INDUS BALAJI PRIVATE EQUITY

Emerging Markets Media & Entertainment Opportunities Fund I
Executive Summary

**Investment Style**
- Early stage
- Significant majority
- Incubation
- High operational involvement
- Asset Light Businesses

**Investment Theme**
- Media & Entertainment (Non TV & Film)*
- Mobility Plays
- Transactional Internet Businesses

**Value Addition**
- Operational & investment expertise of the team
- Ability to bring in key talent and share across assets
- Industry relationships

* The fund will not invest in TV or Film Content

**The Fund**
- Emerging Markets Media & Entertainment Opportunities Fund I

**Investment Manager**
- Indus Balaji Private Equity

**Target Fund size**
- Rs. 250 Cr. With a Rs. 100 Cr. greenshoe option

**First Close**
- Rs. 75 Cr. with a Rs. 20 cr greenshoe option

**Target Fund size**
- Rs. 70 Cr.

**Term of the fund**
- 4 years for investments + 2 years for exit (+2 years extension at discretion of the Investment Manager)

**Drawdown Schedule**
- 20% upfront, balance as per investment cycle

**Target Return/IRR**
- Pre Tax 25% (Not assured) with a 10% hurdle rate

**Annual Fees:**
- 2% of committed amount per annum with applicable taxes

**Performance Linked Fee**
- Carried interest at 20% of the Pre-Tax returns (With Catch-Up)
Investor Presentation

• Introduction
• Media in India
• Private Equity in India
• The Fund
  • Philosophy
  • Team
  • Investment Pipeline
  • Investment Process
• Fund Terms
The Fund has been established to make equity investments, typically in early stage Media & Entertainment companies (except television and film content), transactional internet businesses and mobility based ideas.

**Introduction**

**Unique, high involvement approach to early stage investing**
Value Creation

- Early stage investment resulting in low P/E entry ratios
  - In case of incubated investments, entry at par, no overpaying for attractive assets
  - Can result in higher exit multiples

- Exit valuations expected to be higher due to Control Premium
  - Reduces various risks associated with minority investments
  - Full control over operations and growth strategy of asset

- Ensuring that early stage startups receive a matured support structure which is shared across assets
  - Providing high quality talent across verticals and sharing across assets

- Cumulative 100 years of experience across PE, corporate strategy and investment banking.
  - Invested over $350m and advised on deals of $1Bn+
Investment Focus

Investment Theme

- Early stage significant majority investments

Sector

- Mobility
- Internet
- Media

Subsector

- MVAS
- Apps
- Transactional
- Outsourcing
- Education

Current Asset Pipeline

- Mobile VAS Business
- Media Education
India Sector & Industry Overview
Private Equity in India

High Growth, Increasing affluence, Consumption led growth

Typical investment involved minority stakes in Large Cap Companies

Lack of risk capital presents an opportunity for private equity

Result: Growth and returns were a function of growing economy. No alpha was added.

Our philosophy focuses on addressing sectors which face a funding shortage and where we have expertise.

Growth is fostered through providing key talent and support services

Investments are typically early stage with significant majority with significant operational involvement

Result: Entry at low PE, only risk taken is execution risk.
• Asset light model contributes to lower downside.
• Sector choice and availability of expertise and support will result in deeper understanding and therefore mitigation of the risks.

Majority stake & hands on operations: De-risking early stage investments
Private Equity Returns

Public Markets

- Has returned 11.84% IRR over five years
- High liquidity
- Correlation to broader economy and markets, cyclic in nature

Private Equity

- Globally, Private Equity has returned from 25% IRR for the 2003 vintage to as low as 8% IRR for the 2000 vintage
- Better risk management and low correlation to equity markets make this a favorable investment

Large Cap

- Has returned 11.84% IRR over five years
- High liquidity
- Correlation to broader economy and markets, cyclic in nature

Mid Cap

- Has returned 9.02% IRR over five years
- Overall index underperforms the broader market, selectivity is the key to higher returns

Small Cap

- Has returned 7.60% IRR over five years
- Overall index performs poorly, selection becomes even more critical

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* Analysis based on the portfolio of a large investor which has invested in over 300 PE Funds across two decades, multiple geographies and various investment philosophies
Mobility in India

India is one of the fastest growing as well as the largest telecom markets globally.

