

CONFIDENTIAL

Internet Penetration in India

Zinnov LLC

July, 2006

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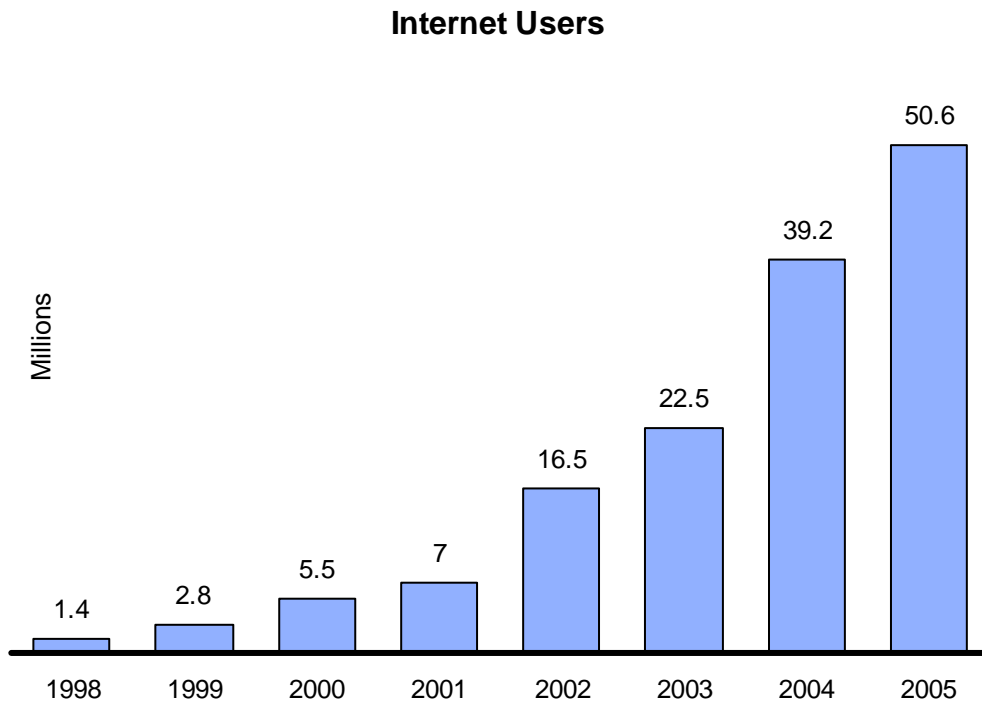
AGENDA



Focus of Discussion

- Internet Penetration in India and E-Commerce
- Zinnov Research Overview

Internet penetration was low but has seen significant growth

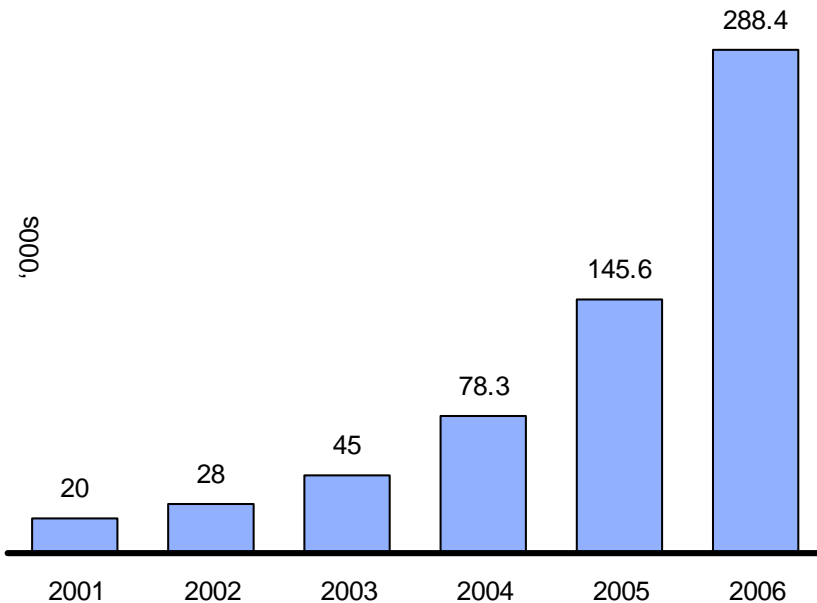


Discussion

- India is now in the 4th place in terms of Internet users
- Percentage penetration is still low but has increased significantly from 0.1% in 1998 to 4.5% in 2005
- The growing popularity of cybercafés has been playing a big role in fuelling Internet development in India
- Low cost of broadband has also helped increase Internet usage
- E-commerce and high demand for .in domain registrations are also factors for the increase in online users. The ".in" domain registrations surpassed 150,000.
- The Internet population is expected to grow to 100 million by 2007
- No. of ISPs grew from 1 in 1995 to 189 in 2003

