Delving Deep.. Delivering Value..
Delving Deep. Delivering Value.

Value often does not appear on the surface. It remains hidden underneath, and can only be acquired through meticulous scrutiny and research. One has to delve deep below the surface, traverse unfamiliar terrains and analyze with a watchful eye.

Think about deep-sea divers, exposing themselves to the dangers of hostile marine creatures, violent water currents and turbulent waves. In quest for the beautiful, but elusive pearl oysters, from where the pearl is extracted and showcased to the world.

Value creation at Avendus PE follows a similar direction. We leverage in-depth research, seasoned insights and widening relationships to create enduring value for investors.

In a Nutshell

Fund Overview

- INR 500 crore Alternative Investment Fund to invest in listed Indian small-cap and mid-cap companies
- 12-14 investments over a span of 2 years
- Term: 5 years with partial redemption option starting from 36 months
- Return of capital to investors upon exit from investments

Intensive and Disciplined Approach

- Private Equity evaluation approach entailing an in-depth primary research, multiple management meetings, thorough commercial due diligence, customers feedback, and reference checks on promoters
- Emphasis on active engagement with portfolio companies to improve investor relations and corporate governance

Investment Strategy

- Total returns through long term investing (~3 years) in undervalued and under-researched companies (market capitalization less than INR 5,500 crore)
- Focus on sectors which benefit from India’s rising discretionary spending, increasing rural prosperity and rapid urbanization. Selectively invest in companies undergoing special situations
- Primary and secondary investments to obtain equity stakes of around 5%
Why Invest in Avendus India Opportunities Fund III?

ONE
High Performance Team with a Proven Track Record – of generating high returns with less risk

TWO
Large and Attractive Opportunity – set of under-researched listed mid-cap companies

THREE
Differentiated Investment Approach – private equity evaluation style in listed companies with active engagement

FOUR
Avendus Capital Platform Advantage – leverage insights and relationships with mid market companies
Consistent Performance with Proven Track Record

Fund size of INR 158 crore, started in January, 2011
100% of the capital deployed in 10 companies

17.3% vs -13.4%
Annualized portfolio return (XIRR, gross of fees) as compared to BSE Small-cap (Benchmark Index) return as of 31st May, 2013.

Examples of Portfolio Companies:

- **V-Guard**: Market leader in electrical goods in south India
- **Bajaj Corp**: Biggest light hair oil company (Bajaj Almond Drops)
- **Dhanuka Agritech**: Second largest agrochemicals company
- **Zydus Wellness**: Market leader in low calorie sweetener (Sugarfree) and face wash (Everyuth)
- **Magma Fincorp**: Retail asset finance company with strong reach in rural India
- **HSIL**: Market leader in sanitary ware (Hindware) and container glass
- **Kajaria**: Second largest tiles company
- **Action Construction Equipment**: Market leader in cranes

*Fund II shall be construed to mean the second strategy of portfolio management services offered by Avendus PE, called Avendus Special Situations Strategy II*
Fund size of INR 20 crore, started in September, 2009
100% of the capital deployed in 7 companies
Exited from 5 investments, 117% of the capital returned back to investors.

15.3% vs -0.4%

Annualized portfolio return (XIRR, gross of fees) as compared to BSE Small-cap (Benchmark Index) return as of 31st May, 2013

Examples of Portfolio Companies

TTK Prestige
Largest kitchen appliances company (exited with 3.0x return)

Camlin
Biggest firm in art and stationery products (exited with 3.1x return)

Gujarat Apollo
Biggest player in road surfacing equipment (exited with 0.5x return)

V-Guard
Market leader in electrical goods in south India (exited with 2.8x return)
Experienced and Talented Investment Team

MANOJ THAKUR
CEO

• 20 years of experience in managing public and private equity funds and strategic management consulting
• Started Avendus PE in 2009. Formulated the firm’s business strategy, built its investment team and successfully raised capital to invest in listed mid cap companies.
• Previously, Director at Caisse de dépôt et placement du Québec – Canada’s largest pension fund. Headed M&A at A.S. Watson (the US$11Bn subsidiary of Hutchison Whampoa), Vice President at GE Asia Pacific Capital Technology Fund and Management Consultant with Tata Strategic Management Group
• Made successful media investments in India, including UTV and ENIL (Radio Mirchi) and served on the Boards of UTV and ENIL for several years
• Masters in Management from the Asian Institute of Management, Manila; MBA from the Jamnalal Bajaj Institute of Management Studies, Mumbai and B.Tech. from IIT Bombay