With increasing mobile penetration and growing consumption of media on the mobile platform, mobility plays are a key part of any serious media play in India.

**Entertainment**
- Ringtones/CRBT
- Reverse CRBT
- Wallpaper & Screensavers
- Music and songs
- Games
- Contest / voting

**Information**
- Monthly subscription services
- One time requests
- Voice / IVR

**mCommerce**
- Mobile Banking
- Bill Payment

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**Demand Side**
- Increasing customers
- Falling voice ARPU
- Mobile number portability

**Supply Side**
- Few players with content development expertise comparable to current team
- APPS and MVAS to increase ARPU
- Unique Content will result in consumer stickiness

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Catering To The Largest And One Of The Fastest Growing Sectors Globally
The Indian Media sector is a bet on the Indian consumption story. It offers exposure to growth without the crowded bets which plague other sectors.

The fund will focus on all subsectors of Media except content for television and films.
Transactional Internet Business

**Revenue Models**

- **Transaction**: People are used to paying for transactions. Proven concept domestically. Asset light, highly scalable model.
  - Broadband subscribers growing at over 3.5% per month on a base of 12m.
  - Introduction of 4G (WiMAX/LTE) will result in accelerated growth as the device form factor goes down and cost of entry reduces.

- **Subscription**: Uphill battle against ingrained mindset.

- **Ad funded**: Non Scalable Revenue Source.

**Positioned To Capture The Rise Of Ecommerce In India**

- Growing target segment and increasing acceptance of internet based transactions result in an exponentially growing opportunity.
Indus Balaji Private Equity
The team at Indus Balaji believes that identifying unexplored investment niches, finding scalable businesses in these niches and entering transactions at par and scaling them through active asset management will create alpha for the fund’s investors.

**Investment Philosophy**

- **Operating Leverage**: Inculcating Operational Efficiencies in Early Stage Investments
- **Industry Relationships**: Leverage key relationships to provide best in class talent, gain access to deal flow and find strategic buyers
- **Diverse Team Structure**: Strong Combination Of Sector Operational Experience And Investment Expertise
- **Sector Focus**: Targeting Sunrise Sectors And Bringing In Cross Sector Synergies
- **Asset Management Strategy**: Team Focus On Operational Efficiency With A Hands On Approach And Deep Involvement In Portfolio Companies

**Combination Of Above Components Will Increase Returns & Reducing Risk**
Current Team: Investments

The investment team at Indus Balaji comes with a wealth of experience:

• Cumulative 100 years of experience across private equity, corporate strategy, operational management and investment banking.

• Experience across sectors such as Media, Technology, Infrastructure, Real Estate, Banking etc.

• Made Private Equity Investments of over $350m

• Advised on deals of over $1Bn

Shobha Kapoor is Managing Director at Balaji Telefilms

For the past 15 years, she has been instrumental in spearheading the company’s growth across the media space, and is a veteran in operational management and corporate relationships in the media space.

She is credited with building the country’s largest television production firm, which has consistently delivered the most successful shows in the country.

Mrs. Shobha Kapoor
Partner

Extensive Core Media Operations Experience & Relationships
Current Team: Investments

- Puneet has been the Group CEO of Balaji Telefilms since 2008, and was responsible for growing the company’s core business and leading its expansion into new businesses.
- He is an ex investment banker, having set up PWC’s Corporate Finance and Investment Banking practice in South India. With over 15 years of experience, Puneet has advised many corporate and private equity players, especially in the mid cap space.
- He holds a MBA from the Australian Graduate School of Management (AGSM), University of New South Wales.