Low cost of broadband has triggered growth in broadband subscriber base

Total Broadband subscribers

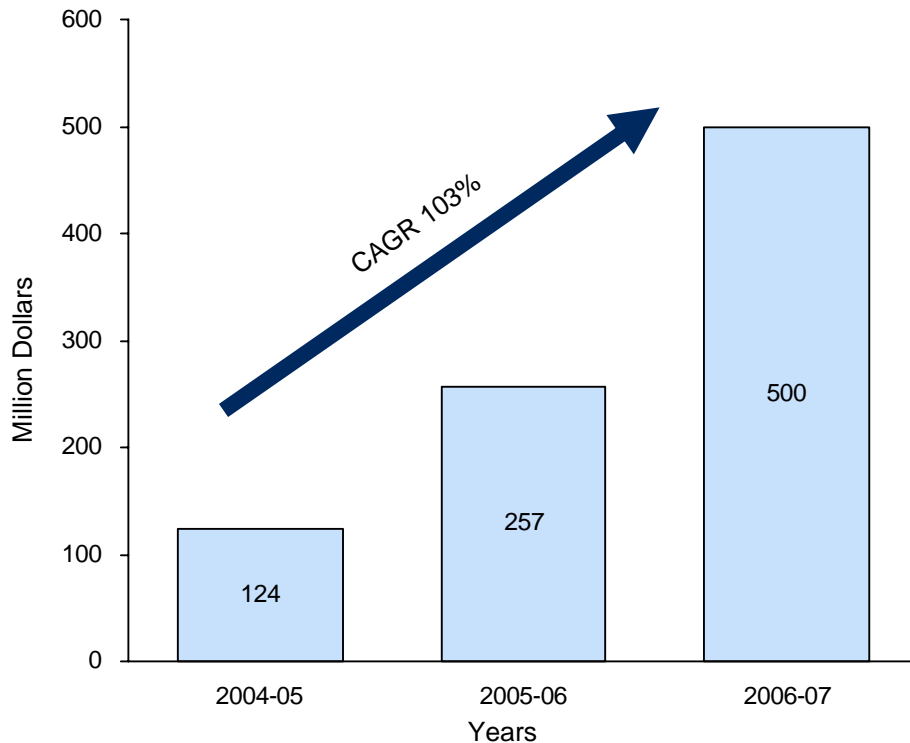


Discussion

- Broadband policy and other initiatives by the IT and Telecom Ministry encourage increased adoption.
- A monthly broadband subscription costs as little as 199 rupees (US \$4.50).
- A second factor is the IT Telecom Ministry initiative to make computers available for purchase under 10,000 rupees (US \$226).
- Today broadband usage in India is growing at 20% per month

E-commerce is considered as the next big thing that will drive internet usage growth...

E-commerce Revenues



Discussion
<ul style="list-style-type: none"> • From a business perspective it offers unlimited shelf space, it isn't bound by operational timings and geographical boundaries and an opportunity to cater to country wide city markets (for consumers and suppliers alike) at a comparative miniscule cost • From a consumers perspective it allows greater access (hence the high response rate by tier 2 cities) to markets and an opportunity to make informed decisions on purchases.

...driven by growing number of credit cards, good online shopping places, ticketing websites and the way banking is done today

The number of credit cards in Indian has shot up from 6.5 mn in 2002 to 9 mn in 2003. Consultancy firm McKinsey recently reckoned that Indians will be using 35 million cards by 2010

IRCTC which is a railway ticket booking website issues out 196,000 tickets generating \$6.3 mn as revenues every month

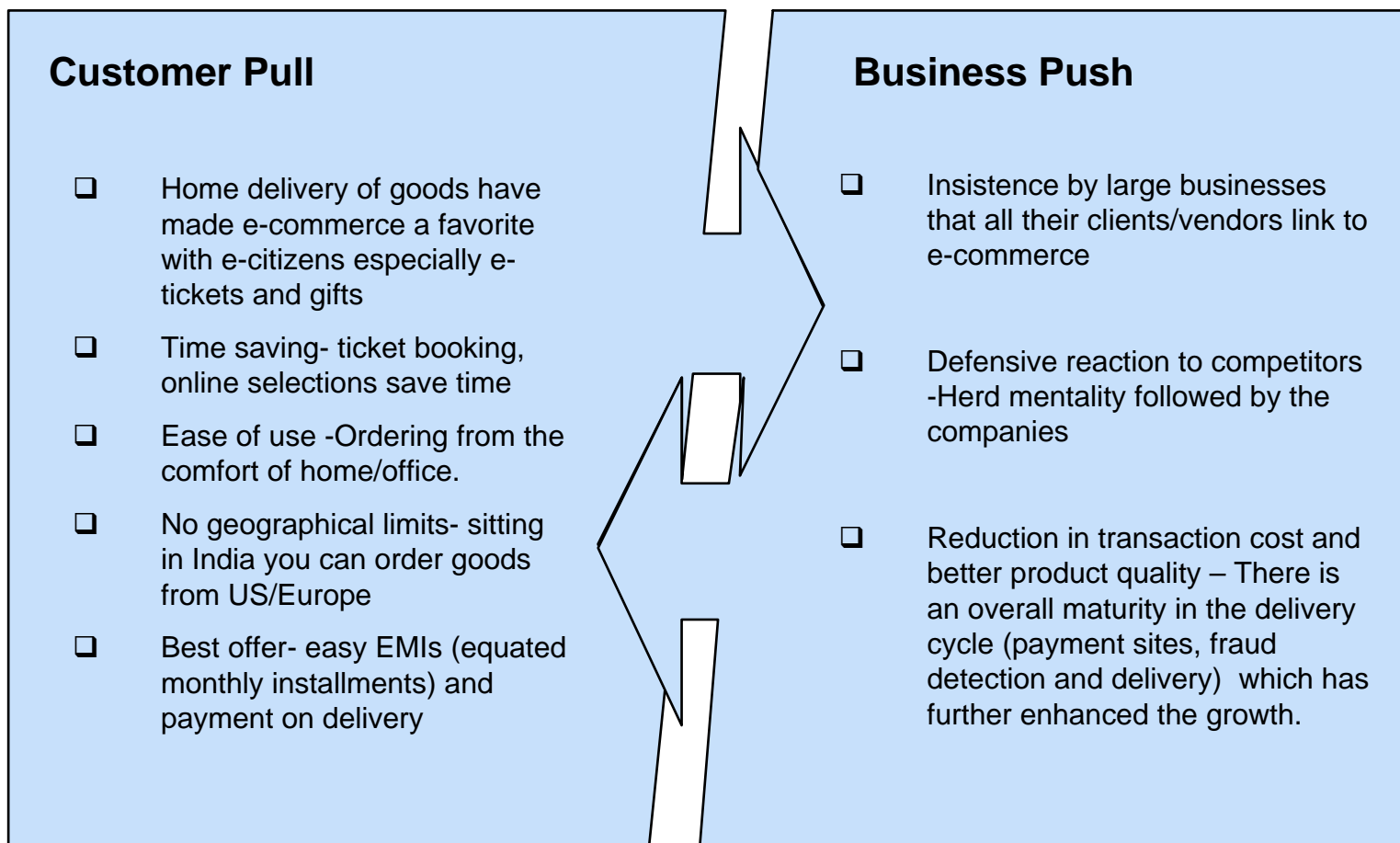
Online shoppers like 'Home delivery' about online shopping, and 'Time saving', also '24x7' thing, they also like the 'Ease of use' and product comparisons features

e-commerce activities within India has exceeded USD 125 million during 2004-05.