SHRIKANT BANDARU
PRINCIPAL

• 10 years of experience in alternative asset management and management consulting. Rich investment experience across private equity and public market asset classes
• With Avendus PE since its inception; previously, worked with JM Financial Investment Managers, Accenture (Strategy Practice), ECS Ltd and CSFB
• Made investments in the infrastructure, FMCG, consumer durables, pharmaceuticals and financial services sectors
• MBA from IIM Calcutta; B.Tech. from IIT, Kanpur

MYTHILI BALAKRISHNAN
VICE PRESIDENT

• 9 years of public markets experience in investing and equity research
• Involved in long term investing in Indian listed companies at Nalanda Capital in Singapore and at Motilal Oswal Asset Management in Mumbai
• Equity Research Analyst with JP Morgan covering IT and Technology sector for 5 years
• MBA from IIM, Ahmedabad, B.E. from Delhi College of Engineering
DHAVAL VAKHARIA
VICE PRESIDENT – FINANCE
• 9 years of experience in private equity and risk management consulting
• Previously with India Value Fund Advisors and KPMG India
• Experience in PE fund raising, investor relations, debt raising, debt restructuring, PE asset monitoring, valuations, implementation of enterprise risk management and governance framework, Sarbanes Oxley implementation and tax and regulatory issues
• Chartered Accountant - India and Certified Internal Auditor – USA, Bachelors in Commerce, Mumbai University

ANKUSH KEDIA
ASSOCIATE VICE PRESIDENT
• 7 years of private equity, public markets and investment banking experience
• With Avendus PE since its inception; previously worked with Mayfield Fund (as part of its strategic partnership with Avendus Capital) and Axis Bank (Investment Banking)
• Experience of investing in both public markets and private equity in sectors which include consumer durables, FMCG, building materials, kitchen appliances and infrastructure equipment sectors
• MBA from XLRI, Jamshedpur, B.Tech. from IIT, Roorkee

AMIT MANJREKAR
MANAGER - FINANCE
• 9 years of finance, accounts, taxation and operation management experience
• With Avendus since 2007; previously worked with JM Financial, HSBC Securities and Strategic Capital Corporation
• Experience in alternate asset management, portfolio advisory, mutual funds, fixed income and investment banking
• Bachelors in Commerce and LLB from Mumbai University

RUCHIR GOENKA
EXECUTIVE ASSISTANT TO CEO
• 10 years of experience as an entrepreneur in the luxury goods business
• Worked with Sanghvi Brands, in the Wellness Industry, handling strategy and implementation
• Experience in business development and client relationship
• MBA from ESADE Business School, Barcelona, Spain, Bachelors of Commerce from Mumbai University
Attractive Market Opportunity
Large universe of Indian listed companies with poor research coverage.

Over 5,000 companies listed on the Bombay Stock Exchange (BSE), the largest number of listed companies on any exchange globally.

Outside the top 200 companies, majority of the companies are under-researched, creating immense opportunity for a fund willing to undertake in-depth research.

Liquidity constraints in mid-cap stocks on the exchanges, leading to limited competition from institutional investors.

Public equity valuations, in general, are comparatively cheaper than private equity valuations.

3,000+ companies traded regularly on the bourses
2,500+ companies have no quality research coverage
Differentiated Investment Approach
Our passionate team is never satisfied with what they find on the surface. They are willing to unearth the hidden potential in companies.

Intensive and Disciplined Evaluation Approach
- Multiple meetings with promoters and top management
- Rigorous financial analysis – low debt, free cash flow generation, return on capital 20%+ and high EPS growth coupled with strategic considerations such as competitive advantage and industry attractiveness
- Extensive interactions with customers, dealers, competitors, industry experts and ex-employees

High EPS growth
In-depth evaluation to identify market leaders with high EPS growth potential.

Valuation Re-rating
Active engagement enhances valuation multiple by bringing to light under-researched companies.

Maximizing Returns
The combination of evaluation approach and active engagement should maximize returns in the mid-cap space.

Active Engagement with Portfolio Companies
- Improve investor relations through the hiring of professional investor relations firm, road-shows and enhanced research coverage
- Building of investor confidence through better corporate governance, enhanced disclosures and compliance
- Introducing Board members with rich industry experience
Leveraging the Avendus Capital Advantage

Avendus Capital is a full-service financial services firm with focus on mid-market companies and entrepreneurs.

