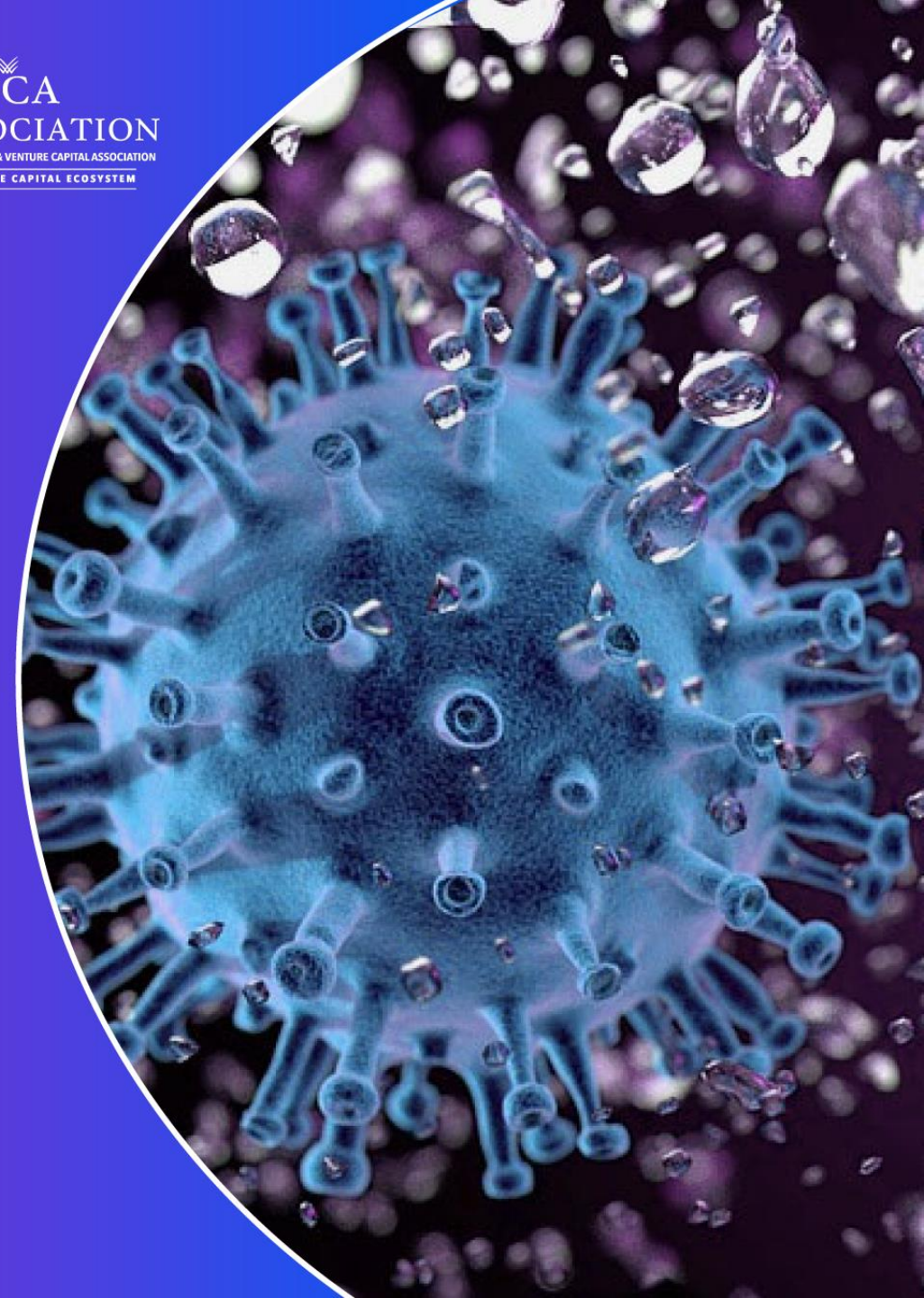
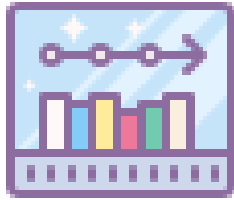


Investor Sentiment Survey Report April 2020

Understanding the impact and response of the investment community to the slowdown triggered by **COVID 19**

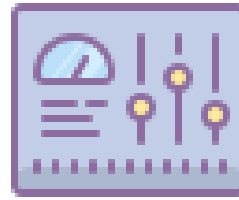


Objective of survey: To understand the impact and measures taken by the investment community to counter the slowdown triggered by the COVID-19



