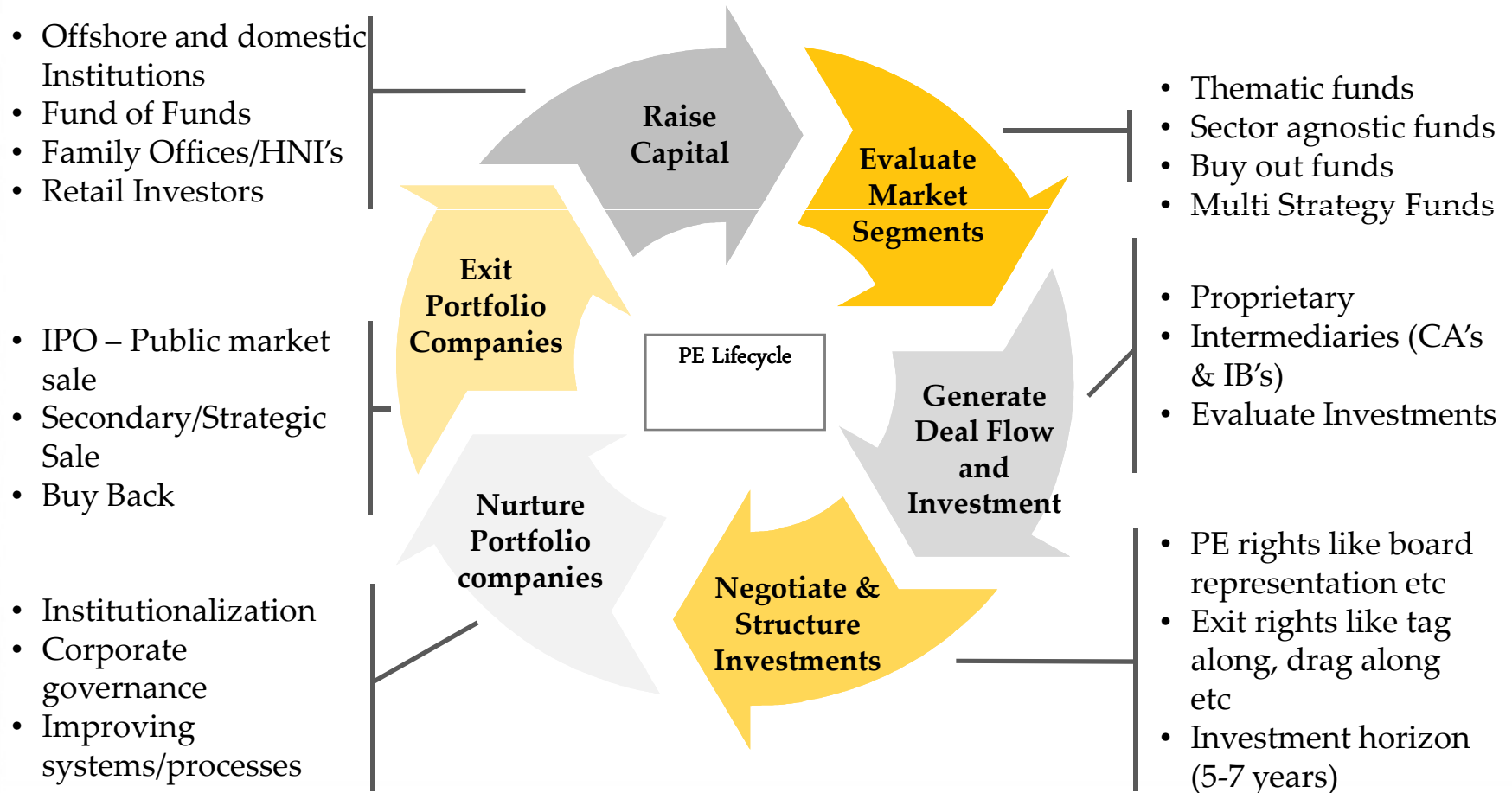
- Motilal Oswal Private Equity Advisors Private Limited (“MOPE”) currently manages and / or advises three funds with combined corpus of Rs. 1,700 cr
 - India Business Excellence Fund-I (“IBEF-I”), a 2007 vintage Rs.550 cr fund
 - 13 investment across 11 sectors
 - Six year (FY07-FY13) Sales and EBITDA CAGR of 25% and 24% respectively
 - India Realty Excellence Fund (“IREF-I”), a 2008 vintage Rs.200 cr fund
 - 7 investments in Mumbai, Bangalore and Pune
 - India Business Excellence Fund-II (“IBEF-II”), a 2011 vintage Rs.950 cr fund
 - Fund raised from marquee global Institutional investors
 - Already made two investments
 - Actively looking at deploying capital in growth opportunities
- Awarded ‘Best Growth Capital Investor 2012’ by Venture Intelligence, a leading provider of information on private equity in India. Awardees for this award are chosen by jury panel consisting exclusively of institutional investors

OVERALL PORTFOLIO SNAPSHOT

COMPANY	AMOUNT INVESTED (RS CR)	DESCRIPTION
IBEF-I		
Time Technoplast	19.5	Polymer packaging company with over 75% market share in industrial drums
IMP Powers	18.2	Power transformer company - up to 440kv class
InTarvo Technologies	24.5	Reverse logistics company
Effort BPO	15.0	Domestic Business Process Outsourcing Company
Resurgere Mines & Minerals	35.0	Iron ore mining and processing
AU Financiers	40.0	Specialty Finance company focused on commercial vehicle lending; recently made foray in housing finance as well
Dixon Technologies	40.0	Manufacturing of consumer durables and electronics
Parag Milkfoods	50.0	Integrated pure cow dairy with value added products
Powermech Projects	40.0	Erection / commissioning of boilers, turbines & generators for power plants
Minda Industries	40.0	Electronic auto components company
Mrs Bectors Food Specialities	48.2	Branded biscuits, bakery and condiments
Electromech Material Handling	45.0	A leading material handling company with leadership in EOT cranes
GR Infra Projects	50.0	EPC Company focused on road infrastructure
IBEF-II		
Magcrete Building Solutions	35.0	2nd largest player in the domestic construction blocks segment
Intec Capital	65.0	One of the largest equipment funding focused specialty finance company

