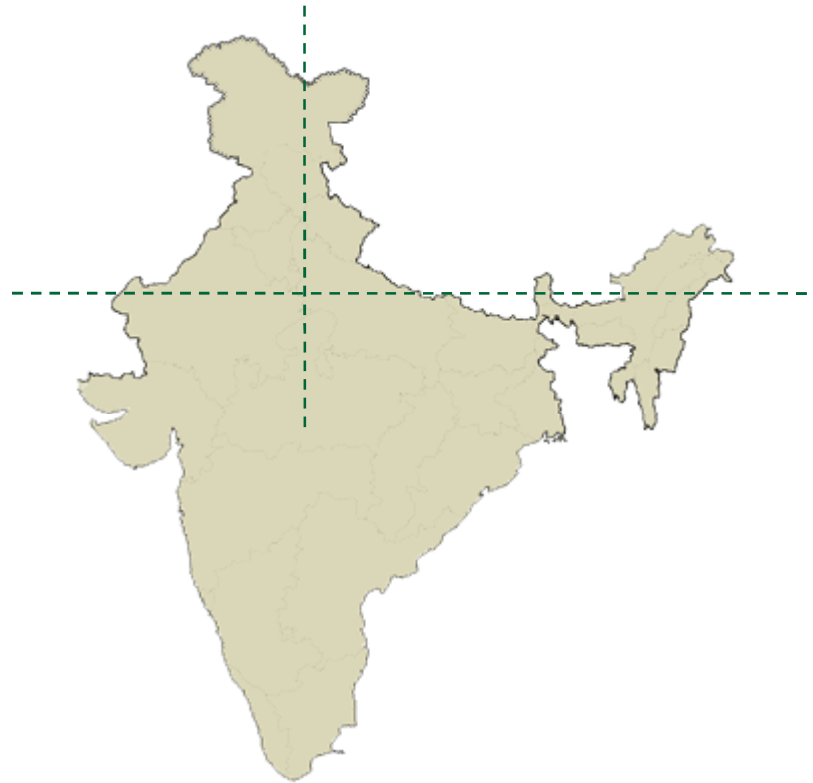


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EXPO SUMMIT 2011, NEW DELHI

**PRIVATE EQUITY  
IN THE INDIAN EXHIBITION SECTOR**

## AGENDA

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1. WHAT IS PRIVATE EQUITY?
2. KEY POINTS ABOUT PRIVATE EQUITY IN INDIA
3. INVESTMENT APPROACH
4. KEY PLAYERS IN THE INDIAN PRIVATE EQUITY SECTOR
5. WHAT DOES A PRIVATE EQUITY FUND LOOK FOR WHEN INVESTING?
6. WHEN AND HOW CAN THE INDIAN EXHIBITION INDUSTRY START ATTRACTING PRIVATE EQUITY?
7. HOW CAN THE INDIAN EXHIBITION INDUSTRY LEVERAGE FUNDS TO CAPITALIZE ITS GROWTH?



# 1. WHAT IS PRIVATE EQUITY

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## **DEFINITION**

“An injection of funds by specialised investors into private companies with the aim of achieving high rates of return.”

## **TYPES OF PRIVATE EQUITY**

The various types of private equity available depend on the state of the company into which private equity is being infused.

### Development phases

- Seed capital or Angel Investment
- Venture capital
- Development capital
- Management Buy out – Management Buy in – Buy in Management Buy out
- Distressed
- Special Situation or Turnaround fund

### Financial technique

- Leveraged Buy out
- Growth Capital
- Mezzanine Capital

## 2. KEY POINTS ABOUT PRIVATE EQUITY IN INDIA

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### **MOST COMMON MODEL OF PRIVATE EQUITY IN INDIA – KEY POINTS**

#### Venture Capital

- Venture Capitalists are either institutional funds or high networth individuals looking to fund a great business idea.
- Investment in start up companies
- High rate of return
- Mainly in technology, biotech and new products