1

Impact of the current crisis



2

Recommendation to the portfolio companies



3

Investment opportunities

Key Learnings

- 1 Over the last 3 months, 47% of the investors think LPs view has become unfavorable. Also, ~78% of the investors think environment for Angel, Venture Capital, Growth Equity deals has become unfavorable
- 2 Most (~74%) of the investors think growth of their portfolio companies will decline significantly in the next 6 months, 47% think same for the next round of fundraising
- 3 45% of the investors believe growth of their portfolio companies in next 2 years will be lesser than FY20
- 4 Most (89%) of the investors think Exit / IPO plans of their portfolio companies will be deferred
- 5 Majority (~67%) of the investors are suggesting their portfolio companies to cut marketing spend, reduce SG&A cost (61%), pay cut for senior management (54%)
- 6 39% of the investors are recommending 10-25% cost reduction to their portfolio companies, 28% suggesting 25-50% reduction and 8% suggesting 50-75% reduction
- 7 Majority (82%) of the investors believe current crisis will create investment opportunity in the long term; 46% of investors are selectively and 23% are actively reviewing the existing deals in pipeline
- 8 Majority (82%) of the investors think Healthcare sector will see a good deal flow in next 3-12 months, Education (74%), BFSI (63%) and IT & SaaS (63%)

This economic crisis is different in four ways



- **More intense/sudden**

- Sudden drop in business volumes and consumer confidence



- **More pervasive**

- Has started across countries, simultaneously
- Impacting industries and verticals



- **Very fragile**

- Difficult geo-political backdrop (escalating US-China trade war, US-Iran conflict, HK protests, Turkey/Europe refugee crisis, US elections)



- **De-globalization despite more global coordination**

- Exports of goods and services as % of GDP has grown from ~19% in 2001 to ~30% in 2018
- International tourist arrivals increased from 682M in 2000 to 1.4B in 2018
- But, rapidly growing unemployment, Brexit, diverging fiscal strengths in BRICS



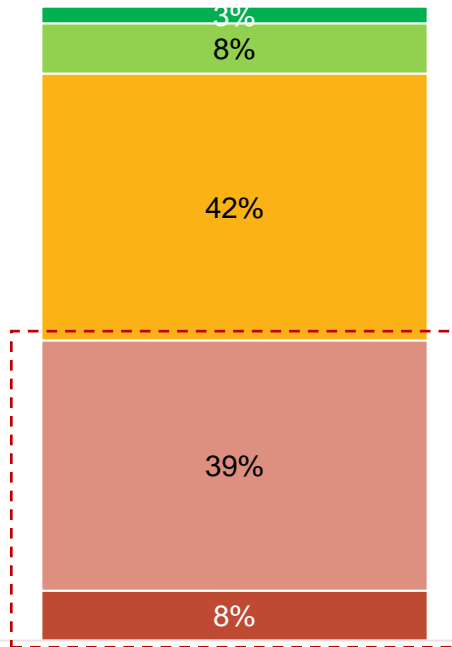
**Need to
endure the
pain for
longer**

**Local
recovery**

Over the last 3 months, 47% of investors think LPs view has become unfavorable; Majority (~78%) thinks environment for Angel, VC, GE deals has become unfavorable

Q. How has the view of LPs changed towards VC/PE as an asset class over the past 3 months?

Change in view of LPs over last 3 months (% of Investors)



View of LPs

Q. How has the environment changed for the following deal types over the past 3 months?

Change in environment over last 3 months (% of Investors)