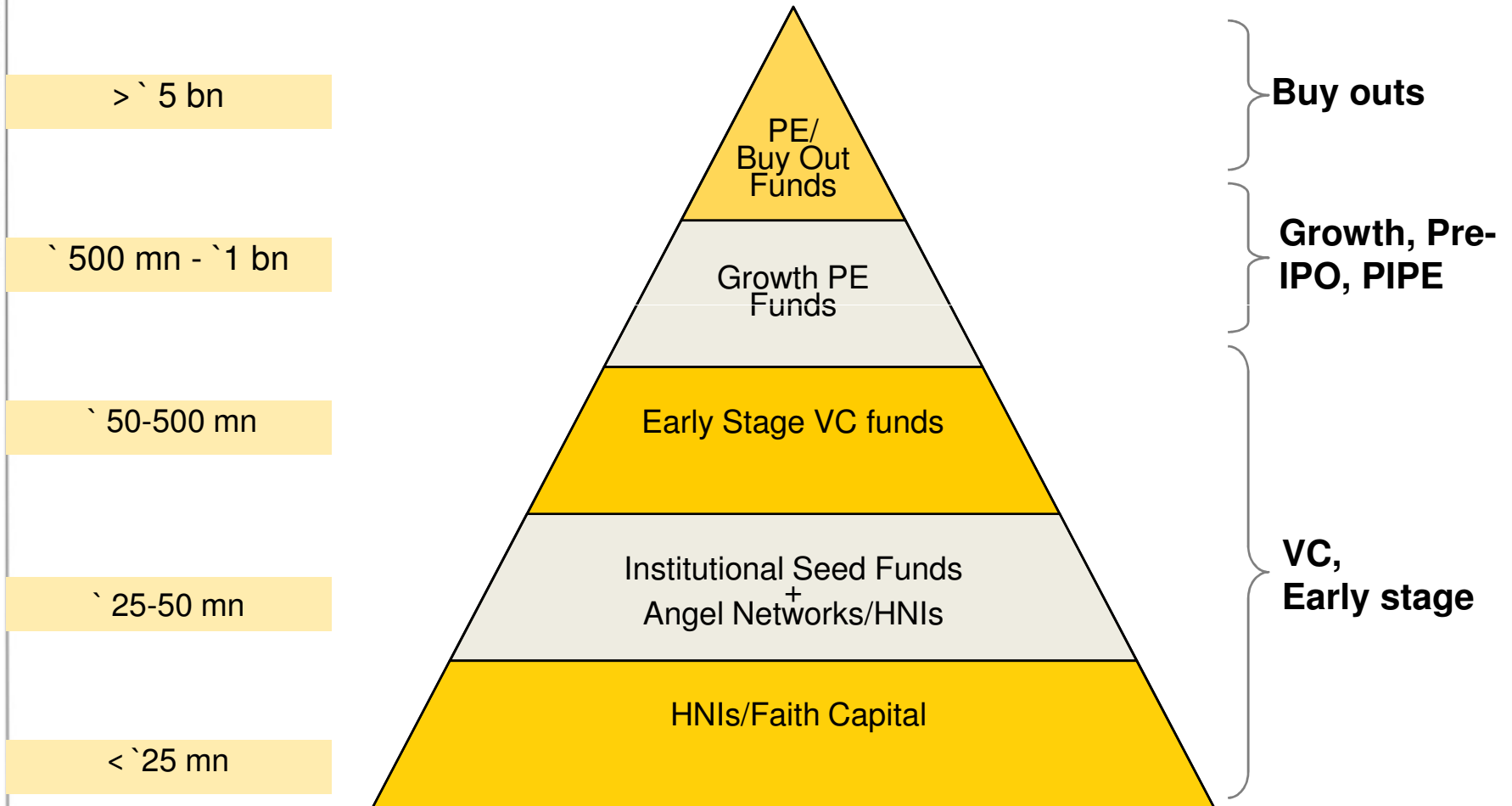
PRIVATE EQUITY - AN OVERVIEW

Private Equity refers to the equity capital raised by companies, mostly unlisted, from Private/ Institutional Investors.



Pre 1995	1995-2000	2000-2005	2005-2007	2008 onwards
<p>1984: ICICI decides to allocate funds for VC Activity</p> <p>1986: ICICI launches first VC Fund to encourage start ups</p>	<p>1995: - Overseas investments in VC Funds permitted with tax Incentives - VC funds allowed to be formed other than banks and financial Institutions.</p> <p>1996: SEBI issues VC Fund Guidelines.</p>	<p>2002 - IDFC sets up IDFC PE - Partial exits of Warburg Pincus in Bharti Airtel</p> <p>2003 Actis makes one of the First buy out deals – Nitrex chemicals</p>	<p>Late 2005 SEBI allows PE investments In real estate</p> <p>2006 Warburg fully exited Bharti pocketing around \$ 1.5 bn</p> <p>Successful IPOs of PE backed companies like Suzlon and HT Media</p> <p>ICICI and Actis becomes Active In the buy out arena</p>	<p>2008 Economic recession hits PE industry In India</p> <p>2009 - Deals pick up - Next trillion dollar opportunity</p>
<p>1988: - TDICI set up (now ICICI ventures) - First guidelines issued in 1988</p> <p>1989: - Regional funds APIDC, GVCL and Canara VC set up. - First private equity fund setup - Credit Capital venture Fund (India) Ltd by Lazard and ADB.</p>	<p>1999: - SIDBI capital formed - Chrys Capital came into existence</p> <p>2000: - Amendments in 1996 regulations to fuel growth - Mutual fund (UTI) sets up PE arm, UTI ventures</p>	<p>2004 - Investment activity picks' up. - 6 PE backed companies Patni and Biocon go public!</p> <p>2005 Start of Broad based Investment in non IT industries</p>	<p>PE backed companies like Suzlon and HT Media</p> <p>ICICI and Actis becomes Active In the buy out arena</p> <p>2007 India – A Trillion dollar Economy</p> <p>Peak PE investments at ~15bn\$</p>	<p>2010 Increased activity. PE backed SKS Microfinance gets listed</p> <p>2012 New AIF regulations</p>