Discussion

- Internet & Mobile Association of India findings show the most popular online activities undertaken by Internet users in India in 2005 (as a % of respondents):
 - E-mail and IM: 98%
 - Job search: 51%
 - Banking: 32%
 - Bill payment: 18%
 - Stock trading: 15%
 - Matrimonial search: 15%

E-Commerce is benefiting by a pull from customers and push from investors



E-Commerce in India has seen a lot of action in the Employment, Travel, Matrimonial and e-learning arena recently



Naukri.com

The Company is an online recruitment and placement website.

- The company has nearly 15,000 companies to which it plays host, for its Human resources needs (eg. Oracle, AMD, Lehman Brothers etc.)
- They have US\$ 10 million funding from KPCB, Sherpalo



TravelGuru.com

Travelguru is a travel website, offering travel related packages across India and the world

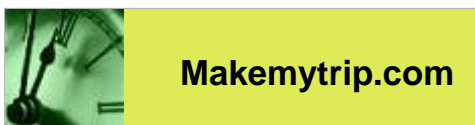
- It provides as a one stop shop for most travel related needs
- It has received funding from Sequoia Capital India, a VC formed by merger of West Bridge Partners and Sequoia capital



Yatra.in

Yatra provides travel-related information, pricing, availability and reservations etc. rentals across 5000 large cities and small rural areas throughout India

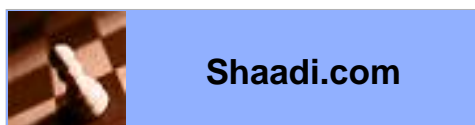
- It has received venture capital funding worth US\$ 5 million from Reliance capital, Norwest VC, TV18



Makemytrip.com

MakeMyTrip provides comprehensive services for the leisure and small-business traveler, backed by real-time booking ability

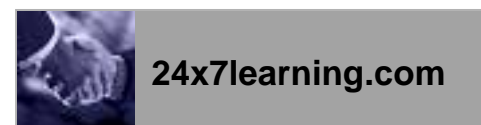
- It has received funding from Softbank worth US\$ 10 million and owns 50% of shareholding



Shaadi.com

Shaadi.com is dedicated to providing with the ultimate life partner search experience

- The website has got funding from VC called WestBridge worth US\$8 million



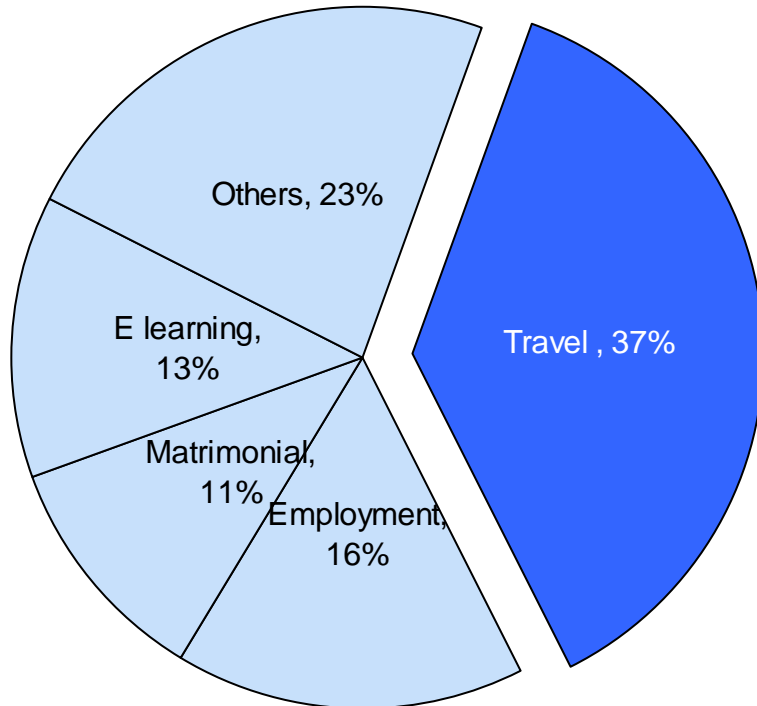
24x7learning.com

It specializes in helping organizations successfully implement their learning initiatives

- which raised \$10 million from venture fund Angel Investors and KITVEN

Online Travel Booking is the killer e-commerce application in India

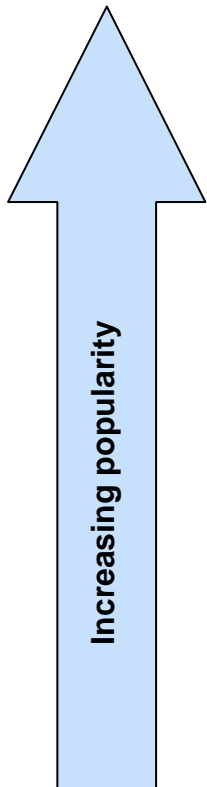
100% = US\$ 75 million of funding by VCs



Drivers
<ul style="list-style-type: none"> • The Indian economy have seen a consistent growth of 7- 8 % per annum in recent years, which has resulted into <ul style="list-style-type: none"> ➤ Growing Middle Class incomes ➤ Consumer spending increase in leisure items and services like entertainment, Vacation etc. ➤ Indian consumers tend to spend 10.4% on vacation related activities ➤ Growing army of credit card holders and internet users are opting to book air tickets online ➤ Discounts and freebies by online ticket booking sites

* Data is for investment in the year 2005-06
 Source:contentsutra.com; KPMG Consumer Market – India report