Angel / Seed

Venture capital

Growth capital

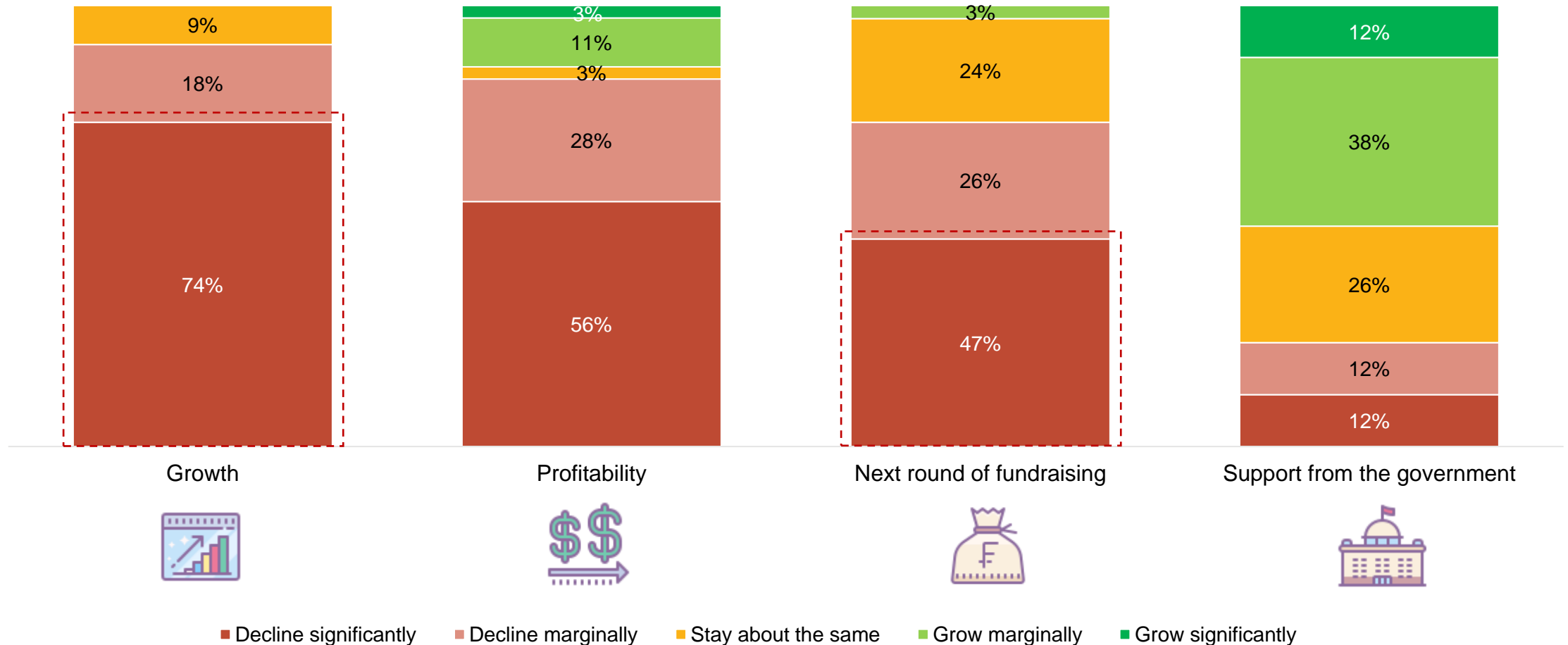
Buyout / Late Stage

■ Extremely unfavorable ■ Moderately unfavorable ■ Stayed the same ■ Moderately favorable ■ Extremely favorable ■ Don't know / Cannot say

Majority (~74%) of investors think growth of their portfolio companies will decline significantly in the next 6 months, 47% think same for the next round of fundraising

Q. What is your outlook for the next 6 months (Apr-Sep 2020) on your current portfolio companies?

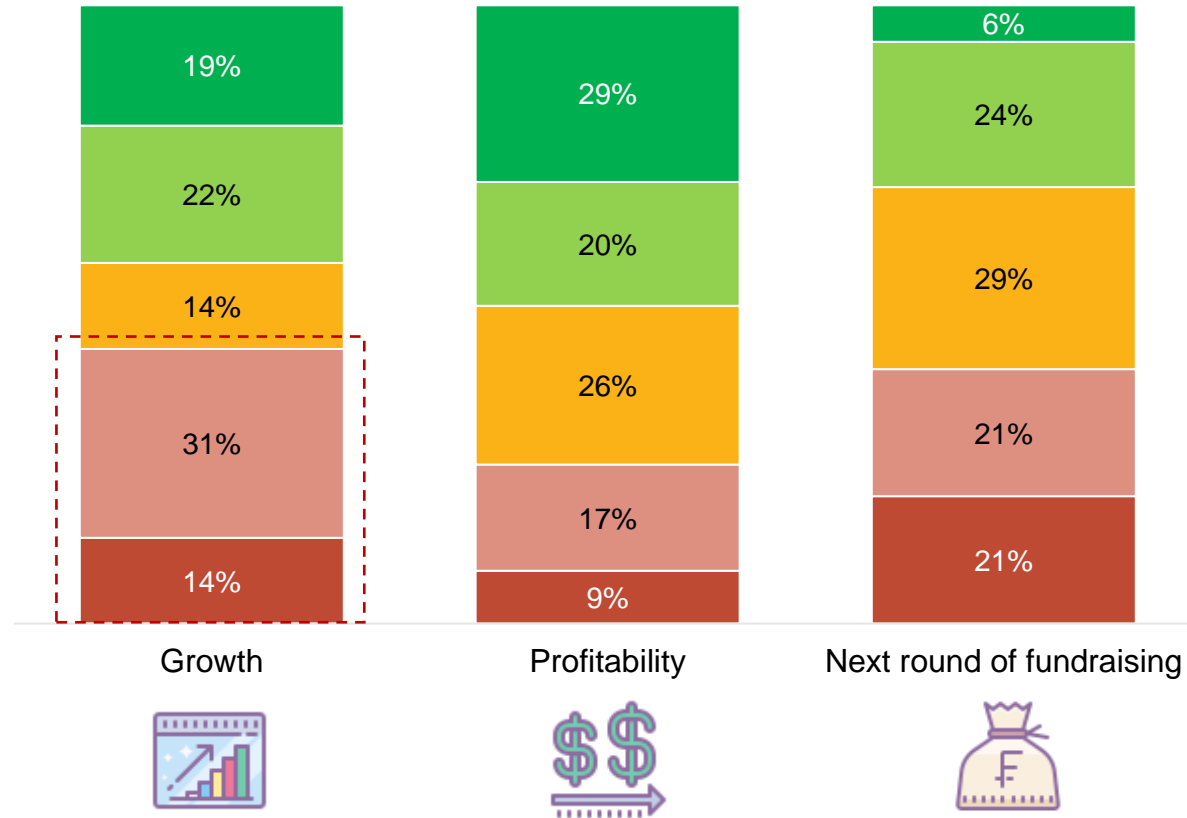
Outlook for next 6 months on portfolio companies (% of Investors)