INDIAN PE FUND STRUCTURE



PRIVATE EQUITY INDIA – FAST FACTS

- Around 350 funds active in India
- Approximately \$ 80 bn of investments done in ~4,000 deals since 1998
- At least \$20 bn of PE money is waiting to be deployed in India
- More than 30% of PE investments in India have been made in companies that are amongst the top 500 companies in India
- Total number of funded portfolio companies : ~2,600
- Almost all global funds are now investing in India
- Domestic funds have also achieved critical mass with over \$20bn under management
- Number of exits made by PE : 630(\$25 Bn)

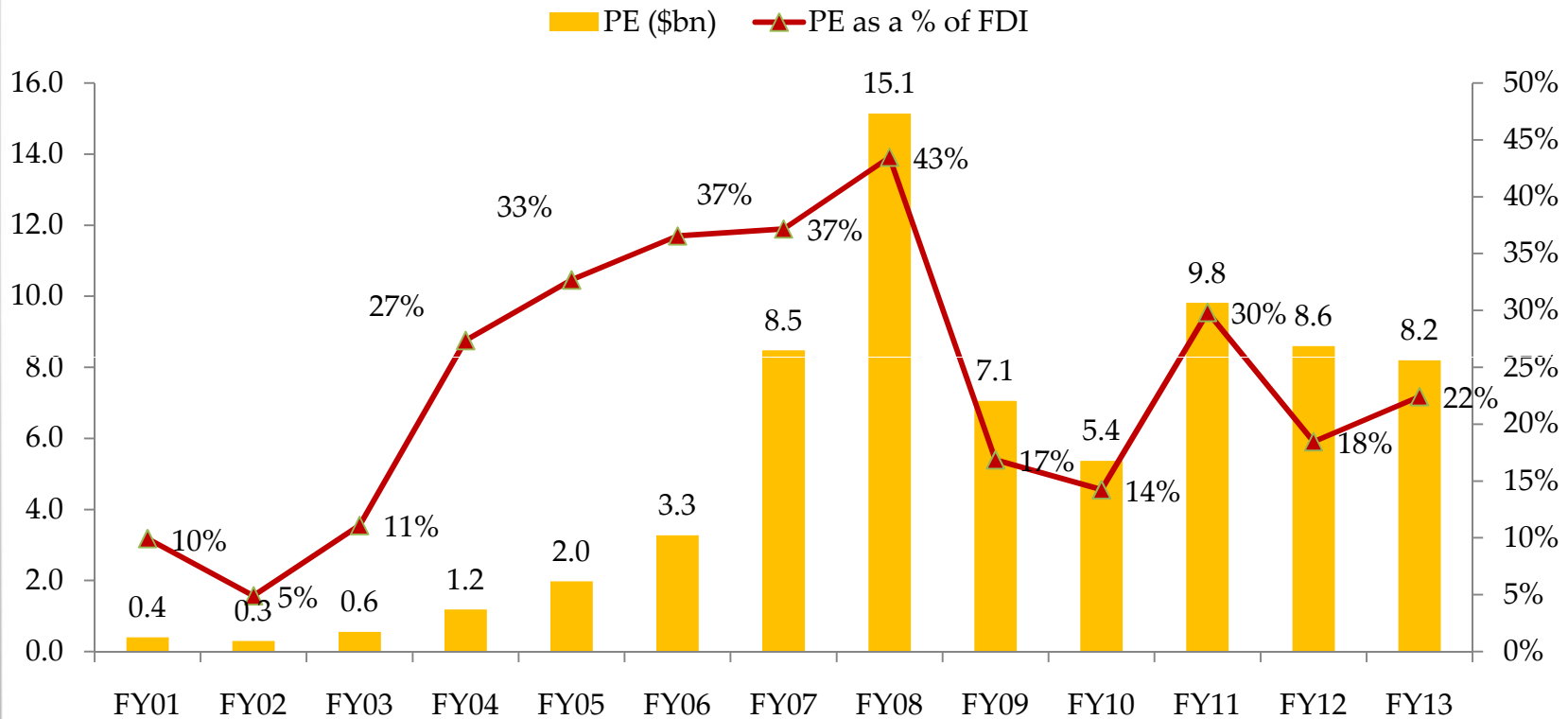
Source: Venture Intelligence, VC Circle, Prequin, IDG, Baine

CAPITAL MARKETS VS PRIVATE EQUITY

- More than 5,000 companies listed in public markets in India
- Top 100 companies comprise of more than 75% of market cap in the market
- Top 100 companies contribute more than 65% of the turnover of the market
- Out of these 5,000 companies, more than 3,000 companies having less than ` 200 Cr market cap (out of that around 900 companies less than ` 100 Cr market cap)
- Due to this , it accounts for very low Institutional interest and low trading volumes

Several companies in India go for an IPO at a very early stage which hinders future capital raising