.....Closely followed by online retailing websites

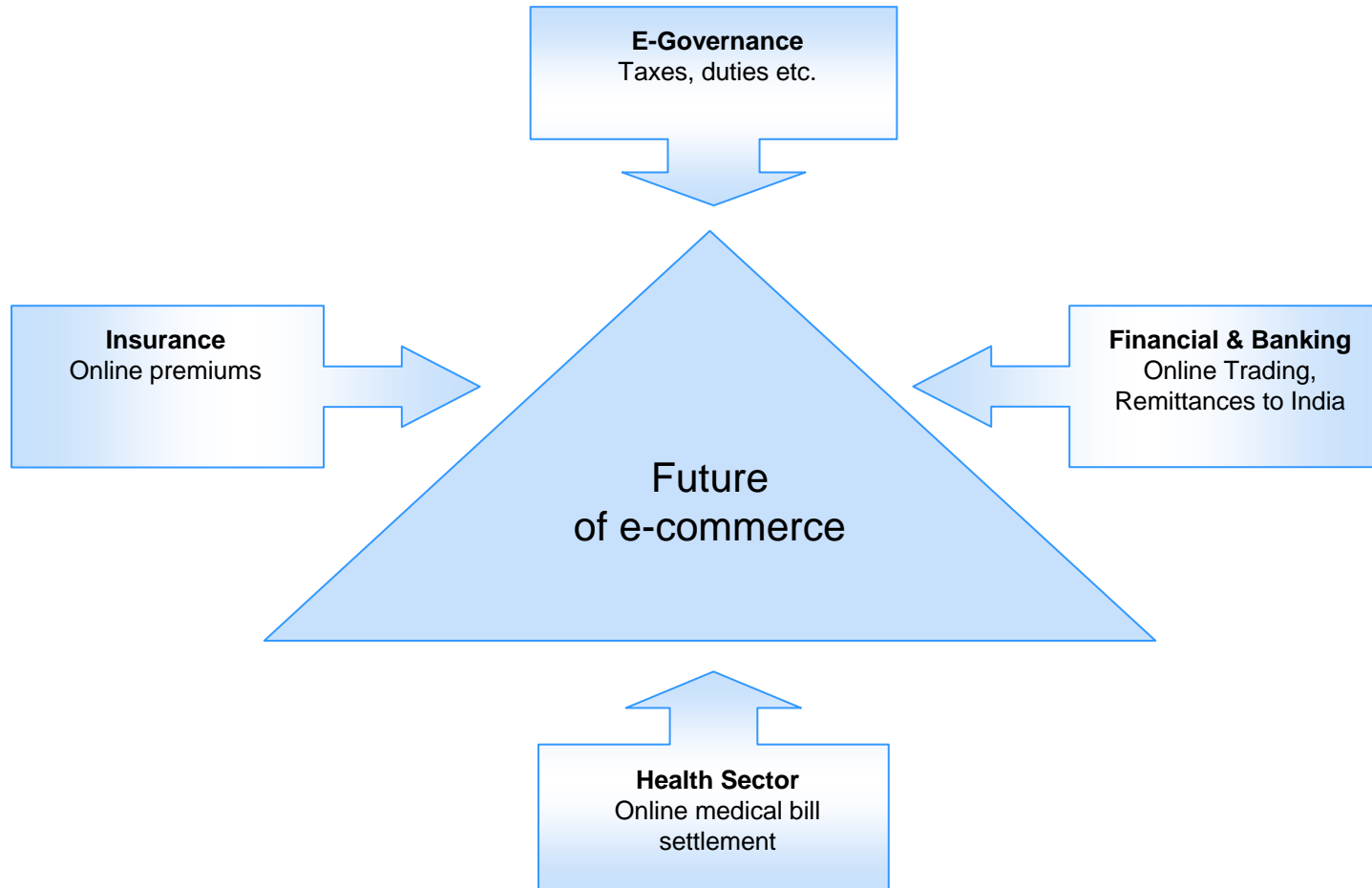


Shopping category	Description	Example
Books	National and International sites	Indiatimes.com, Ebay.in, Amazon.com
Electronic Gadgets	Best price offers and imported goods	Amazon.com, ebay, Indiatimes.com
Railway Tickets	Home delivery, status tracking from home	www.indianrail.gov.in
Apparels Accessories	Latest trends, wide choice	Rediff.com, Indiatimes.com
Gifts	One point shopping and delivery	Rediff.com, indiatimes.com, Phoolwalaa.com
Computers and Peripherals	Shopping with education	www.npithub.com, ebay.com
Airline Tickets	Best buys, top-up offers	Indiatimes, makemytrip, yatra
Music & movies	Wide collection, easy availability	Indiatimes
Hotel Bookings	Best buys, top-up offers	Makemytrip, indiabudgethotel
Others	Includes other utilities toys, jewelries, sporting godds etc.	

Note: Ranking for online shopping only does not include job, matrimonial and other activity sites

Source: Zinnov Analysis, Industry News, IOAI, Web Search

E-governance and finance services along with insurance and health services will be the next big thing in e-commerce



E-Commerce faces many challenges in India – Infrastructure and traditional mind setup are two big ones

Infrastructure

- India **lags behind in speed and cost of internet** when compared to other major Asian countries.
- India also **lags in internet penetration**, where most of the people access internet for long hours only from their offices
- **Lack of credit card availability** limits the potential customers

Mindset and Security

- Indian customers because of the traditional mind setup believe in **touch and feel factor** and hence are not taking online shopping in a big way
- Lack of a proper channel to settle the **payment disputes** is a major factor
- Indian Government still has **problems with 'Digital signatures'** and verification processes over the Internet

Globally experts feel that this Dotcom boom is not like the earlier bubble era and India should not be any different

	Bubble Era	New Boom
Sunk costs	Companies bankrupted themselves building out their fiber-optic networks and investment in technologies	Technologies that are benefiting from profligate '90s-era investment and research.
Hardware and software Cost	Were very high	Open source software and hosting services mean computer h/w and s/w will soon cost less
Initial investment	High	You can start a company today for a tiny fraction of what people spent five years ago
Venture Capital	Blowing all the first-round funding on PR stunts and rooftop parties	Today companies are starting small and lean and staying that way. They're hitting break-even sooner and don't depend on VC funding

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Zinnov – About us

Company Overview

- We are a knowledge services and consulting company with offices both in US and in India.
- We help our clients reduce the time, money and risks involved in organizational initiatives using combination of consulting and knowledge solutions delivered by global teams.