45% of investors think growth of their portfolio companies in next 2 years will be lesser than FY20; Majority (89%) of investors think Exit / IPO plans will be deferred

Q. What is your outlook for the next 2 years (Apr 2020-Mar 2022) on your current portfolio companies?

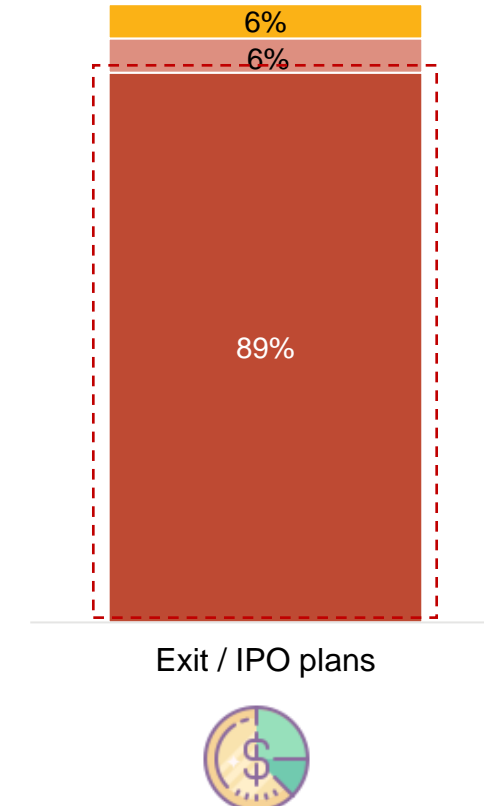
Outlook for next 2 years (% of Investors)



- Will be significantly lesser than FY20
- Will be marginally lesser than FY20
- Will be similar to FY20
- Will be marginally better than FY20
- Will be significantly better than FY20

Q. For the portfolio companies that are coming closer to the exit, how do you think plans will change?

Plan for portfolio companies closer to exit (% of Investors)