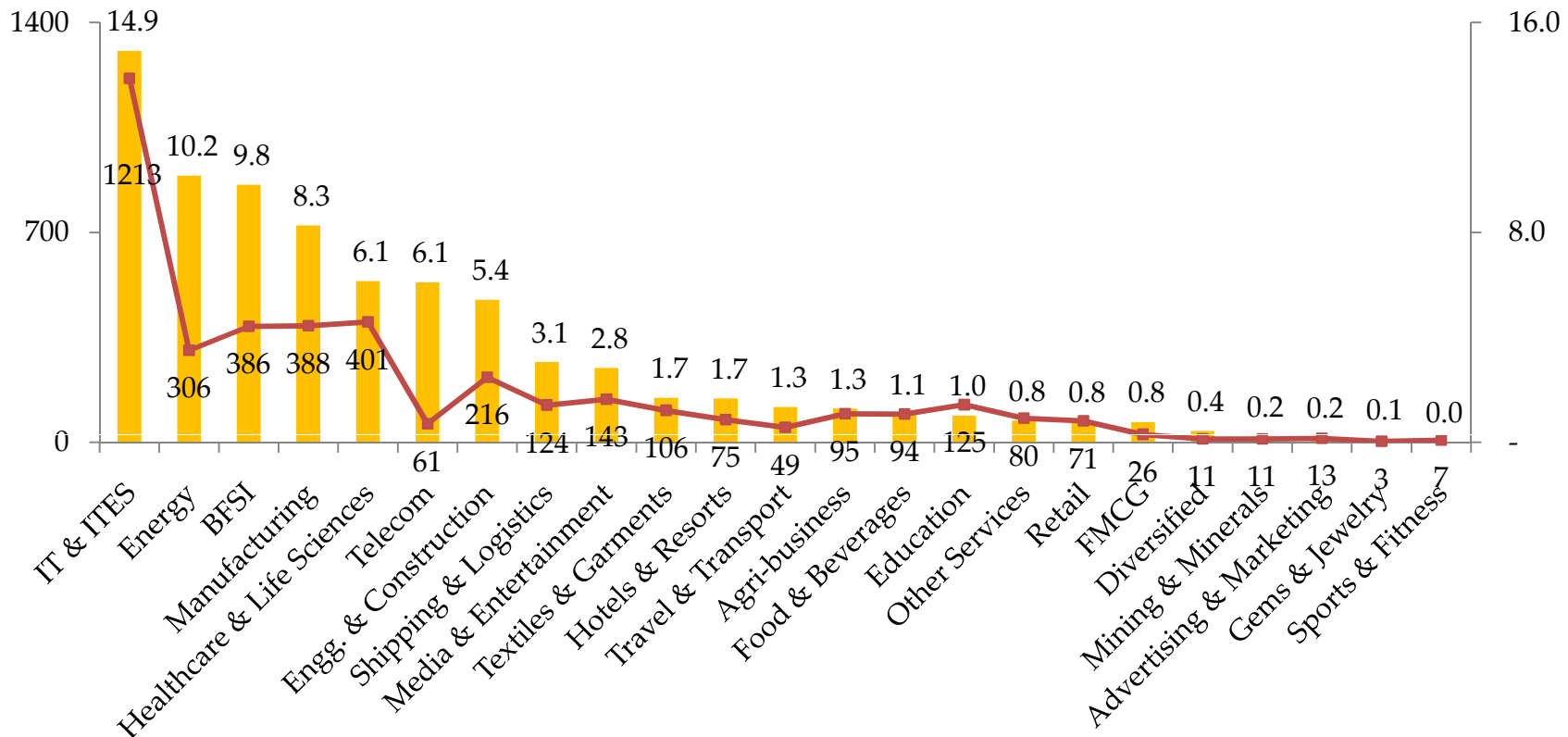
PE AS A % OF FDI



- Total FDI investments~\$290bn; Total PE investments~\$75bn; 26% of FDI
- PE is gradually emerging as an important asset class
- Significant contribution to FDI flows in the Country

PE/VC INVESTMENTS BY SECTOR

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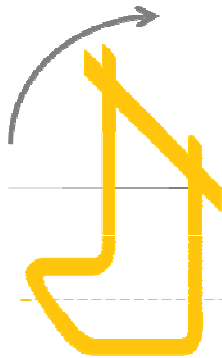
- IT/ITES, Energy, BFSI and Manufacturing are the major sector which have attracted PE investments
- F&B, FMCG and Retail are the key sectors which have huge future potential

WHY PRIVATE EQUITY?

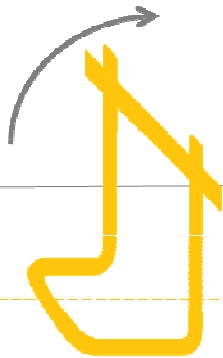
- PE comes with intelligent capital at the transformation stage of the business and helps it to have an accelerated growth
- PE players act as partners to management/promoters sharing risks and rewards equally and not act as mere investors
- PE players actively provide continuous strategic assistance and expertise to
 - Expand management bandwidth by recruiting new resources
 - Help to structure strategic mergers and acquisitions, enter new territories and roll out new ideas
 - Improve corporate governance through active engagement
- Provides a sounding board with independent directors
- Support business growth by not only investing own capital but also assist Portfolio companies to raise further capital
- PE investment establishes a pricing benchmark, which help companies get better valuation at the time of IPO
- PE players help portfolio company to focus strategically to create maximum value