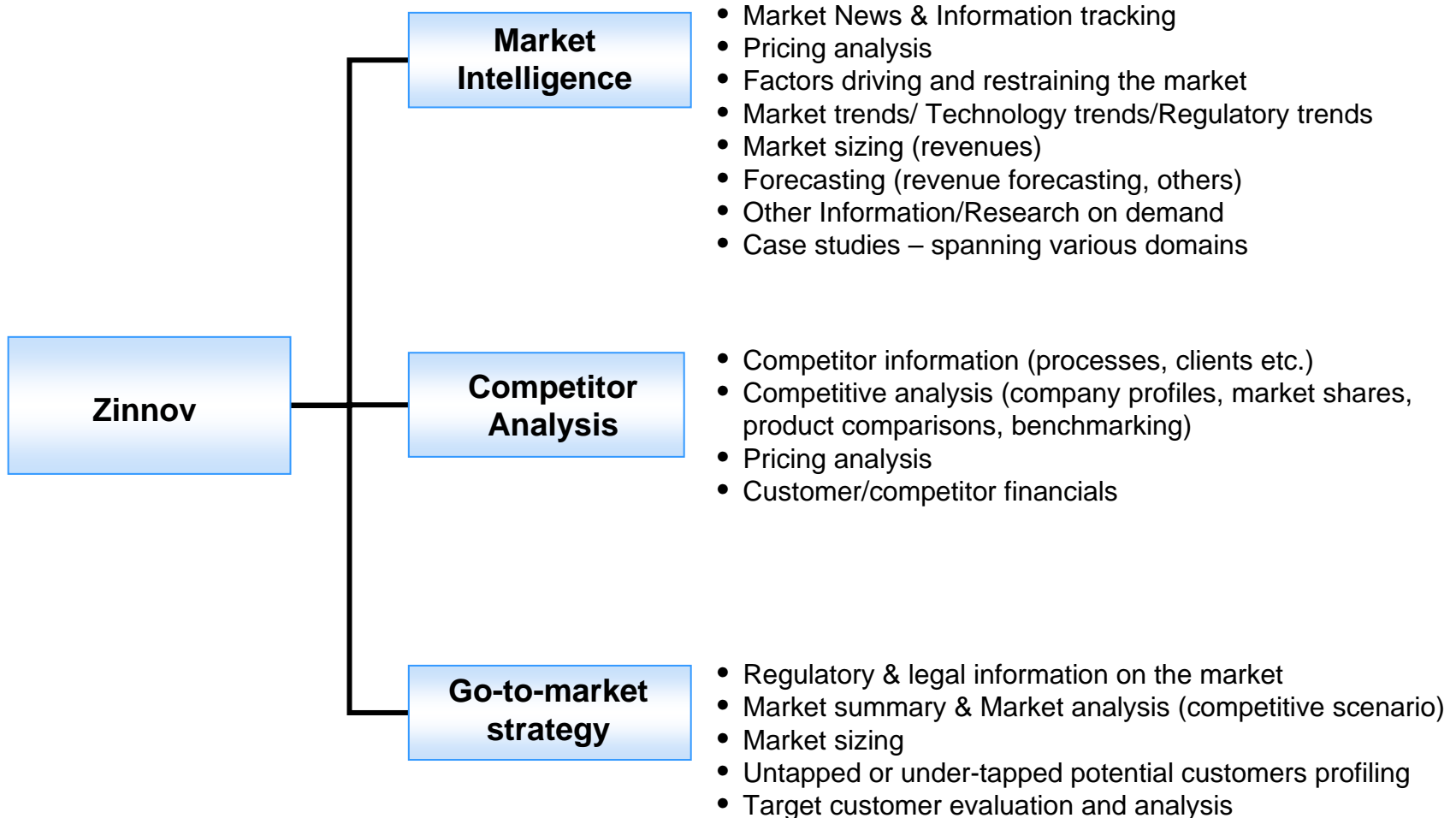
Market Research

- **Research services**
 - Customized market studies
 - Competitive Benchmarking
 - Data Analytics
 - Market Intelligence
- **Go-To-Market Services:**
 - Help companies enter the India market by helping them scope and segment the market, provide on-ground sales and marketing support to tap into the local market.