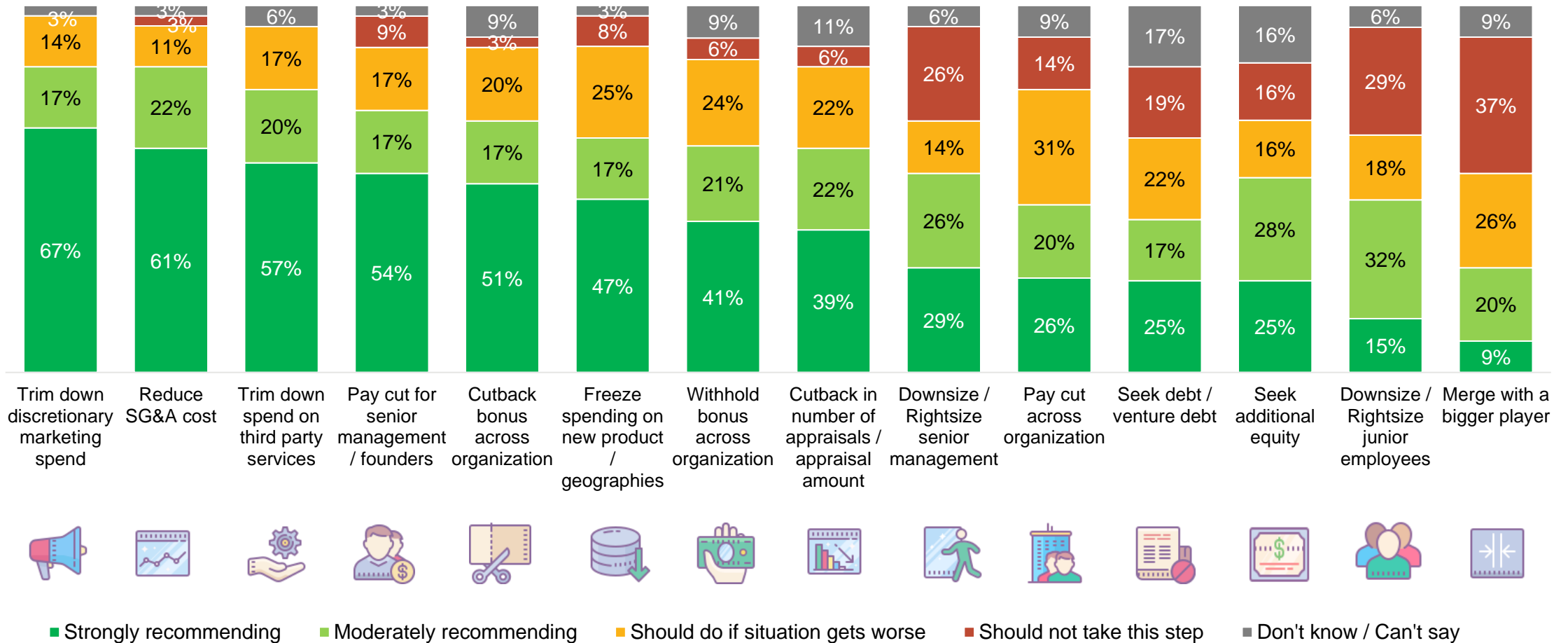


- Not sure/Cannot say
- Exit/IPO plans will be pulled forward
- Exit/IPO plans will remain the same
- Exit/IPO plans will be deferred

Majority (~67%) of investors are suggesting their portfolio companies to cut marketing spend, reduce SG&A cost (61%), pay cut for senior management (54%)

Q. What measures are you suggesting to your portfolio companies to deal with the crisis?

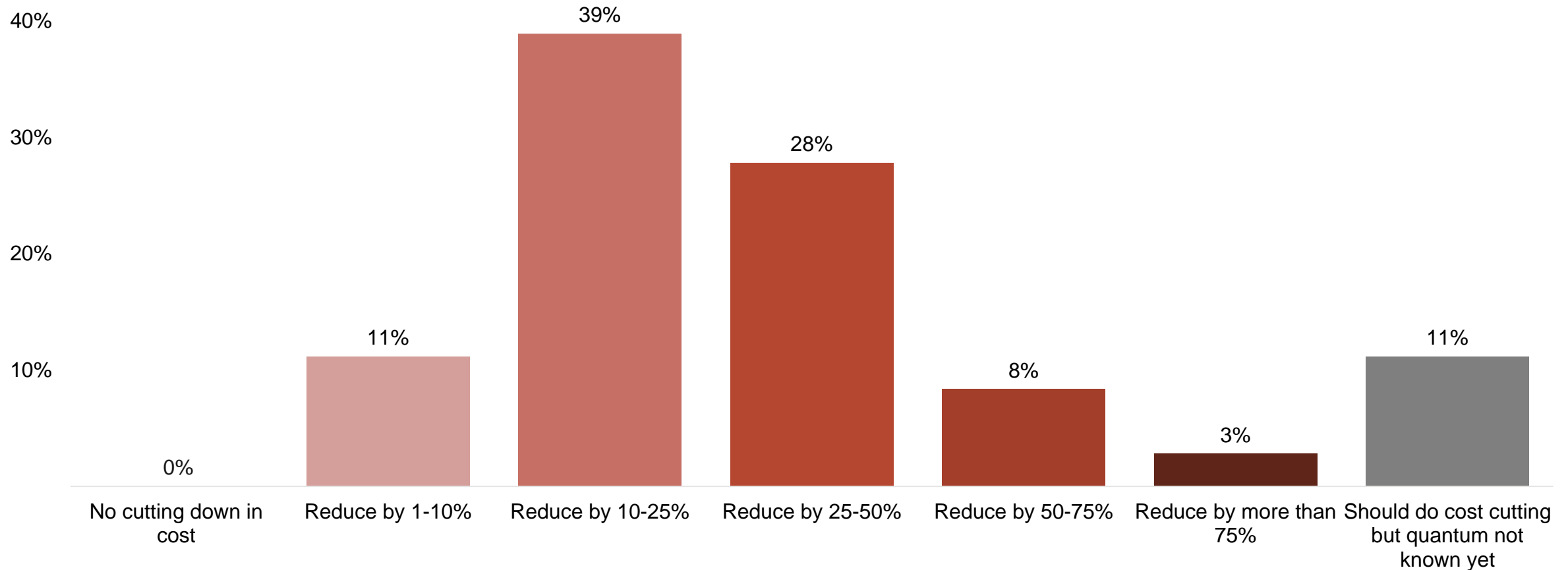
Crisis response measures for portfolio companies (% of Investors)