WHAT A PE FUND LOOKS FOR INTO A COMPANY

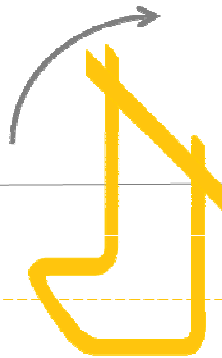
**Proven
Revenue
Model**



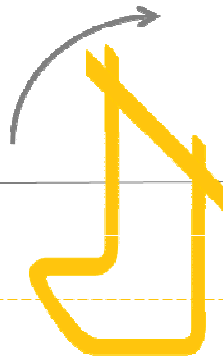
**Passionate &
Quality
Leadership**



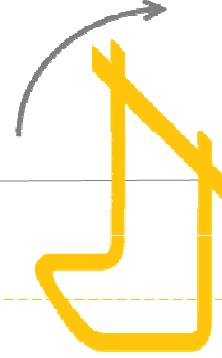
**Capital
Allocation**



**Institutional
Approach**



**Successful
Exit**



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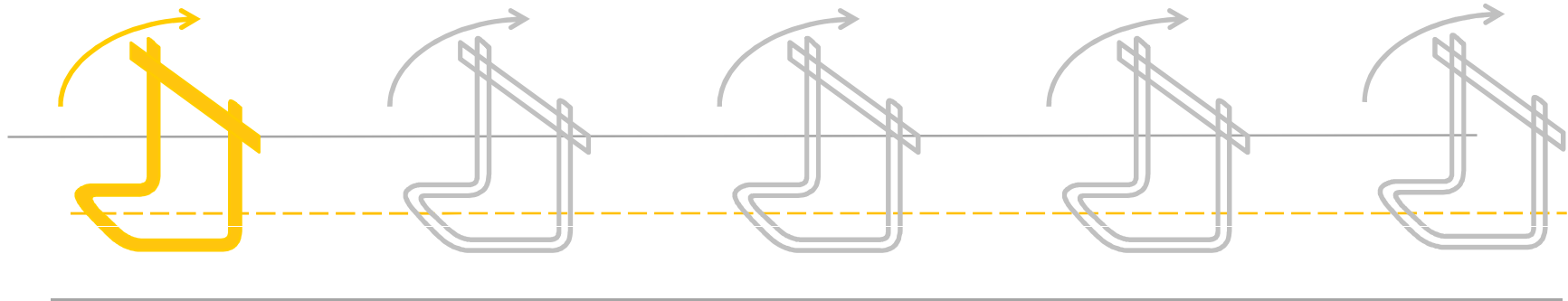
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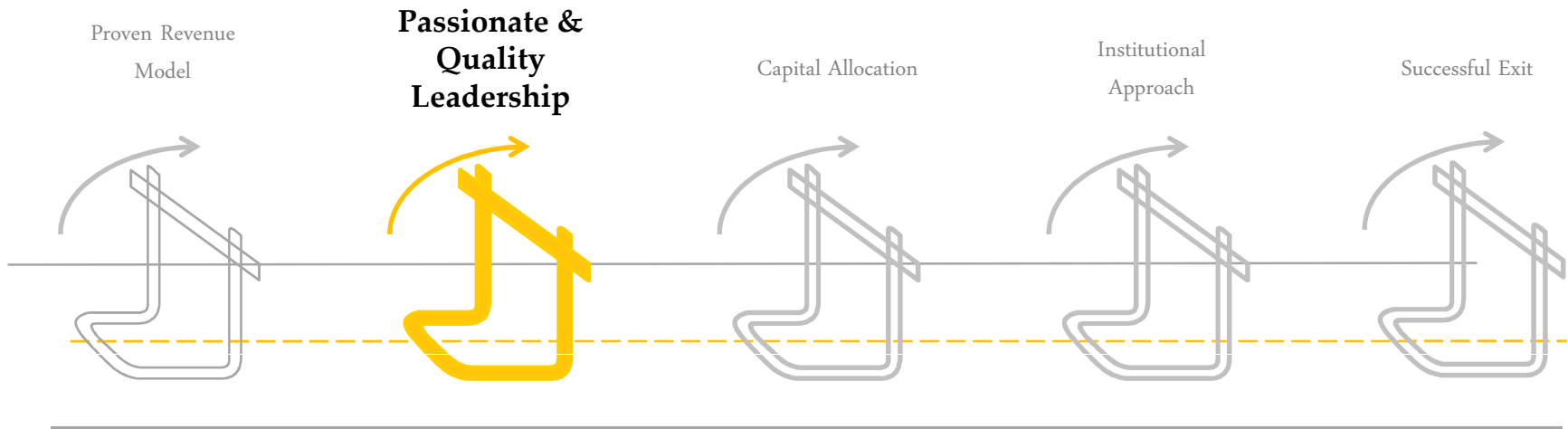
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Successful Exit



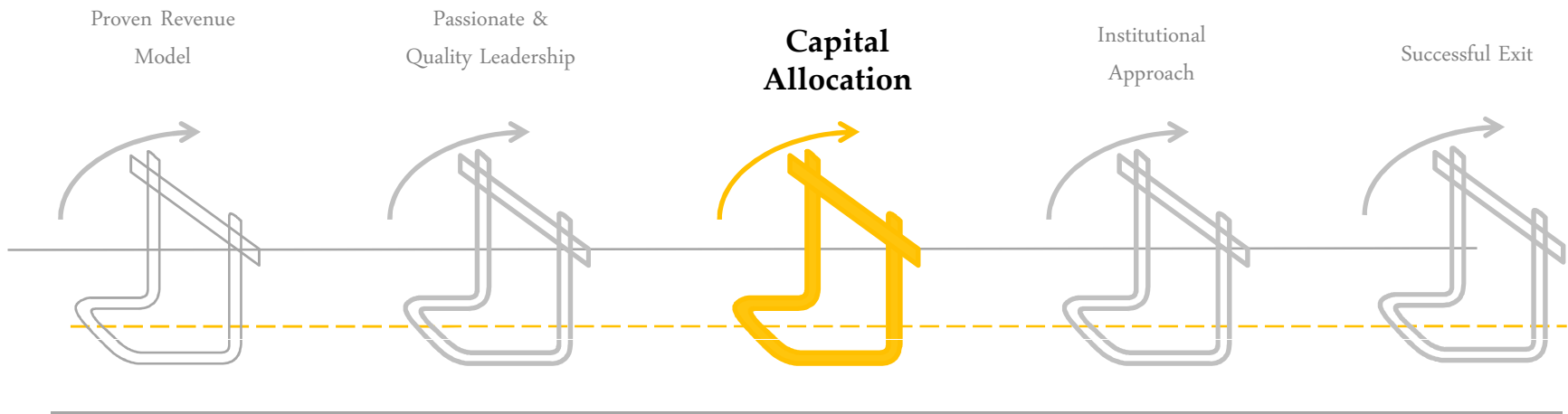
- Assessment of revenues based on core fundamentals rather than Hypes and Hopes
- Businesses with sustainable margins and earnings growth
- Scalable businesses
- Operating Cash flow generation by the company
- Competitive strengths