Knowledge Services

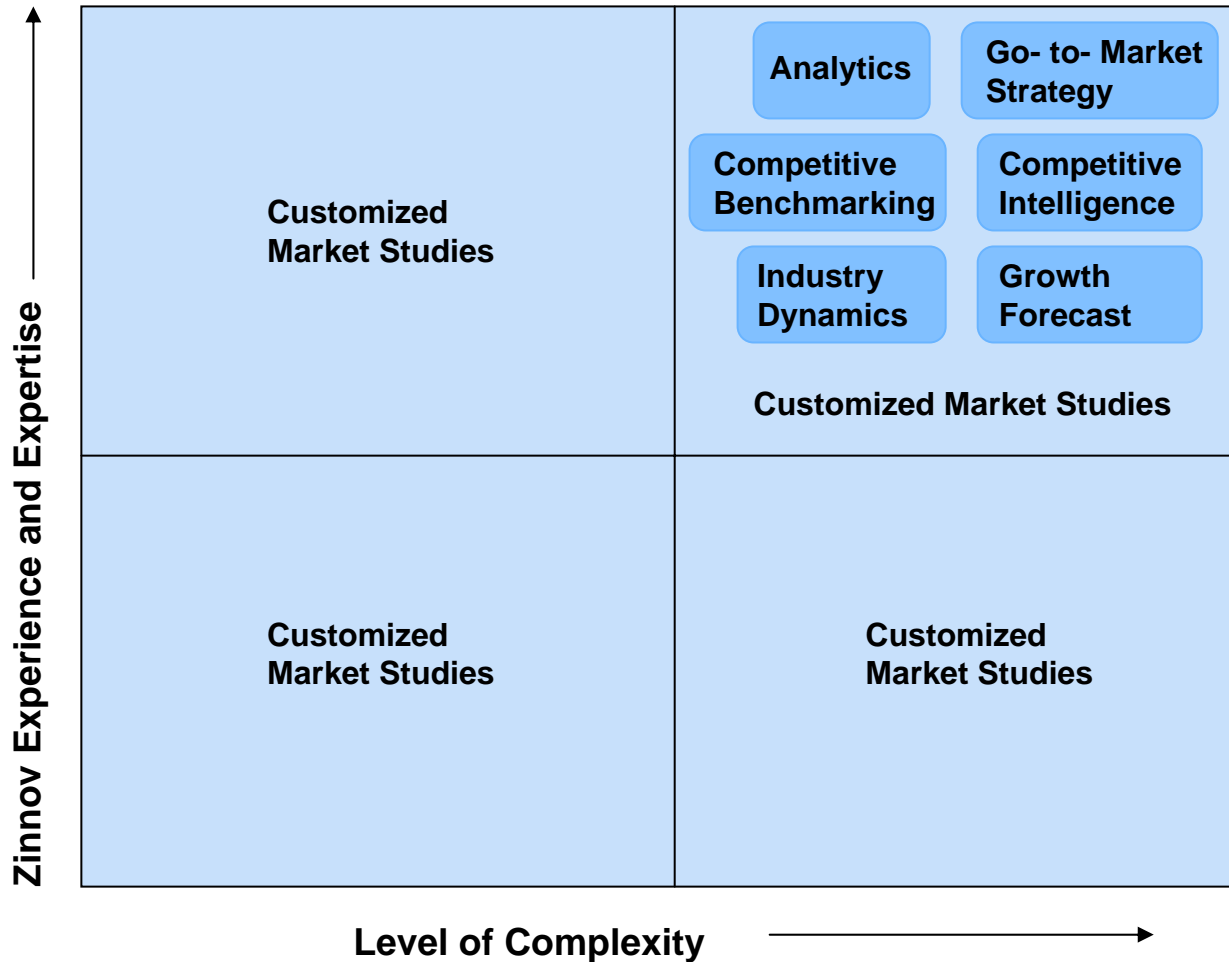
- **Dedicated Knowledge Centers (DKCs):**
 - We provide dedicated teams that help our customers in the areas of market research, competitor analysis, business research, data analytics and pre-sales support. DKCs act as an augmentation to our customer teams and provide cost effective and high value services.
 - We have provided our research and consulting solutions to more than two dozen customers. Today, our client roster included reputed NASDAQ listed companies, small to medium sized independent software vendors, strategy consulting firms and other large enterprises in domains such as BFSI, IT services and Infrastructure management.

Zinnov research team can help clients with market intelligence, competitor analysis and go-to-market strategy



A. Market Research: Zinnov has a very strong Market Research Capability with expertise across the value chain, specifically in the high end space

Illustrative



- Zinnov's Differentiators**
- Rich experience with High end market research enabling strategic decisions such as go-to-market strategy
 - Excellent primary and secondary research capability
 - Excellent pool of resources with strong capability to create customized reports for clients in any sector

B. Financial Analysis: Zinnov has a strong Financial Analysis Capability which complements both market and business research

Financial Statements

- Balance Sheet
- Income Statement
- Cash Flow Statement

Ratio Analysis

Profitability ratios

- Returns - Return on equity; Return on Assets, etc.
- Margins - Gross Margin; Net Margin

Turnover ratios

- Total Asset turnover
- Fixed asset turnover
- Working capital turnover
- Inventory turnover