39% of investors are recommending 10-25% cost reduction to their portfolio companies, 28% suggesting 25-50% reduction and 8% suggesting 50-75% reduction

Q. What is the level of cost reduction you are recommending to your portfolio companies?

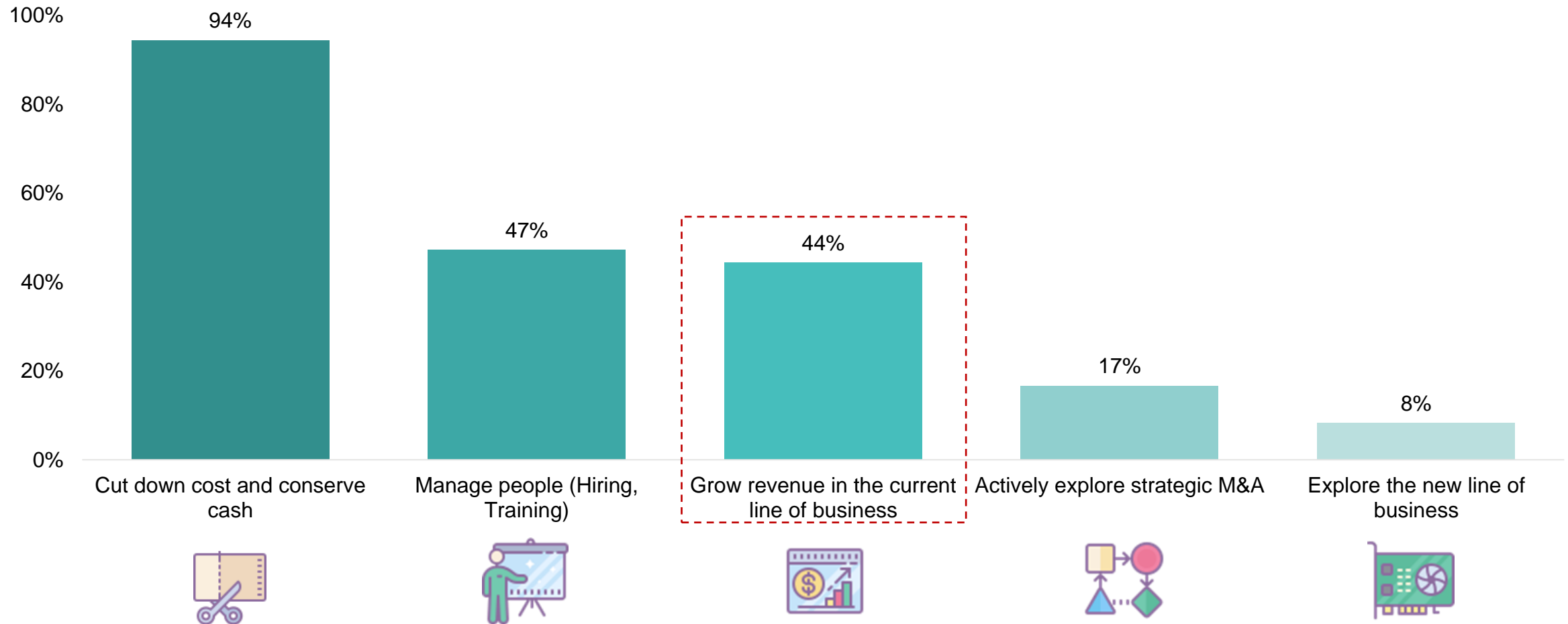
Recommendation on cost reduction (% Investors)



Majority (94%) of investors recommend to cutting down cost and 47% actively recommend to manage people and 44% recommend to grow revenue

Q. Currently, what should be the top-3 priorities for the senior management of your portfolio companies?

Recommendation to senior management (% of Investors)



Recommendations to the senior management of portfolio companies



Cash flow & Unit economics

“Conserve cash and defer capex unless critical”

“Cut cost, conserve cash - path to 18-24 months”

“Conserve cash. The pain may be long”

“Hard look at marketing expenses. That being said, cut fat not muscle”

“Institute pay-cuts across the board, with the highest amongst senior management”

“Focus on product and improve unit economics”



Fundraising & Growth

“Redraw business plan. Go slow on new initiatives”

“Seek alternate sources of funding like factoring, bills discounting, etc”

“Companies with strong market power, cash balance - be prepared for rebound”

“Prepare yourself well for a fundraise so that you can bolt out of the door once it opens”