WHAT A PE FUND LOOKS FOR INTO A COMPANY



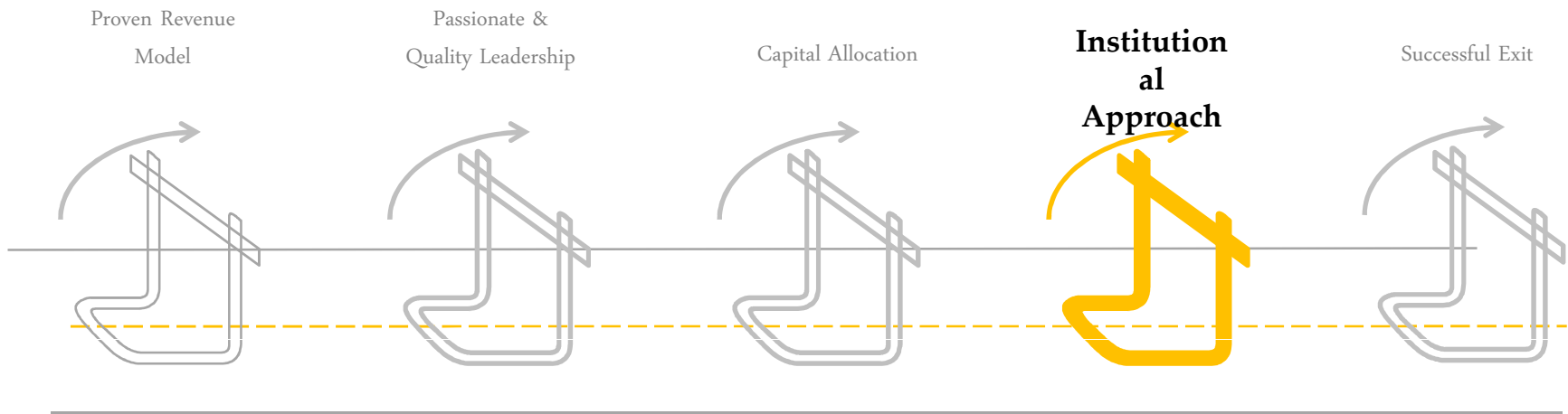
- Clarity in vision
- Execution capability and organization building skills
- Superior understanding of businesses
- Role model and focused
- “Can we work along with management with for the next five years”
- End of the day, it is the Leader’s vision and execution which makes the difference between a good and great company

WHAT A PE FUND LOOKS FOR INTO A COMPANY



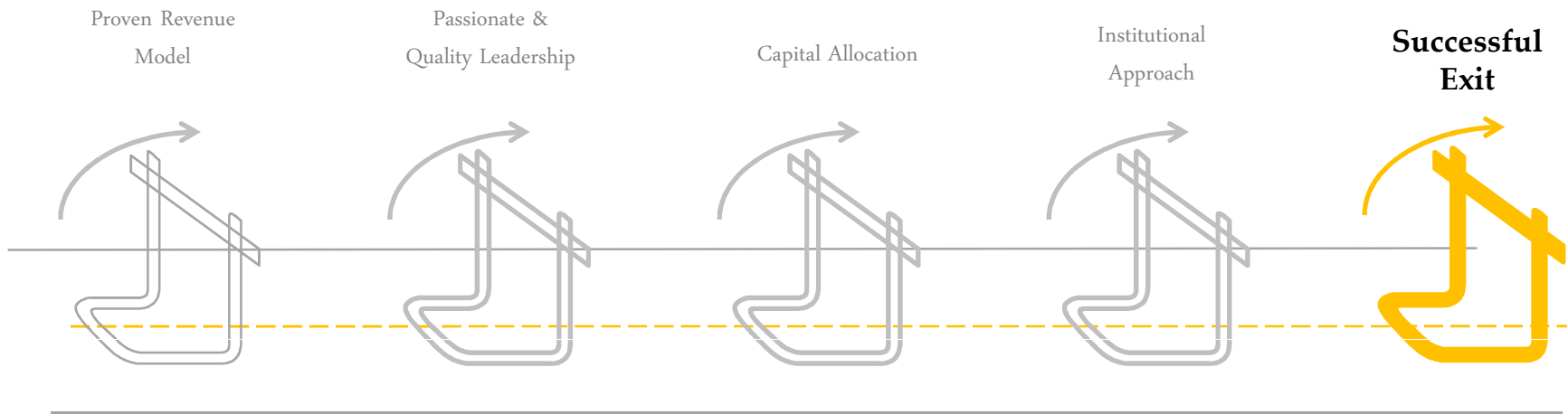
- Properly planned investment
- ROI based investment evaluation
- Investment to generate long term value
- Strategic view of every money spent
- Ability to en-cash/exit any investment

WHAT A PE FUND LOOKS FOR INTO A COMPANY



- Ability to embrace change
- Promote Institutionalization
- Qualified CXOs
- Second level leadership and efficient delegation of powers
- Appointment of reputable auditors
- Adoption of efficient systems and procedures

