

# India

(January 2003 to December 2003)

For India, 2003 was a jubilant year. The Sensex streaked to finish the year up 73%, marking the index's highest levels in three years and winning it the title of second best performing market in Asia. On the back of a strong monsoon, a stable political situation, solid progress in economic reform efforts and relatively low corporate valuations, the Indian economy delivered a robust 7% economic growth and saw corporate profits soar.

For private equity, however, the glowing economic backdrop failed to spark an equally vigorous response. While incoming funds did increase over 66% from the previous year, they remained significantly below 2001 levels. The year's foreign private equity investments in India even saw a slight drop-off from 2002 – in stark contrast to the ten-fold increase seen in investments in neighbouring China.

Indian private equity rallied around several core trends – the continued sponsorship of BPO; a budding interest in banking and finance, a burgeoning buyout scene, and the flourishing of investment in biotech, pharmaceuticals and healthcare.

**Number of Private Equity Firms:** 74 (as at March 2004)

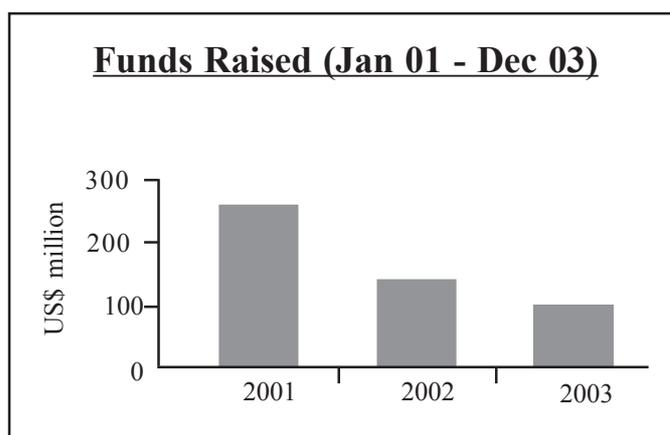
**Number of Professionals:** 144 (as at March 2004)

## Fund Pool

Funds raised in 2003 amounted to US\$236.4 million, a 66% increase over 2002 but a 9% drop on 2001 figures.

Funds for traditional private equity again took the lion's share of the fund pool, at 95% in 2003. Technology fund raising efforts dropped precipitously, from over US\$146 million in 2001 to US\$13.4 million in 2003 in a sign of investors' branching interest to embrace the other sectors of India's burgeoning economy.

Funds in India are gaining both local and foreign institutional interest. During the period under survey, IL & FS Investment Managers' Leverage



India Fund with a target of US\$100 million was launched which enlisted Punjab National Bank as one of the latest institutions to enter India's private equity foray. There were also active initiatives coming from various state governments, such as those coming from the Hyderabad government in sponsoring a biotechnology fund.

Significantly, however, it is the US\$100 million Merlion India Fund jointly sponsored by the Standard Chartered Bank and Temasek Holdings that expresses the growing foreign institutional interest in the country.

### Investments

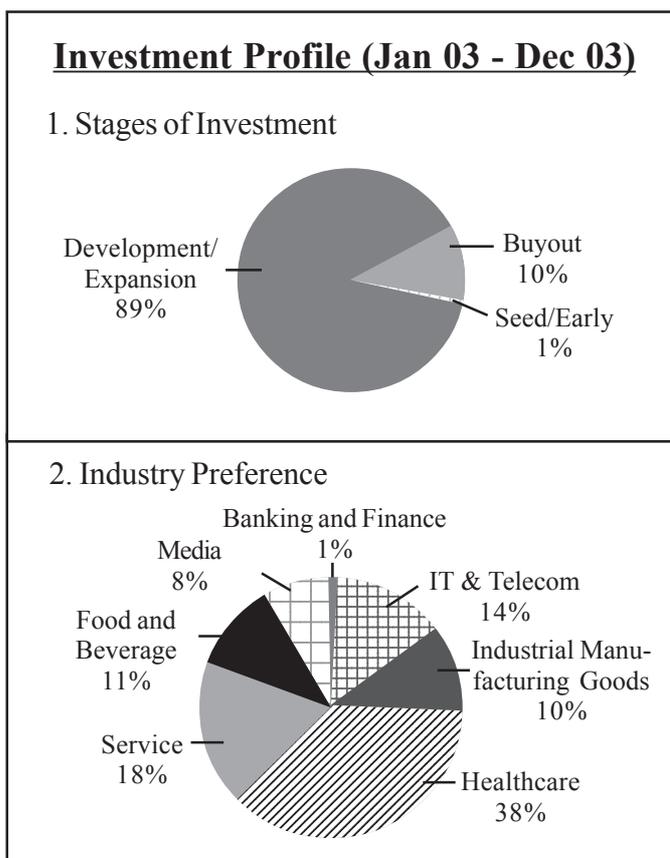
Although the transaction total in India has been sitting stubbornly at an average US\$450 million since 2003, it is an erroneous assumption that investment in India has failed to stir interest. The decline of average deal sizes from US\$21.4 million in 2002 to \$18.2

million in 2003 suggests a rational valuation benchmark being exercised by companies.

In 2003, India was beginning to shed its technology focus as evidenced by the significant decline of early/seed stage deals. Of the US\$456 million transaction amount recorded, a

mere 1% fell into this category, down from an average 11% in the preceding three years. It was also the first time that India indicated it is beginning to join the rest of the Asian market in taking on buyout activities with 10% of the year's investment aggregate being directed to this segment. Companies in development/expansion stage were keenly pursued by private equity investor, as they captured 89% of the year's transaction total.

Unlike in the past, when information and telecommunications dominated private equity investors' company profile, healthcare and pharmaceutical took up close to 40% of investment dollars. Business support services took up the next largest slice of the pie with US\$82.8



million, a staggering 80% increase compared with the amount recorded in the same period in 2002.

The year registered the first significant buyout transaction in India when Actis (then known as CDC Capital Partners) took control of the state-owned Punjab Tractors with a US\$47.6 million commitment.

**Estimated Amount Available for Investment:** US\$18 billion (as at March 2004)

**Five Largest Private Equity Firms (by fund pool under management)**

Private Equity Firm	Fund Pool (US\$)
ICICI Venture Funds Management Co. Ltd.	525 million
ChrysCapital Investment Advisors	400 million
IL&FS Investment Managers Ltd.	151 million
WestBridge Capital Partners	140 million
IDFC Asset Management Co.	140 million

**Five Largest Transactions**

Investee Company	Private Equity Investors	Deal Size (US\$)
Matrix Laboratories	Newbridge Capital, Temasek Holdings	133 million
Radhakrishna Foodland Ltd	Warburg Pincus	50 million
Punjab Tractors Ltd	CDC Capital Partners	48 million
Lupin Ltd	CVC International (Direct Investor)	27 million
Hindustan Times Media Ltd	Henderson Global Investors	27 million