



Quarterly Update

February 2010

Highlights

- NAV (unaudited) of 87p at the end of February 2010
- Acquisition of Willow TV by Global Cricket Ventures (“GCV”), Elephant Capital’s most recent portfolio company; Willow TV is the primary rights owner and online broadcaster of cricket in North America
- Announcement of a partnership between GCV and Google, whereby Google will monetise sponsorship and advertising for the official IPL website on GCV’s behalf, and will gain the right to stream IPL matches on a dedicated channel on YouTube
- Obopay announced the final closing of its fundraising round with Nokia, bringing the total amount raised over this round to US\$70m, including contributions from other existing investors
- Partial realisation of Elephant Capital’s investment in NIIT, achieving an IRR in excess of 25%
- Deed of Settlement agreed with Krammer Holdings Pte., Ltd setting out a timetable for the repayment of interest outstanding of £333,690 and a mechanism by which the principal amount of £3.7 million is settled within five years
- Full year results announced in February; NAV per share was 84p at 31 August 2009
- The team is working on a number of transactions in the engineering, media, financial services, ancillary services and pharma sectors. Few of these are majority control situations but all are in privately held, unlisted businesses ; the team has signed term sheets on all of these potential transactions and completed due diligence on some
- We are confident that we will make significant progress on these transactions in the coming quarter, and will update the market accordingly

Economic Update

- In its Third Quarterly Review of Monetary Policy, the Reserve Bank of India (“RBI”) raised its projection for 2009/10 GDP growth to 7.5%, from 6.0% set in October as export growth turns positive, the industrial sector demonstrates a “consolidating” recovery and with improvements in the corporate and services sector
- The baseline projection for inflation for end-March 2010 was also raised to 8.5%, from 6.5% in October and the Cash Reserve Ratio was raised 75 bps, to 5.75% giving a clear indication of a tighter policy stance going forward; the repo rate and reserve repo rate were left unchanged
- The RBI described the fiscal deficit as one of the key risks to short-term economic management and medium-term economic prospects and encouraged the Government to provide a “roadmap for fiscal consolidation”
- The 2010-11 Union Budget in February, forecast the 2009-10 deficit to come in at 6.9%, with the 2010-11 deficit forecast at 5.5% and the 2011/12 deficit at 4.8%; with the “recovery taking root”, the Government acknowledged the need to review public spending
- The Budget allocated Rs 1,735 bn to infrastructure, with Rs 199bn allocated to road transport (+13%) and Rs 167bn allocated to rail (+6%) ; the allocation for power sector spending doubled from Rs 22bn in 2009/10 to Rs 51bn in 2010/11
- The disinvestment of public sector utilities will raise around Rs 250bn in the current year, with a higher amount proposed to be raised in 2010/11
- The most recent economic indicators are now strongly positive, with the Index of Industrial Production up 16.8% in December and exports up 11.5% in January (13 consecutive months of decline were reversed by the November data); domestic sales of passenger and commercial vehicles were up around 25% and 30% respectively in the Apr 09 – Jan 10 period
- Inflation has picked up quickly; after 14 consecutive weeks of deflation, inflation turned positive in September and is now running at 8.6%, with food price inflation at 17.9% year-on-year

Economic Update

- The Sensex was down 2.9% over the period, reflecting caution ahead of February's Union Budget, and wider macro concerns relating to sovereign risk, reignited by the problems in Greece
- Foreign Institutional Investors were net buyers of Indian equities for 10 consecutive months to December 2009, and again in February 2010, but recorded a net selling position in January 2010
- Foreign Direct Investments stood at US\$20.9bn for the year to December 2009 (Apr-Dec 09), just 1% below the comparative period last year
- Private equity activity in India was down 63% by value and 47% by number of deals; the fourth quarter (Oct-Dec) was the strongest quarter, recording 84 deals, compared to around 50 in the previous three quarters

Portfolio Update



EIH

- Year-on-year revenue drop of 17% in the 9 mths to Dec 09, but last quarter performance was encouraging with the drop reduced to just 6%; the EBITDA margin for the quarter was in line with last year at 33%, vs. 27% over the 9 mth period
- The results were helped by increased tourist arrivals, which were up 21% y-on-y in December, according to industry analysts
- EIH's property in Delhi is believed to be achieving occupancy levels of around 75%, with 65% - 70% being achieved at the Trident in Mumbai; however, analysts report that leisure destinations such as Udaipur, are seeing a slower recovery
- The new Trident at Bandra Kurla opened in December 2009 and will make a contribution in the coming quarter

Mahindra Forgings

- On 16 February, Elephant Capital announced that a Deed of Settlement with Krammer Holdings Pte. Ltd had been agreed, pursuant to which a timetable for the payment of interest owing of £333,690 has been set out and a mechanism for the repayment of the principal amount of £3.7m within 5 years has been agreed
- Total income for the consolidated business was down 50% y-on-y for the nine months to Dec 09, with a loss at the EBITDA level of RS 90 million vs. a profit of Rs 1.5 bn at the same stage last year
- Mahindra Forgings has focused on "right-sizing" of manpower and operations, particularly in Europe, but these benefits are only just starting to come through
- The company says that the auto industry in India has "rebounded", with all vehicle segments reporting quarter-on-quarter growth in FY10; in Europe, the situation is said to be stabilising, with a revival in demand in Q310 expected to translate into an increased order input of 20-25%
- In February, Mahindra Forgings launched QIP issue of up to 17.5m shares, with a floor price of Rs 107.74; total proceeds announced in early March were Rs 1.75bn, with a potential Rs 1bn equity infusion to come on conversion of the 7.3m warrants issued to the promoters (option to convert must be taken within next 18 months). Elephant Capital did not participate, and accordingly our stake in the company has reduced from 3.9% prior to the QIP to 3.2% post the QIP