WHAT A PE FUND LOOKS FOR INTO A COMPANY



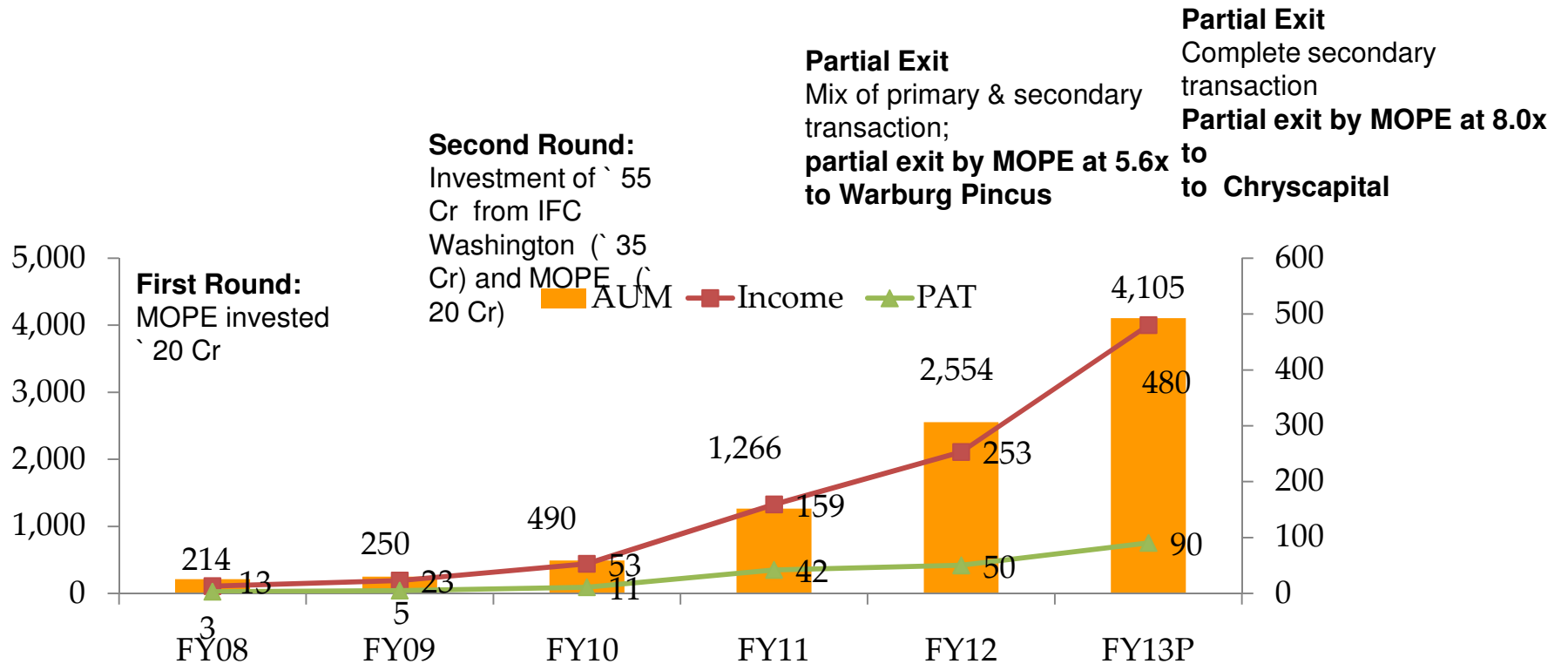
- IPO-ability of the company after 3-5 years.
 - “Does the company have a story which can be sold in the public market”
- Secondary sale to different private equity:
 - “Will the company be an interest to other PE players”
- Strategic sale
 - “Does the company’s technological capabilities / market presence /niche products or services attract industry majors to acquire the company”

PROMINENT EXITS

Name of the Company	Fund Name	Invested Amount (Rs Cr)	Exit Amount (Rs Cr)	Multiple (x)	Investment Date	Exit Date
Bharti Airtel Ltd	Warburg Pincus	2,400	8,500	3.5x	Sept-99, Feb-01	Aug-04, Oct -05
Kotak Mahindra Bank	Warburg Pincus	702	3,382	4.8	Jul-04	Multiple Dates
Alliance Tire Co	Warburg Pincus	600	2,400	4.0x	Jun-07	Apr-13
Sintex Industries	Warburg Pincus	166	1,035	6.2	Feb-05	Sep-07
Max India	Warburg Pincus	200	920	4.6	Jul-05	Multiple Dates
Suzlon Energy	Chrys Capital	100	894	8.9	Aug-04	Jun-05, Jun-06
Ace Refractories	ICICI Ventures	100	500	5.0	Jul-05	Sep-07
Tirumala Milk Products	Carlyle	100	455	4.6x	14-Jan	10-May
Paras Pharmaceuticals	Sequoia Capital	54.2	370	6.8	Oct-06	Dec-10
Centurion Bank of Punjab	Chrys Capital	134	334	2.5	Dec-05	Dec-07
Manappuram General Finance & Leasing	Sequoia Capital	46.8	293	6.3	May-07	Apr-10
NIIT	Intel Capital	44	210	4.8	Jan-05	Jun-07
Dr Lal Path Labs	Sequoia Capital	25	163	6.5	Jul-05	Dec-10

- The success of the decade old Indian Private Equity story can be judged by the returns it has been able to generate for its investors.
- A lot of investments dating back to 2007, the landmark year of PE investments, have matured for realization and are waiting to be liquidated.
- The pressure to show exits (and deliver returns) continues to mount on fund managers as LPs have become even more skeptical of the Indian growth story and the overall investment environment.
- Capital markets almost non-existent for small to medium sized companies as the public market investors looks for certain size
- This has resulted into other options such as strategic and secondary sale options taking the centre stage.
- What has made matters worse (read higher return expectations) is the deprecating rupee that's over 35% cheaper (as against the USD) today than it was in 2007 when the investments were made.

