



PRESS RELEASE

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CDC to anchor first ever fund targeting India's eight poorest states
- UK DFI announces US\$50m investment in pioneering new fund -

CDC Group plc ('CDC'), the UK's development finance institution (DFI), has today announced a new US\$50 million investment in the first-ever equity investment fund to focus on the very poorest parts of India. CDC is an anchor investor in the Pragati Venture and Incubator Fund ('Pragati') and has played a significant role in getting the fund started.

As a growth capital fund, Pragati will invest and play an active role in developing companies across multiple sectors including healthcare, ancillary infrastructure services, ancillary oil and gas services, manufacturing and education. These companies will be at a stage where they require professional management and processes in order to grow. CDC's capital will therefore be used to improve financial systems, address operational issues and recruit more employees.

The impact of CDC's investment will not only be increased employment, but also the generation of taxes and other financial revenues to the local governments as well as yielding improvements to the business environment. For example, through the promotion of a fund manager like Pragati CDC hopes to attract other players into these markets in the medium-term.

Commenting on the investment Anubha Shrivastava, CDC Managing Director, Asia said:

"CDC is making a significant investment in Pragati because it is a truly pioneering venture with the potential to bring economic development to the very poorest states of India. Several years ago CDC was among the first investors in private equity funds in India, and as the mainstream market is now better served by capital it is right that our focus turns to states where there is little history of private equity investment. The fund is clearly addressing a significant gap in the Indian market and we are excited about its potential impact."

Founded and led by Narayanan Shadagopan, a successful investment banker with a career in New York and London, Pragati will focus on the eight poorest states of India: Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Uttar Pradesh, Rajasthan, Orissa and West Bengal. These states are home to some 421 million people who are defined as 'multi-dimensionally poor' by the Oxford Poverty and Human Development Index. This is more than the 26 poorest African countries combined (410 million).

Historically, the eight poorest states have been under-invested by both Indian and foreign investors. For example, only 4% of private equity investments have gone into the Northern and Eastern states in India. This is a market failure that Pragati will address by making investments in the range of US\$5m to US\$15m.

The gulf in development between the India's poor states and the rest of the country is stark:

- Bihar has an electrification rate of just 10% in rural areas, compared to the national household average of 56% in 2000. Also, only 4% of the rural population has access to tap water, significantly lower than the 64% in the state of Maharashtra;
- Uttar Pradesh, the most populous state in India with a population of 193 million has a literacy rate of 56%, far lower than the national average of 65.4%. This means that there are over a 100m illiterate people in Uttar Pradesh alone; and
- In Jharkhand the per capita credit to deposit ratio in Jharkhand ratio stands at approximately 32%.

The unskilled population, lack of finance and poor infrastructure reinforces investors' reluctance to put capital into these states. Compounding this is the lack of a proper regulatory framework for a positive business environment. In 2009 an IFC report on doing business in India ranked the main cities of Madhya Pradesh (Indore), Uttar Pradesh (Noida) and Bihar (Patna) in the bottom half of the table, at respectively 11th, 12th and 14th out of the 17 cities covered.

Corruption is also an obstacle for the local governments to address in order to improve the investment climate in the poorest states. According to a corruption study on India done by Transparency International in 2005, Bihar was ranked the most corrupt state in India. Orissa, Uttar Pradesh and Madhya Pradesh were ranked 9th, 10th and 18th respectively, out of 20 states covered.

In spite of the difficulties faced by investors, CDC is confident that Pragati will yield positive financial and developmental returns over the investment period. As a DFI CDC's role is to lead the way for other investors and demonstrate that risks can be successfully managed and businesses can be helped to grow and flourish in a responsible and sustainable fashion.

The commitment to Pragati demonstrates how CDC's new investments are directed to where capital is most needed in sub-Saharan Africa and South Asia. CDC has played a significant role in the formation of this pioneering fund, having worked to build up a team and structure the fund, as well as providing ongoing feedback and introducing potential investors.

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Notes to Editors

CDC Group plc

- CDC is the UK government-owned development finance institution that uses its own balance sheet to invest in the emerging markets of south Asia and sub-Saharan Africa. It has net assets of £2.8bn.
- CDC's objective is to foster growth in sustainable businesses thereby helping to raise living standards in developing countries.
- From 2004 – 2010 CDC operated primarily as a fund-of-funds investment model investing in companies through intermediary fund managers.
- In 2011 CDC announced a high-level new business plan, with a geographic remit focused on low income and lower-middle income countries in sub-Saharan Africa and South Asia. As well as acting as a fund-of-funds investor CDC will now also provide debt and direct investment to businesses in these regions.

For further information please see www.cdcgroup.com

Pragati Venture and Incubator Fund

- The Fund is a pioneering initiative being raised by Pragati Equity Advisors to exploit commercially sound investment opportunities in the historically under-invested (and thus under-developed) parts of India.
- It will be the first ever fund to focus on this geography, bringing opportunities and risks as no one has executed on this strategy in the past. The Fund will predominantly invest in equity or equity-linked investments of between US\$5-15 million per transaction.
- Pragati was founded and led by Narayanan Shadagopan, a successful investment banker with a career in New York and London. Mr. Shadagopan has recruited a team of local experienced investment professionals.
- The Fund is sector agnostic, although it is expected that the majority of investments will be executed in any of the following sectors: healthcare, ancillary infrastructure services, ancillary oil and gas services, manufacturing and education.