Employees

“Manage employee morale and institutionalize work from home even beyond the 21-day period”

“Get your back office optimized”

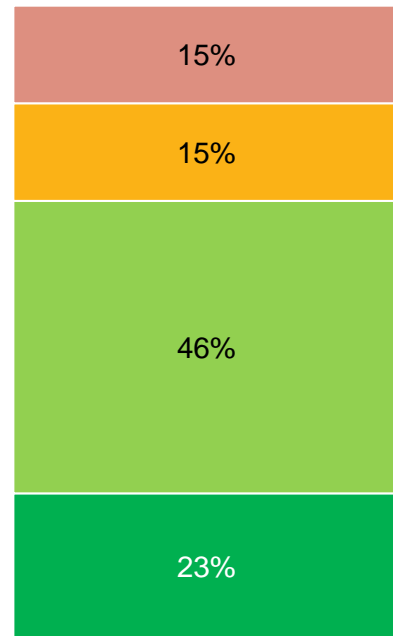
“Extend your runway - avoid layoff as far as possible”

“Take care of employees”

Majority (82%) investors think current crisis will create investment opportunity in the long term; 46% investors are selectively and 23% actively reviewing the existing deals

Q. What is your outlook towards the existing deal pipeline?

Outlook towards existing deal pipeline (% of Investors)

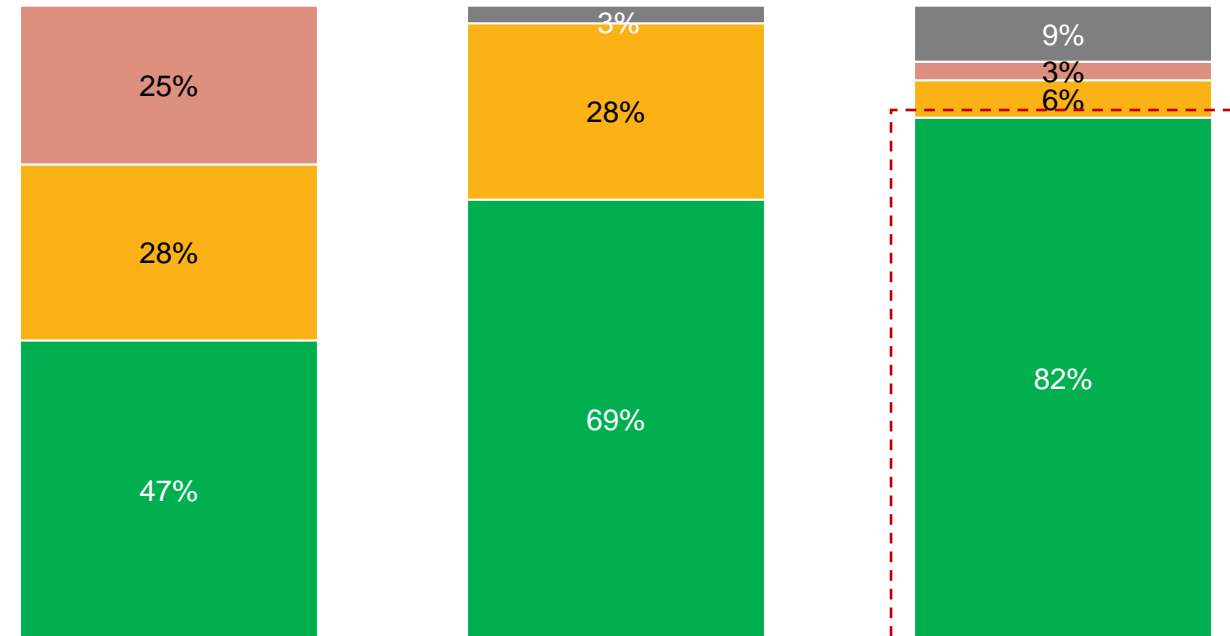


Existing deal pipeline

- Not sure / Cannot say
- Paused for the upcoming 3 months
- Paused now, but will start reviewing within 3 months
- Selectively reviewing the deals
- Actively reviewing the deals

Q. Do you think the current crisis creates any investment opportunity for your fund?

Investment opportunity (% of Investors)



Now
(Within next 3 months)

In the medium term
(3-12 months)