Puneet Kinra
Managing Partner

- Prior to joining Indus Balaji, Mohit headed media investments at Barings Private Equity where he was also instrumental in several investments in the transactional space and NBFCs with ticket size of over $50m.
- In his stint at Yes Bank, he was responsible for strategy of and setting up the midmarket and corporate liabilities business and at TSMG he was a consultant to Tata Indicom on a JV for content management growth strategy.
- He holds a MBA from the Faculty of Management Studies, Delhi and is an engineer from NSIT, Delhi University

Mohit Ralhan
Partner

Extensive Investment And Transaction Experience
Current Team: Investments

Abhijit Nath
Principal

Piyush Soonee
Associate

Diverse Experience Resulting In Complementary Skill Sets

- Prior to Indus Balaji, Abhijit was Head, Strategy & Investments for Balaji Telefilms, where he worked extensively on the company’s diversification into the motion pictures, new media and education space.
- Abhijit comes with a wealth of private equity experience, having worked on transactions worth over $300 mn at RREEF, the private equity arm of Deutsche Bank, and ICICI Venture, the largest private equity firm in India.
- He holds a MBA from the Indian Institute of Management, Ahmedabad and a degree in economics from Delhi University.

- Prior to Indus Balaji, Piyush has worked as consultant in infrastructure financing across Asia, Middle East & North America advising on projects worth over $700mn.
- Prior to that he has worked across roles in technology companies such as Alcatel Lucent & Cisco Systems.
- He holds a MBA from the Indian Institute of Management, Ahmedabad and a degree in engineering from VTU, Karnataka.

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Current Team: Operating Partners

The operating partners at Indus Balaji includes professionals from various allied industries who have had immense operational experience in either setting up operations from scratch or scaling up operations phenomenally.

- Punyashlok was previously the Business Head (Consumer Business) and Head of Marketing at Hungama Digital Media Entertainment Pvt. Ltd.
- Punyashlok has over ten years of experience in marketing, and has worked at companies such as Asian Paints and L’Oreal, where he worked on brands like Garnier and L’Oreal. His expertise is in brand management with a focus on consumer insights & communication development.
- He holds a MMS in Marketing from Narsee Monjee Institute of Management Studies and an undergraduate degree in statistics.

- In his last role, Bhavin was a technical lead with Cisco Systems, India for the last three years.
- With over 18 years of experience in the software product development industry Bhavin has held engineering leadership roles in firms such as Cisco Systems, BEA Systems and Network Programs.
- Bhavin holds an MS in Computer Engineering from Rutgers – the State University of NJ, USA and a BE in Computer Engineering from Bombay University, Mumbai, India.

Punyashlok Bhakta
Operating Partner,
Internet & Marketing

Bhavin Seth
Operating Partner,
Technology

Complementary Skills And Areas Of Expertise
Advisory Board

The advisory board at Indus Balaji includes leaders from various industries and functions, from M&A and venture capital to media and corporate governance.

Their vast experience and knowledge of the industry will serve as a valuable resource which can help and guide the investment & operating teams.

- Ashish Basu, an alumnus of IIM, Bangalore and IIT, Bombay, was President and Global Head of NIIT's New Business Incubation and Knowledge Solutions Business.
- In that capacity he headed one of NIIT's major business lines and also the largest CBT and Multimedia development center in the world.
- He brings over 25 years of experience in Instructional Research and Consulting in the education space
- He has consulted for global majors such as IBM, Reuters, AT&T, The World Bank and USAID, among others.

Ashish Basu
Advisor,
Education

Extensive Leadership Experience : Responsible For Defining Sectors
Advisory Board

The advisory board at Indus Balaji includes leaders from various industries and functions, from M&A and venture capital to media and corporate governance. Their vast experience and knowledge of the industry will serve as a valuable resource which can help and guide the investment & operating teams.

- Pradeep Guha, MD of Culture Company is a leading media and entertainment consultant.
- Pradeep was the CEO of Zee from 2005 to 2008, where he helped the company set up their first foray into print.
- Prior to Zee, Pradeep had been associated with the print medium for 29 years and was President of The Times of India Group, as well as on its Board.
- Pradeep’s many board affiliations include Raymond, Mukta Arts, Puravankara Projects, Future Media and Whistling Woods. Apart from this Pradeep is also a member of the Advisory Council Boards of Nexus India Capital Advisors, Vdopia, Komli Media and Amagi Technologies

- Ashutosh is a Partner with Korn/Ferry International, where he heads the Consumer, Media & Entertainment verticals. Prior to this, Mr. Khanna was chief operating officer at Grey Worldwide, India, where he directly managed 200 professionals and was responsible for generating over $10m in revenues
- There, he was part of the team that worked to create the award-winning ‘Incredible India’ tourism campaign as well as the ‘India Shining’ campaign. He began his career in advertising with Ogilvy & Mather before moving on to Everest and Lintas.
- Mr. Khanna was ranked among the top 20 most influential people in Indian advertising in 2006. He holds a masters in management from the University of Mumbai and a bachelor’s degree in zoology from Delhi University.