#### Growth Capital

- More flexible type of financing for any corporate purpose
- Mid stage companies generating revenues but not cash flow yet
- Maximize the return on a portfolio over the long-term
- Acquisition of a minority stake

#### Leveraged buy out (LBO)

- Investors (private equity fund - management) and financial sponsors
- Mature companies with low level of debt and high capacity to generate cash flow
- Acquisition of a majority stake
- Repayment of the debt with cash flow generated by the target or sell of a business unit

## 2. KEY POINTS ABOUT PRIVATE EQUITY IN INDIA

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### **TYPES OF PRIVATE EQUITY INVESTORS IN INDIA**

Private Equity infusions come from three core types of investors as below:

- Private Equity Funds
- Angel Investors
- Venture Capitalist Firms or high networth individuals acting as singular Venture Capitalists

### **OBJECTIVES**

The key objectives of Private Equity investors are to do one or all of the following:

- Nurture Expansion of an existing company
- Develop new products with a startup or for an existing company
- Improve gains of an existing company through restructuring ownership and/or management and/or operations.

### 3. INVESTMENT APPROACH

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#### **A. Deal sourcing**

- Investment proposal
- Management Team
- Industry Contact

#### **B. Deal evaluation**

- Due Diligence
- Business Plan
- Legal and Tax structure

#### **C. Investment decision**

- Institutional Investors
- General Partners
- Investment Committee

#### **D. Post investment process**

- Team activities
- Internal rationalization
- Growth strategies

#### **E. Exit strategy**

- Selling off the stake to strategic investors
- Initial Public Offering in India or overseas
- Sale to any other private equity fund or venture capital fund

## 4. KEY PLAYERS IN THE INDIAN PRIVATE EQUITY SECTOR

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Between 2004 and 2009 Private Equity firms invested nearly US\$50 billion in more than 1400 Indian companies including one third of what are now India's 500 biggest enterprises. Reports suggest that a further US\$1 to 1.5 trillion is needed over the next three years to maintain India's current GDP growth rate of 8-9%.

KEY PRIVATE EQUITY FUNDS IN INDIA (according to total funds raised in the last 10 years) ARE:

- ICICI VENTURE FUNDS MANAGEMENT
- CHRYS CAPITAL
- SEQUOIA CAPITAL INDIA
- INDIA VALUE FUND ADVISORS
- KOTAK PRIVATE EQUITY GROUP
- BARING PRIVATE EQUITY PARTNERS INDIA
- ASCENT CAPITAL
- CX PARTNERS
- EVERSTONE CAPITAL

\* rating by PREQIN UK

## 5. WHAT DOES A PRIVATE EQUITY FUND LOOK FOR WHEN INVESTING?

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Private Equity Firms falling under the **VENTURE CAPITAL** category look for the following in a business:

- **SUPERIOR BUSINESSES** – Venture Capitals look for companies with superior products or services targeted at large, fast growing or untapped markets with a defensible strategic position such as intellectual property or patents.
- **QUALITY AND DEPTH OF MANAGEMENT** – Venture Capitals must be confident that the firm has the quality and depth in the management team to achieve its aspirations.
- **APPROPRIATE INVESTMENT STRUCTURE** - As well as the requirement of being an attractive business opportunity, the Venture Capital will also seek to structure a deal to produce the anticipated financial returns to investors. This includes making an investment at a reasonable price per share (valuation).
- **EXIT OPPORTUNITY** - Lastly but most importantly Venture Capital look for a clear exit opportunity for their investments such as a public listing or a third party acquisition of the investee company.
- **A SMART BUSINESS PLAN** - This is the cornerstone of Venture Capital funding. The business plan should be **SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC** and **TIME BOUND**.

