

# Private Equity - Role in Emerging Markets

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Audit, Tax, Consulting, Financial Advisory

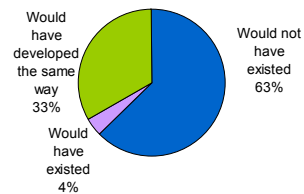
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## Importance of Private Equity

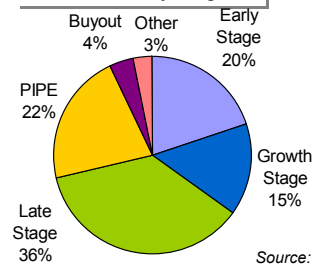
*“Five years ago, entrepreneurs ran family-owned businesses and looked to the next generation to take over the business. It was very difficult for private equity players to invest as entrepreneurs were reluctant to relinquish control of their business. Now increasingly second generation family members accept that ceding control of part of the business is not a bad thing; private equity investment provides additional capital and brings additional business expertise and improved governance.”*

**Richard Laing, Chief Executive, CDC 2008 Outlook**

Without PE funding, my company...



Investments by stage

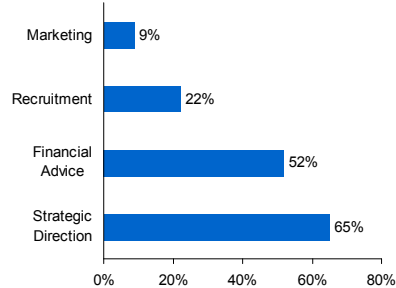


Source: Venture Intelligence

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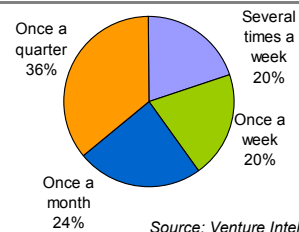
## Role of a Private Equity Investor

### Main contribution of PE investor to business operations



*"The demography study examined 21,937 LBO transactions across 19,500 distinct firms globally from January 1970 to June 2007. It found that almost 60 per cent of private equity fund investments are exited more than five years after the initial investment. And the length of time firms remain under the control of private equity investors has also increased in recent years."*

### Frequency of contact between PE investor and entrepreneur



Source: Venture Intelligence

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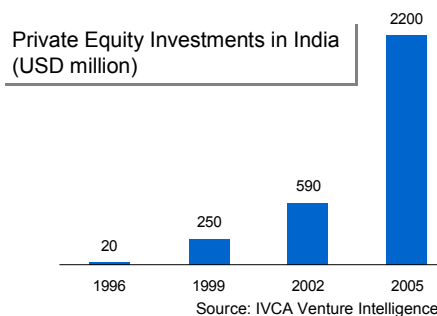
## Private Equity Investments in India

*"The dynamics in emerging private equity markets differ from those in the developed private equity markets. The emerging private equity markets focus primarily on minority and growth capital investments. Emerging private equity markets, although not without challenges, present a host of opportunities."*  
World Economic Forum, 2007

### Investments in India

Total Foreign Direct Investment: USD 30 Billion (estimated)  
Private Equity: USD 4.9 Billion till June/July 2007)  
Real Estate Sector: USD 10 Billion (estimated)

Source: Economic Times



Source: IVCA Venture Intelligence

### PE raised in First half of 2007

Emerging markets: USD 21.05 Billion  
Asia USD 11.6 Billion  
India USD 4 Billion

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## Value addition to the investee company

*“The fact is that in the current environment, Indian investee companies need to learn to play by different rules from what they are used to, accessing global talent pools, capital pools and customers.*

*PE scores here, since companies are attracted by the fact that they gain not only an investment but a partner who is able and willing to provide continuous advice and support.”*

*Spencer Stuart*

*“The injection of private equity finance has a significant impact on a firm's levels of innovation, employment, and corporate governance”*

*World Economic Forum (WEF).*

### ❖ **Higher Returns**

*There has been a clear trend which shows that listed companies having PE investments have outperformed other companies in the peer group*

### ❖ **Higher Exports**

*PE backed companies are also able to extend their global reach, using the international linkages of the investor, to enhance its exports thereby earning foreign exchange for the economy*

### ❖ **Innovation**

*A recent survey shows a higher growth in R&D spends for PE backed companies*

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