Pradeep Guha
Advisor,
Media & Entertainment

Ashutosh Khanna
Advisor,
Marketing & Strategy

Extensive Leadership Experience: Responsible For Defining Sectors
Advisory Board

• Akshay Chudasama is an advocate at the Bombay High Court and a partner at J. Sagar Associates, one of India’s leading law firms. He has been Independent Director of Raymond Ltd. since April 21, 2011, and of Balaji Telefilms Ltd. since July 17, 2000. He serves as a Director of New Consolidated Construction Co. Ltd.
• He has rich expertise in joint venture, commercial / contractual transaction structuring and documentation, corporate laws, mergers and acquisitions, anti-dumping, consumer protection, insurance sector privatization, alternate dispute resolution, Internet and cyber laws.
• Akshay is an Arts and Economics Graduate from the University of Mumbai and holds Bachelor of Laws from the London School of Economics, UK.

Akshay Chudasama
Advisor,
Mergers & Acquisitions

• Mr. D. G. Rajan, CA serves as an Advisor and Management Consultant to many domestic and international Groups. He served as a Partner of Lovelock & Lewes (now part of PwC) and also served as its Senior Partner since 1990.
• He is an advisor to many domestic and international business groups. He served as President of the Institute of Management Consultants of India and Chairman of the Southern Region of the Indian Paint Association. He serves as the Chairman of India Blue Mountains, a director of Lotte India and as a Non-Executive (Independent) Director at Balaji Telefilms Ltd. since July 2010.
• He is a Fellow of the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of India.

D.G. Rajan
Advisor,
Financial Reporting & Strategy

Extensive Leadership Experience: Responsible For Defining Sectors
Transaction Pipeline
The Fund has already identified and is finalizing binding agreements with potential investee companies across the media space. These cover a broad spectrum in IP led and services led businesses. Aside from these investments, the Fund is in advanced discussions with a wide variety of potential investee companies.
Melds Two Key Growth Stories In Media And Education
With an increasing population and a booming economy, all sectors are witnessing tremendous growth. Media & Entertainment is growing 12% y-o-y and therefore is attracting interest from a large number of prospective employees. With a large portion of roles being skill based, there is need for vocational education in this sector.

With only a few elite schools being present, the absence of a mass market media education institute presents an opportunity. This is being captured through an entity which boasts the operational experience of an industry leader in the vocational training space.
Competitive Analysis

Offering a practical short duration course which is attractively priced, the institute affords its students the chance to enter the media industry as a skilled professional. With an emphasis on the course structure rather than star faculty, the model is extremely scalable. Advantages of the institute include opportunities for the students to gain practical exposure through internships and contracts.

<table>
<thead>
<tr>
<th>Investee Co.</th>
<th>Whistling Woods</th>
<th>Satyajit Ray Institute</th>
<th>Other Government Institutes</th>
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<tbody>
<tr>
<td>Short Term courses</td>
<td>Long term courses</td>
<td>Long term courses</td>
<td>Long term courses</td>
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<tr>
<td>Moderately priced</td>
<td>High priced</td>
<td>Reasonable fees</td>
<td>Reasonable fees</td>
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<td>Employability</td>
<td>Single location</td>
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<td>Low employability</td>
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<td>oriented</td>
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<tr>
<td>Process oriented,</td>
<td>Star faculty,</td>
<td>No ambition to expand</td>
<td>Lack of brand recognition</td>
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<td>easily replicable</td>
<td>inability to expand</td>
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**Mobile VAS**

**Product**
- Creates content for mobile platforms
- Differentiated, branded content for the 3G and 2G space

**Current Status**
- Expected to be cash flow positive in FY12
- Established player in the domain, with relationships with all operators & platforms

**Growth**
- May also enter into the applications ecosystem
- Proxy investment on mobile penetration in India

**Mobile Ecosystem**

**Partners**

![Partners Logos]

**A High Growth And High Volume Sector, Leveraging Available Content**
With the introduction of mobile number portability and in face of dropping voice ARPs, telecom operators are pinning their hopes on VAS to drive up ARPs and to serve as customer retention tools.