## 5. WHAT DOES A PRIVATE EQUITY FUND LOOK FOR WHEN INVESTING?

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Private Equity Firms falling under the **GROWTH CAPITAL** category look for the following in a business in addition to the criterion specified in the Venture Capital category:

- **MAINTAINABLE GROWTH PROSPECTS** - Growth Capital investors will examine the critical success factors of the business and seek to identify where the company has sustainable competitive advantage in the sector.
- **AN ATTRACTIVE SECTOR** - Sectors that can demonstrate a growing market, limited competition and sustained potential are generally preferred.
- **A CLEAN AND TIDY BUSINESS** - A business that has its internal housekeeping in order is more likelier to attract Growth Capital.
- **A SOUND AND WELL RESEARCHED STRATEGY** - Growth Capital category funds will look very carefully at where the company can go and how will it get there. Strategies of diversification and vertical integration are favored.



## 6. WHEN AND HOW CAN THE INDIAN EXHIBITION INDUSTRY START ATTRACTING PRIVATE EQUITY?

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India has one of the fastest growing Private Equity funding activities in the world. Over US\$ 50 billion was invested in the period 2004-2009. The key factors that secured Private Equity funding in particular sectors are as below:

- NETWORKING – Several reports on Private Equity in India clearly points out that inter industry networking was the root source and cause of Private Equity funding in India.
- ASSOCIATION PARTNERSHIPS - The IVCA (India Venture Capital Association) is a strong active association with members actively looking to invest.
- LOOK WITHIN - The exhibition industry in India is best understood by domestic investors. Before looking towards international funds the exhibition industry should focus on locally available Venture Capital and Private Equity firms who understand the local market better.
- CONSTANT IMPROVEMENTS TO SECTOR PERFORMANCE - Good venue infrastructure is one of the crucial success factors for our industry. The key metros of Delhi and Mumbai need vastly improved venue infrastructure in the heart of the city to represent our fast evolving and dynamic sector.

## 6. WHEN AND HOW CAN THE INDIAN EXHIBITION INDUSTRY START ATTRACTING PRIVATE EQUITY?

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In addition to the generic points mentioned earlier the following points specific to the exhibition sector should be looked at to attract Private Equity:

- FOCUS ON DEMONSTRABLE ROI FOR ATTENDEES - When talking to an investor the added value brought to the sector through the event should be clearly demonstrated.
- FOCUS ON RETENTION - In our sector, retention is the key to sustainable growth. Your event's ability to achieve high retention and drive loyalty amongst exhibitors and visitors should be clearly showcased to potential investors.
- CREATE STRONG CONTENT - Strong content equals well informed buyers which in turn means improved loyalty from attendees. A potential investor will be very attracted to an event which is an annual industry platform for learning what's "New and Improved!".
- SHOW EXPERTISE – Private Equity investors will look for industry expertise and know how. Investors as well as attendees are much more likely to invest in a business that has a thorough understanding of the sectors it serves.

## 7. HOW CAN THE SECTOR LEVERAGE FUNDS TO CAPITALIZE GROWTH ?

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Attracting Private Equity in the Venture Capital or Growth Capital funding format is the beginning of the challenge. The following factors will enable the investee to achieve maximum returns on investment:

- SIMPLIFY REGULATORY FRAMEWORK – India Private Equity and Venture Capital industry is far from reaching its full potential.
- STICK TO THE SMART PLAN - Sticking to the SMART plan and with consistent investor reviews are crucial to the long term performance of funds.
- UTILIZE FUND STRENGTHS - Investors will bring with the funds a specialist knowledge of certain aspects of running the business. The investee needs to fully open up the business to incorporate the investors strengths so as to jointly pursue growth strategies.
- DIVERSIFICATION AND VERTICAL INTEGRATION - Diversification and vertical integration are the two key increase in value drivers pursued by mid stage Private Equity Funds.
- ACT NATIONAL THINK REGIONAL – Private Equity funding in India currently favors business that pursue growth by tapping into the potential offered by regionally adapted region focused business. Private Equity funding is a great way to pursue this large potential available in India's tier two cities.

As a conclusion, Private Equity funding is very available in India. A SMART well NETWORKED approach will attract these funds to the exhibition sector. Once in, these funds should be carefully used to pursue aspirations within reach but on the outside of our business domains to capitalize and achieve maximal growth.

## FURTHER INFORMATION

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For further information you can contact me at:

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