- Provides an array of financial services including Financial Advisory, Institutional Equities, Alternative Asset Management and Wealth Management
- Regulated by SEBI in India; and its UK and US subsidiaries are regulated by FSA and FINRA, respectively

M&A FINANCIAL ADVISORY LEAGUE TABLES

<table>
<thead>
<tr>
<th>Firm</th>
<th>Rank</th>
<th>Mkt Share</th>
<th>Vol USD(Mn)</th>
<th>Deal Count</th>
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<tbody>
<tr>
<td>Morgan Stanley</td>
<td>1</td>
<td>25.1</td>
<td>9,662</td>
<td>10</td>
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<tr>
<td>Goldman Sachs &amp; Co</td>
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<td>19.4</td>
<td>7,460</td>
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<tr>
<td>Standard Chartered PLC</td>
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<td>15.9</td>
<td>5,794</td>
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<tr>
<td>Bank of America Merrill Lynch</td>
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<td>9.8</td>
<td>3,780</td>
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<tr>
<td>HSBC Bank PLC</td>
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<td>3,676</td>
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<td>Royal Bank of Scotland Group PLC</td>
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<td>7.4</td>
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<td>Nomura Holdings Inc</td>
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<td>Ernst &amp; Young</td>
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<tr>
<td>SBI Capital Markets Ltd</td>
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<td>5.8</td>
<td>2,228</td>
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<tr>
<td>Avendus Capital Pvt Ltd</td>
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<tr>
<td>Rothschild</td>
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<td>5.2</td>
<td>1,869</td>
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<td>Barclays Capital Group</td>
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<td>4.3</td>
<td>1,665</td>
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<tr>
<td>Credit Suisse Group AG</td>
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<td>UBS AG</td>
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<td>Australia &amp; New Zealand Banking Group Ltd</td>
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<td>Ambit Corp Finance</td>
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<td>Jefferies Group Inc</td>
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<td>Kotak Mahindra Bank Ltd</td>
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<td>1,323</td>
<td>14</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>20</td>
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<td>1,225</td>
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TOTAL: $38,547,859

(Source: Bloomberg)

Avendus Capital is the 2nd largest M&A financial advisor in India in terms of deal count
(Source: Bloomberg M&A rankings – 2011)
Fund Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Fund Size</td>
<td>INR 500 crore</td>
</tr>
<tr>
<td>Fund Structure</td>
<td>SEBI registered Trust under AIF – Category III</td>
</tr>
<tr>
<td>Management Fee</td>
<td>2.0% per annum of Assets Under Management (AUM)</td>
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<tr>
<td>Carried Interest*</td>
<td>20% (of the net profit subject to Hurdle Rate)</td>
</tr>
<tr>
<td>Hurdle Rate</td>
<td>12% per annum compounded</td>
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<tr>
<td>Set-up Fee</td>
<td>1.5% of commitment amount (one time)</td>
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<tr>
<td>Term</td>
<td>5 years</td>
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<tr>
<td>Drawdown Period</td>
<td>2 years (4 equal half yearly installments); Units issued at Net Asset Value</td>
</tr>
<tr>
<td>Liquidity Option</td>
<td>Option of redeeming up to 25% of original units each year, beginning the end of 36 months (No exit load)</td>
</tr>
<tr>
<td>Distribution Proceeds</td>
<td>Proceeds from investment exits will be returned back to Investors</td>
</tr>
<tr>
<td>Sponsor</td>
<td>Avendus Investment Holding Pvt. Ltd., a subsidiary of Avendus Capital Pvt. Ltd.</td>
</tr>
<tr>
<td>Contribution by Sponsors</td>
<td>INR 10 crore or 5% of total fund corpus, whichever is lower</td>
</tr>
<tr>
<td>Investment Manager</td>
<td>Avendus PE Investment Advisors Pvt. Ltd., a subsidiary of Avendus Capital Pvt. Ltd.</td>
</tr>
</tbody>
</table>

*Carried Interest will be charged after distribution of investment capital and hurdle rate with GP catch-up

This document is not intended to be complete and the terms described herein are qualified in their entirety by reference to the Fund Documents i.e. the Trust Deed, the Investment Management Agreement and the Contribution Agreement.

You may address any queries to the Investment Manager of the Fund, whose details are set out below:

**Avendus PE Investment Advisors Private Limited**

Attn:
Dhaval Vakharia, VP - Finance
Phone: +91 22 6648 0029, +91 9892440752
Email: alternativeasset@avendus.com, dhaval.vakharia@avendus.com
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