The end user is increasingly using the mobile as a media consumption platform and also showing willingness to spend for new and innovative content.
Competitive Analysis

The MVAS business is straddling the traditional roles of the content developer and the aggregator. It is producing new content at an increasingly fast pace and has also developed relationships with some telecom vendors, bypassing the established aggregators.

The natural progression for this business is to move off deck; however, this is constrained by mobile payment technology. With mainstream acceptance of mobile payment, tremendous value is expected to be realized by this business as the rev share jumps from 12 – 20% to 100%.

With the current fragmentation of industry, all telcos are tying up with specific content providers/aggregators for different type of content. Therefore, there is an opportunity to establish the company as the leading aggregator in some new genres.

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<tr>
<th>OnMobile</th>
<th>Hungama</th>
<th>IMImobile</th>
<th>Investee Co.</th>
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<td>Global player with revenues of over Rs 530 Cr.</td>
<td>Launched in 2001</td>
<td>Global operations with significant outsourcing revenue</td>
<td>Industry leading content library</td>
</tr>
<tr>
<td>No significant in-house creative team</td>
<td>One of the largest creator &amp; aggregator of mobile Bollywood content</td>
<td>No in-house creative team</td>
<td>Significantly growing in-house content team</td>
</tr>
<tr>
<td>33% aggregation marketshare</td>
<td>Large in-house creative team &amp; successful foray in television</td>
<td>DNA of a software company offering a solution</td>
<td>Leader in fiction sub-segment. Opportunity for aggregation</td>
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Investment Process
Investment Process

**Screening**
- Deal Sourcing
- Initial Investment Memorandum
- Detailed Due Diligence
- Investment Committee

**Investment**
- Terms & Negotiations
- Structuring
- Final Documentation

**Growth**
- Capital Injection
- Selecting Key Employees
- Strategic Guidance
- Monitoring

**Exit**
- Industry Relationships: Potential Strategic Buyers
- Synergies Across Assets
- Control Premiums
Investment Screening

Of the processes highlighted on the previous page, the screening process is the most critical and warrants further details.

Deal Sourcing

- Management network: The management team has deep and broad relationships with management teams and entrepreneurs. These relationships are expected to provide an important source of investment opportunities.
- Expert network: The management team actively seeks out and builds relationships with global and local experts, such as management consultants, sector experts and turnaround specialists, in their sectors of focus. They serve as valuable reference checks during the due diligence process.
- Intermediary network: Building trust with intermediaries can lead to obtaining early access to opportunities before they become subject to a formal auction process, both at the time of entry and exit.

Initial Screening

- Following the identification of a potential transaction, a profile of the transaction is prepared and circulated between the team.
- Transaction profiles are recorded in a transaction database. The management team reviews all transaction profiles during weekly team meetings. A decision is then made by the entire team as to whether a transaction warrants further analysis.
Investment Screening

Initial Investment Memorandum

• Opportunities passing an initial screening are subject to a closer review. An Initial Investment Memorandum is prepared. This typically involves more detailed discussions with management and industry experts, and the analysis by the team of the company profile and a proposed investment thesis. The Initial Investment Memorandum is distributed to all team members and submitted to the Investment Committee.

Detailed Due Diligence

• This stage of the process involves a deep dive of the potential investment opportunity by the management team and their other advisors (including financial and legal advisors). The detailed due diligence process includes:
  ● A complete financial audit usually
  ● Legal due diligence and documentation
  ● Complete set of independent reference checks
  ● Comprehensive meetings with the management team to understand scalability, drive, integrity and motivation

Investment Committee

• The due diligence process culminates in a final Investment Memorandum that is submitted to the Investment Committee for their approval. If unanimously approved by the Investment Committee, the recommendation is made to the Investment Manager, and if approved, to the board of the Fund to decide whether to approve final execution of the investment opportunity.
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For fund related queries please contact

Mr. Mohit Ralhan at mohit.ralhan@indusbalaji.com

Mr. Abhijit Nath at abhijit.nath@indusbalaji.com