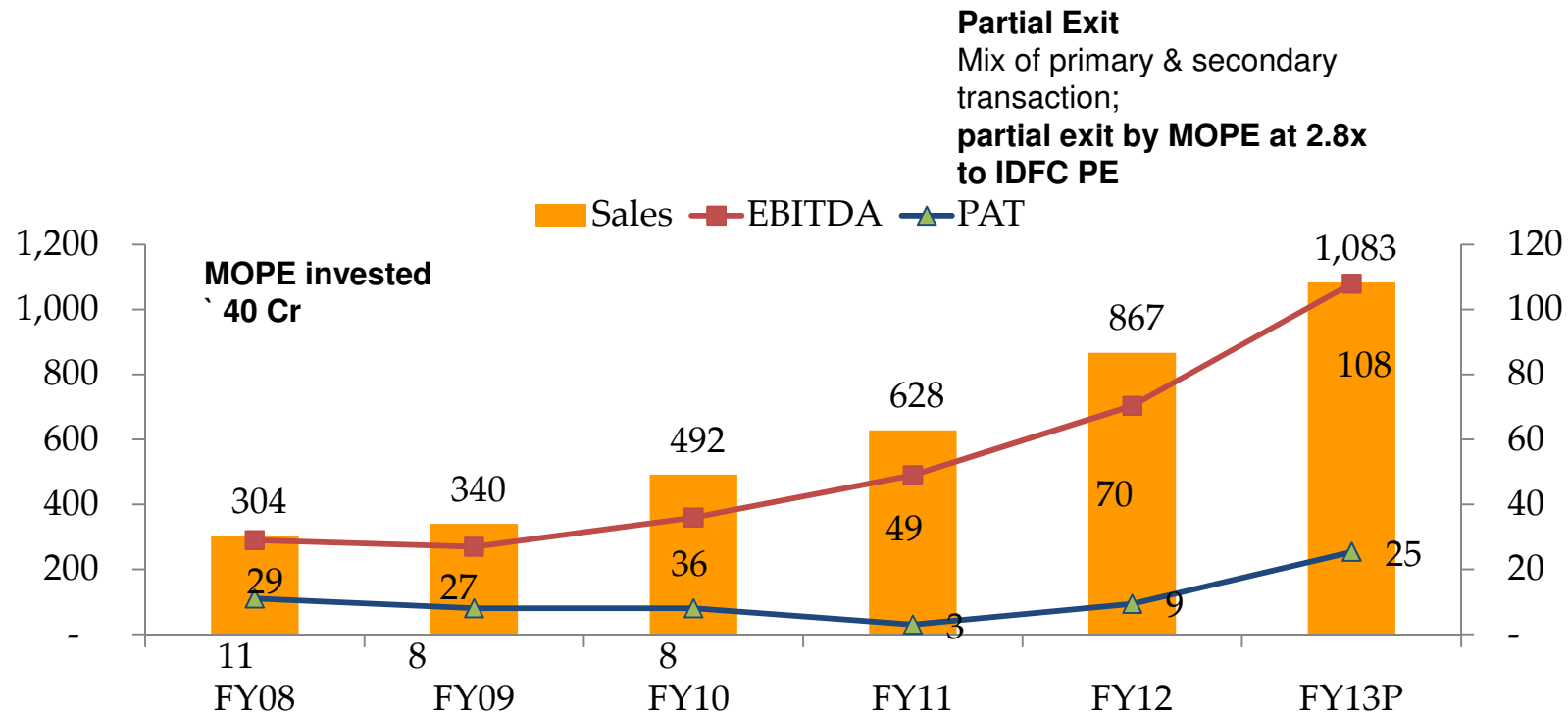
CASE STUDY: AU FINANCIERS



ANALYSIS

- Sizeable transaction for Warburg Pincus and Chrys Capital
- Huge headroom for growth in future
- Good corporate governance practices in place
- No the right size for an IPO and strategic sale;

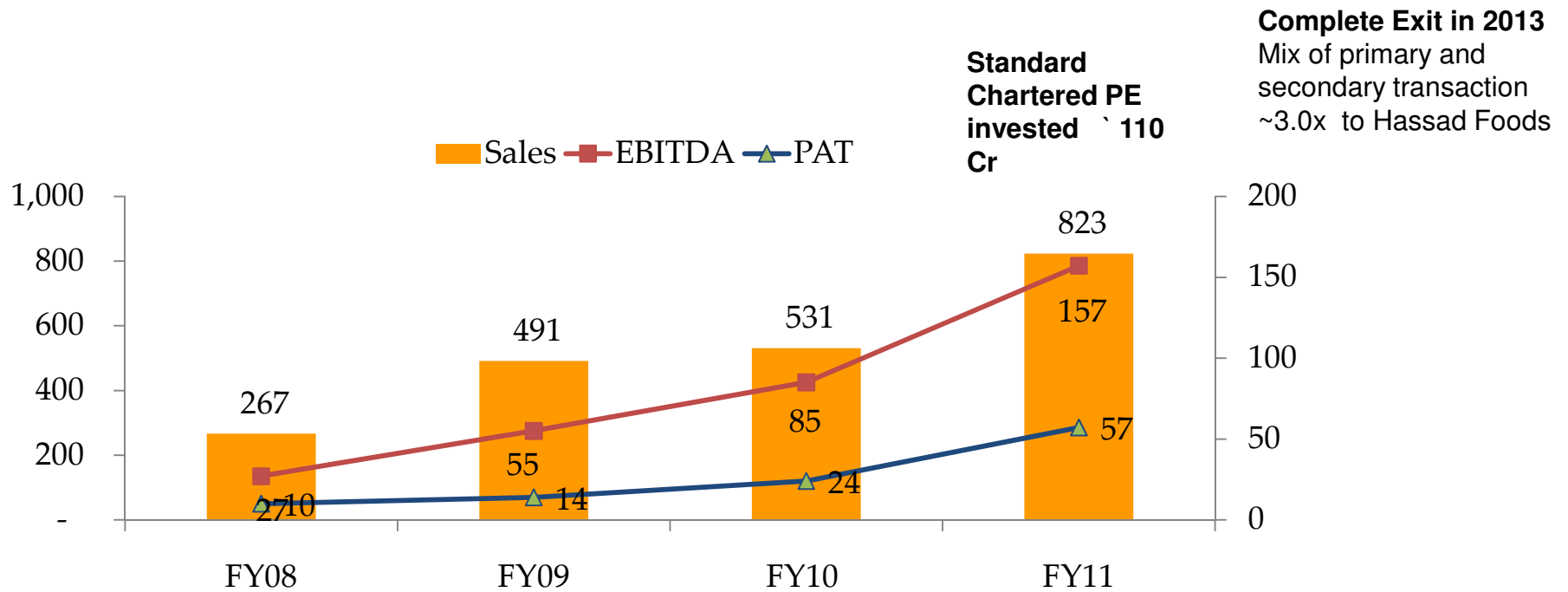
CASE STUDY: PARAG MILKFOODS



ANALYSIS

- Provided opportunity for IDFC PE to invest in domestic consumption theme
- Not reached an adequate size for an IPO
- Promoters not willing for a complete strategic sale

CASE STUDY: BUSH FOODS



EXIT ANALYSIS

- Strategic cum secondary sales
- Hassad Food Company- investment subsidiary of Qatar Sovereign Fund; mandate to contribute to food security programme for Qatar
- Great value accretion for the promoter; opportunity for the brand to strengthen in middle-east- one of the largest export markets for basmati rice from India

CONCLUSION

- Strong market fundamentals make India an attractive destination for PE investment .
- Private equity has emerged as an important asset class (*\$80 bn already invested*) that can play critical role in enterprise value creation
- Indian PE market is set to reach a more mature phase of development with average deal size increasing and number of buy outs growing at a faster rate than the acquisitions of small minority stakes
- Breadth and Depth increasing more as more and more Fund Managers become active.
- Increasing awareness of the concept of Private Equity amongst SMEs will give thrust to the industry
- Reach of PE spreading to tier II and tier III cities like Baroda, Nagpur, Cochin etc

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Q&A



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