Liquidity ratios

- Current ratio
- Quick ratio
- Cash ratio

Solvency ratios

- Debt to equity
- Debt to total capital
- Interest Coverage
- Total Coverage

Market Valuation

- Share Price
- Market Value of Equity
- Enterprise Value

Multiple Analysis

Trading Multiples

Transaction Multiples

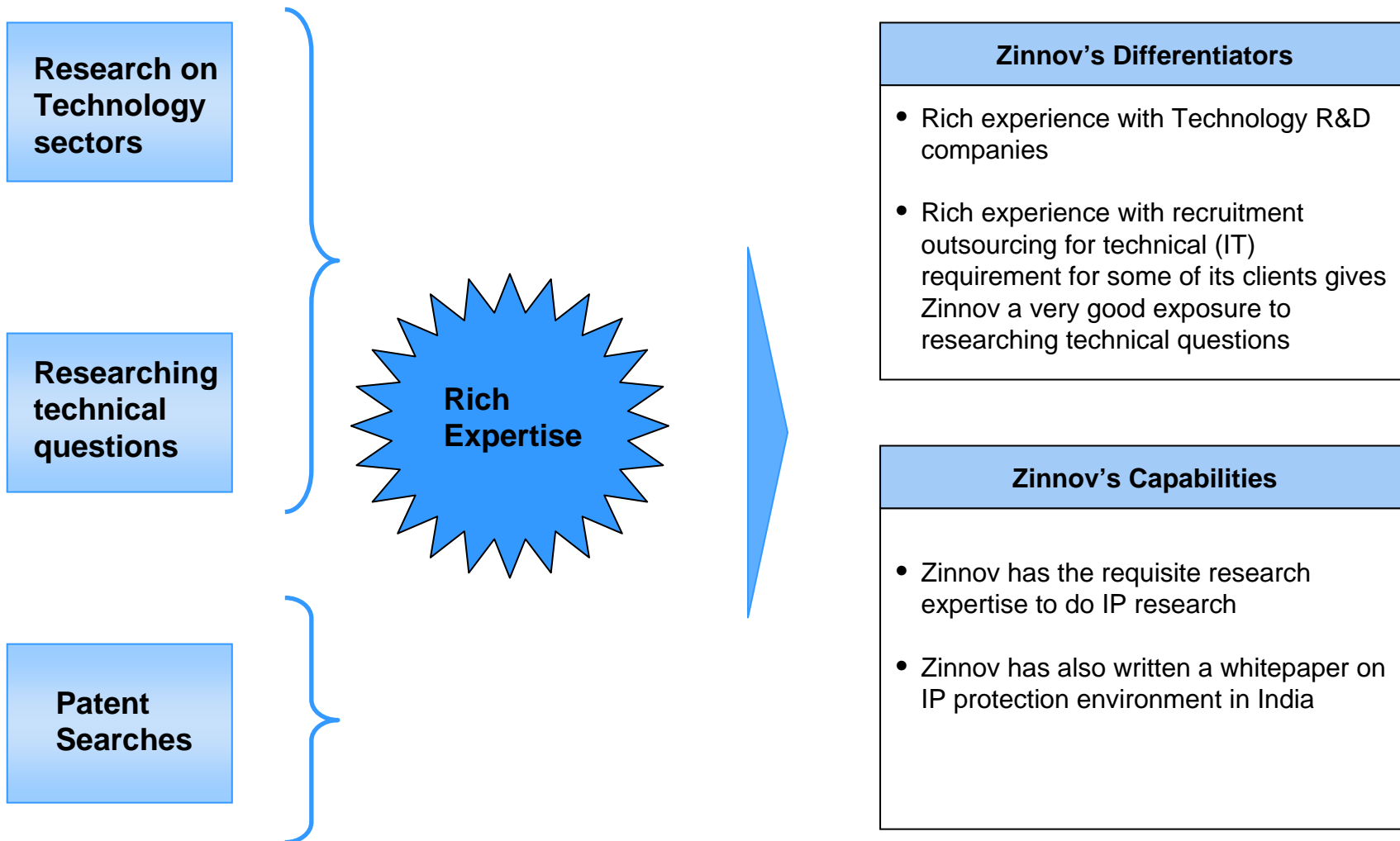
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Business Research – Company Performance Evaluation

Market Research – Competitive Benchmarking and Intelligence

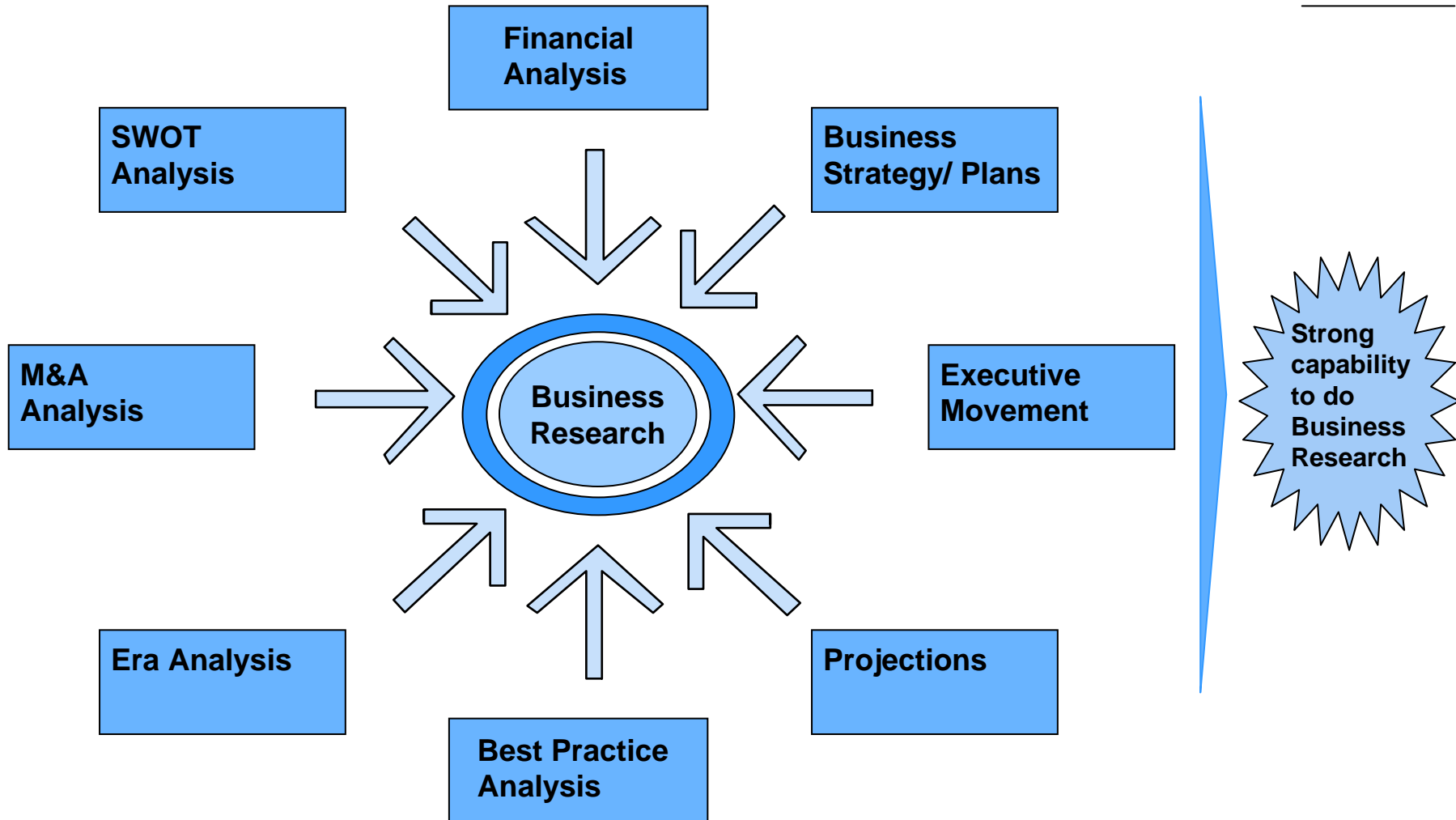
C. Technical Research: Owing to its rich and diverse experience with multiple IT R&D companies, Zinnov also has a strong Technical Research capability