Portfolio Update



NIIT

- On 16 February, Elephant announced that it had partially exited its investment in NIIT, selling 75% of its holding in December 2009 / January 2010, and achieving an IRR in excess of 25%. Our residual holding in NIIT is 0.66m shares, representing a shareholding of 0.4%
- In its Q3 update in January, NIIT reported quarterly net revenues up 2% y-on-y at Rs 2.8bn and quarterly EBITDA up 36% at Rs 312m, representing an EBITDA margin of 11%, up 278bps y-on-y
- This growth was driven by a strong performance in the Individual Learning Solutions business, with enrollments up 22%, and divisional revenues up 11%. School Learnings Solutions also performed well, adding 641 schools over the year, as clients have responded well to the company's "eGuru" learning product
- Revenue at the Corporate Learnings Solutions business, which has greater exposure to the corporate market, fell 8% y-on-y, but product mix change has helped margin growth, which is up over 100%. The order intake is now up 13%, indicating improving fundamentals

Nitco

- In its Q310 update in January, Nitco announced quarterly sales down 50% y-on-y, with an EBITDA margin of 1%, vs. 12% at the same point last year
- This quarter's results were adversely affected by the suspension of sales of imported vitrified and marble tiles following regulatory issues relating the Directorate of Revenue Intelligence investigation; the suspension has now been lifted, and the Customs Authorities commenced the release of impounded imported materials from 1 Dec 2009; with this, the company expects to be able to achieve normal sales in the coming quarters
- The business park at Thane, Maharashtra, which is being developed by Nitco's real estate subsidiary, is nearing completion, the company is hopeful of letting it out / an outright sale in the next few months

Portfolio Update



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Obopay

- In its FY09 results, Obopay reported revenues of US\$ 293,315 vs. US\$1,041,390 in FY08, however, 2008 figures include US\$785,303 in Development and Customisation fees, which are more exceptional in nature. Transaction and monthly fees for FY09 were up 18% on FY08. Loss from operations stood at US\$27.4m, in line with last year
- At the end of 2009, Nokia Money went live in Pune, India, with a controlled user group. A pilot launch will follow in Q110 and a broader national launch mid-year. The service is being offered through YES Bank
- In January, the third and final closing of a fundraising with Nokia (and some existing investors) was completed raising US\$70m over the entire funding round; Nokia now have three representatives on the board, of a total of 9
- YuCash was launched in Kenya, with Obopay's partner Essar Telecom Kenya Limited; Obopay plans to roll out the service across Africa with local partners
- Agreements were entered with Société Générale and Société Générale de Banques au Senegal in advance of the launch of services in Senegal and other areas outside France

Global Cricket Ventures

- On 21 January, Elephant Capital announced that GCV had acquired the entire issued share capital of Willow TV Inc., the primary rights owner and online broadcaster of cricket in North America, with television and online live streaming rights for most major international cricket events, including the Indian Premier League (IPL), Champion's League Twenty20 and ICC events
- On the same day, Elephant Capital announced a partnership between GCV and Google, whereby Google will monetise sponsorship and advertising for the official IPL website, and would gain the right to stream IPL matches on a dedicated channel on YouTube . Pursuant to agreements with the Board for Control of Cricket in India and World Sports Group (who acquired most of the IPL broadcasting rights), GCV holds the rights to the development and running of the official IPL website, www.iplt20.com. Elephant considers that in view of its market leading position, a partnership with Google offers the best opportunity to realise potential in the IPL website

Investment Summary

(£m) Company	Valuation		
	Investment at Cost	Market Value 26-Feb-10	Gain / Loss
EIH Ltd	5.4	7.0	1.6
Mahindra Forgings Ltd	7.3 ⁽¹⁾	4.0 ⁽²⁾	(3.2)
NIT Ltd	0.5	0.6	0.1
Nitco Ltd	5.5	1.2	(4.3)
Obopay ⁽³⁾	1.2	1.8	0.6
Global Cricket Ventures ⁽⁴⁾	5.9	5.9	-
Total	25.8	20.6	(5.3)
Cash Balance ⁽⁵⁾		22.9	
Total		43.4	
NAV per share (£) (unaudited)		0.87	

*Mkt. Value = No. of shares held as on 26 02 10 * Closing Price as on 26 02 10 on NSE * Exchange rate of INR 70.85 Rs / 1 GBP as on 26 02 10
(Source: Oanda)*

(1) Includes Elephant Capital's investment at cost of £3.5m and £3.7m loan to Krammer Holdings Pte. Ltd (the principal amount)

(2) In November 2009, Elephant Capital was required to write down the loan to Krammer Holdings Pte Ltd; the loan was secured on c.1.3m shares in Mahindra Forgings; the market value is therefore represented by the market value of Elephant Capital's investment, plus the market value of the security shares

(3) Post Nokia's investment (£1 and £2 financing round) Obopay's investment has been re-valued as per the International Private Equity and Venture Capital Valuation Guidelines

(4) Valued at cost

(5) Does not account for income and expense accruals

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