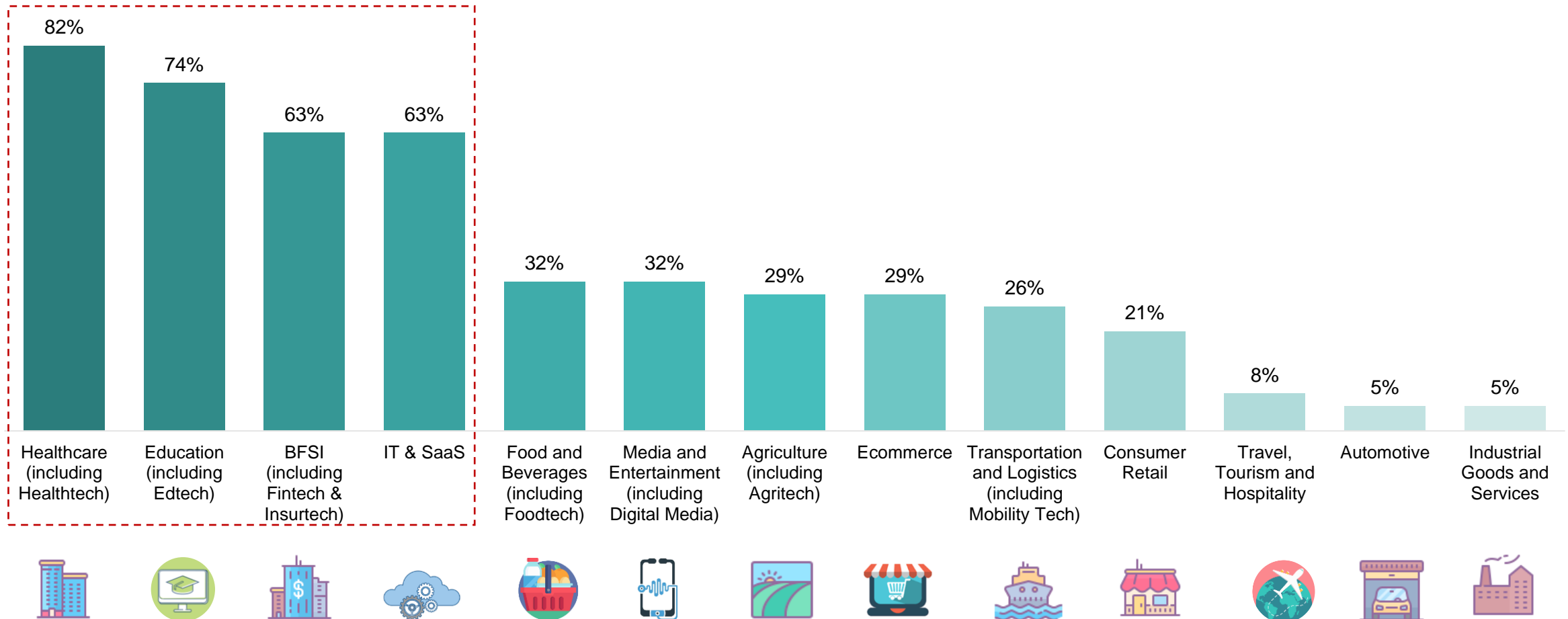
In the long term
(12-36 months)

- Yes
- May be
- No
- Not sure


















Deal activity will resume; Majority (82%) of investors think Healthcare sector will see a good deal flow, Education (74%), BFSI (63%) and IT & SaaS (63%)

Q. In your opinion, which sectors will see a good deal flow in the next 3-12 months?

Sector-wise deal flow outlook (% of Investors)



Economic recovery will happen in phases

| Industry | Q1 – FY21 | Q2 – FY21 | Q3 – FY21 | Q4 – FY21 | Q1 – FY22 | Q2 – FY22 | Q3 – FY22 | Q4 – FY22 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  Healthcare equipment and supplies | ↑↑ | ↑↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Media and entertainment | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Pharmaceuticals | — | ↑ | ↑ | ↑ | ↑↑ | ↑↑ | ↑↑ | ↑↑ |
|  IT and SaaS | — | ↑ | ↑ | ↑ | ↑↑ | ↑↑ | ↑↑ | ↑↑ |
|  Agriculture and food | — | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Education | — | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Insurance | — | — | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Consumer FMCG | ↓ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Business and knowledge services | ↓ | — | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Retail & Consumer services | ↓ | — | — | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Apparel | ↓ | ↓ | — | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Technology and internet | ↓ | ↓ | — | ↑ | ↑ | ↑ | ↑ | ↑ |
|  Financial services | ↓ | ↓ | — | — | — | ↑ | ↑ | ↑↑ |
|  Consumer durables | ↓ | ↓ | ↓ | ↓ | — | — | ↑ | ↑ |
|  Automotive | ↓↓ | ↓↓ | ↓ | — | — | ↑ | ↑ | ↑ |
|  Real estate and infrastructure | ↓↓ | ↓↓ | ↓ | ↓ | — | — | — | ↑ |
|  Travel, tourism and hospitality | ↓↓ | ↓↓ | ↓ | ↓ | — | — | ↑ | ↑ |



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(FIG)

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