Illustrative



D. Business Research: Zinnov has a strong Business Research Capability as well, covering various facets of business

Illustrative



E. Market Mapping – Competitive Mapping and Benchmarking

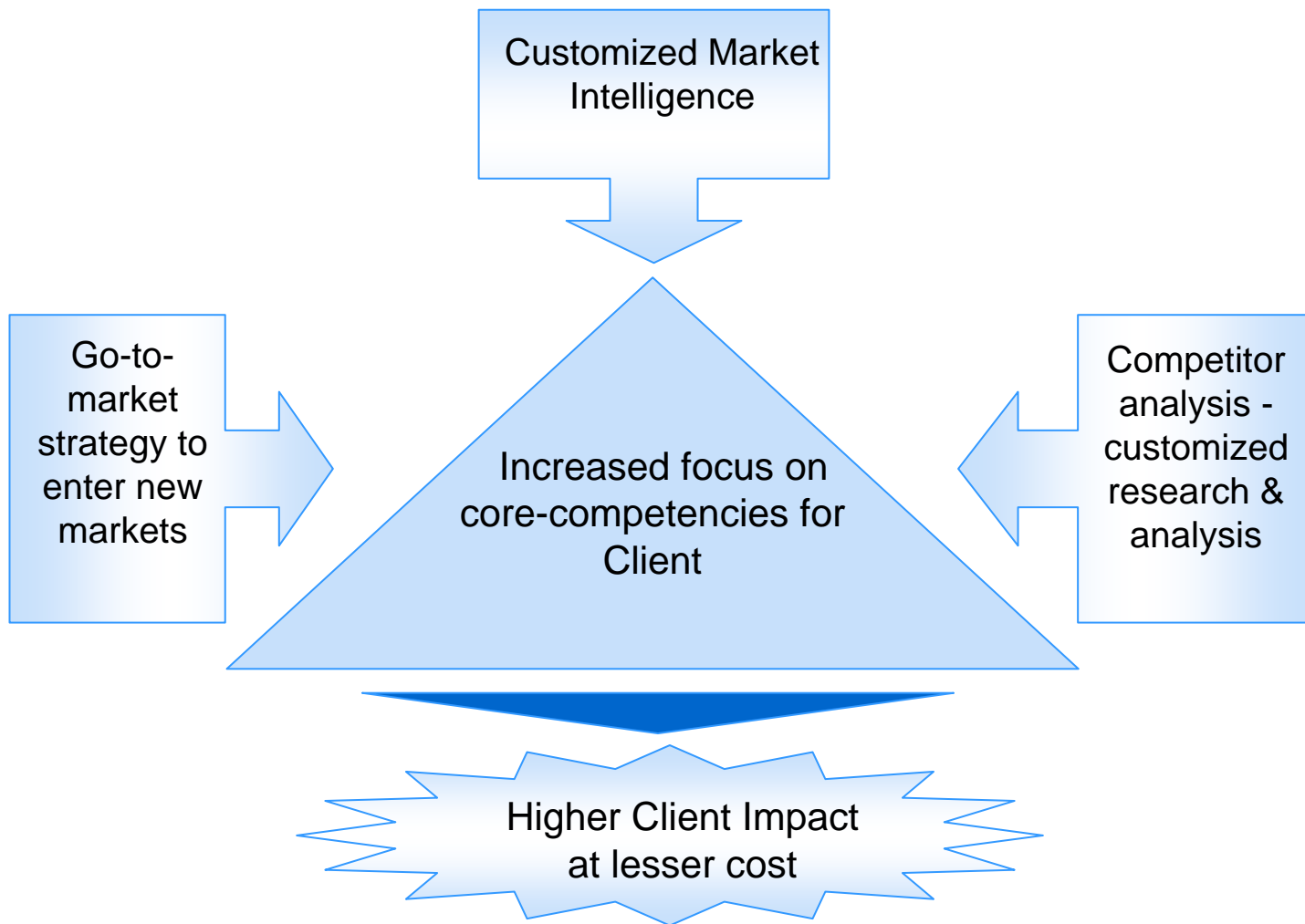
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Financial Strength and Soundness
Margins - Gross
Margins - Operating
Margins - Net
Returns on Equity
Returns on Assets
Returns on Capital Employed
Solvency ratios - Debt to equity
Solvency ratios - Debt to total capital
Solvency ratios- Interest Coverage
Liquidity ratios - Current Ratio
Liquidity ratios – Quick Ratio
Liquidity ratios - Cash Ratio
Top line - Compounded annual growth rate (CAGR)
Trading Multiples

Capability Analysis
Management Team Expertise
Technological Capability
Products/ Services
Quality Processes
Market Share
R&D Investment/ Initiatives
Marketing Strategies
Geographical Presence
Years of existence
Personnel
Past successes and failures
Future strategies/ plans
Clientele
Alliances/ Partnerships/ M&A
Enterprise Business Solutions



Our clients are benefited by cost and time effective research that Zinnov offers



Zinnov is proud to maintain 100% client references. Our clients include reputed consulting firms and industry organizations

Your comprehensive report on our competitors enabled us to make informed and objective decisions on penetrating global markets

**-SVP, Marketing
Incentive Management Software**

Thanks for the quick turnaround of the survey analysis. We look forward to your help in producing similar reports for all our industry surveys

**- Executive Director
Industry Organization**

You help us compete with McKinsey in India

- Principal, Management Consulting Firm

The level of details you capture and analyze is great.

**- VP, Operations
Employment Screening Company**

The quantitative analyzer is one of the most flexible model I have ever seen. We used it for analyzing 'what if' scenarios in our meeting with the client and they loved it!

**- Principal
Management Consulting Firm**

Thank You !

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