

WISDOM INSIGHT

Startup and MSME Funding Scenario

A monthly newsletter

September 2018

Both private and public equity investment markets for SME are headed for an all best performance in 2018

In 'Startup and MSME Funding Scenario', we currently track two key segments of capital: private investments in equity from sources like Angel / VC / PE investors; and public investments via SME IPOs.

Funding trends in from both avenues remain very strong in 2018. Private equity market is headed for the all-time best year in 2018. Similarly, SME IPO market is robust, with investors getting good returns over the last 1-2 years. SME IPOs are also headed for an all-time high in terms of number of issuances.

Angel / Venture / Private Equity Investments – Sep '18

USD2.7B m (Rs 19,000 crore+) of private equity investments reported in Sep'18

We have been pointing out in recent months that early stage equity investing in India has moved to a higher level in recent months. Sep'18 turned out to be a bumper month, with USD 2.7B of reported investments from Angel/VC/PE deals

All time high single month figure recorded in Sep'18



USD 16.7B (Rs 117,000 crore) reported in Jan-Sep'18

For the first 9 months of 2018 (Jan-Sep'18), total reported in investment amount has hit USD 16.7B (~Rs 117,000 crore), 43% more than the USD11.7B invested in the same period last year. Total number of transactions reported were 607, as compared to 561 in the same period last year.

9m2018 figure exceeds 2017 full year

The 9m2018 investment is already larger than the full year figure for 2017, which was USD16.7B.

Oyo raises USD800m

The cumulative amount of rolling 12 months (the red line in the chart above) hit a new all-time high of USD21.8B

In terms of sectoral mix, Media and Entertainment & BFSI sectors again saw the maximum jump in number of transactions.

The largest deal was recorded by Travel and Tourism sector, where hotel aggregator Oyo raised a massive round of USD800m. There were 7 other deals with investments above USD90m. Renewable energy company CLP India raised USD365m from Canadian pension fund CPDQ, while another Canadian firm Fairfax committed USD300m to chemical group Sanmar.

Traditional sectors like Chemicals, Energy and Industrials figured among top deals for a change

Target	Key Investor (s)	Amount (\$m)	Industry
Oyo	SoftBank's Vision Fund	800	Travel & Tourism
CLP India Pvt	CDPO	365	Energy
Sanmar Chemicals Group	Fairfax India Holdings Corp	300	Chemicals & Allied
Udaan	DST Global, Yuri Milner	225	Internet
UnitedLex BPO Pvt. Ltd	CVC Capital Partners	200	IT/ITES
Dream11 Fantasy Pvt. Ltd	Tencent Holdings Ltd	100	Media & Entertainment
ShareChat	Shunwei Capital, Morningside Ventures, Xiaomi, Lightspeed, SAIF	99	Media & Entertainment
JM Fin NBFC	GIC	90	BFSI
RR Kabel Ltd and Ram Ratna Electricals Ltd	TPG Capital	88	Industrials
Livspace	TPG Growth, Goldman Sachs	70	Internet

SME IPOs and SME Exchange activity

Number of SME IPOs that opened in September saw a jump on both NSE and BSE. A total of 24 IPOs opened in September, a sharp jump over recent months.

24 IPOs in Sep'18

	NSE	BSE
2016	24	42
2017	80	54
Jan-18	6	6
Feb-18	7	4
Mar-18	17	11
Apr-18	6	5
May-18	8	9
Jun-18	8	1
Jul-18	3	4
Aug-18	7	3
Sep-18	13	11
Jan-Sep'18	69	54

In terms of investor returns, the SME market has going through a phase of consolidation in 2018. It fell 6% in September, in line with general market weakness.

SME Index in a consolidation more in 2018



Returns

1 month	-6.4%
3 month	2.0%
6 month	8.1%
1 Year	11.7%
2017	28.7%

ABOUT WISDOMSMITH ADVISORS LLP

Wisdomsmith is a research driven transaction advisory outfit. We help emerging companies with growth strategy and fund raising. We also advise companies on strategic transactions, particular cross border, where we have exclusive alliances with investment banking outfits in China and Japan. We also have a SEBI registered early stage sector focussed fund that invests in healthcare, wellness and nutrition startups.

Wisdomsmith closed 2 transactions in Sep'18, helping couple of NBFCs raise debt

Service Lines

- Consulting: Growth strategy, business planning and budgeting, valuation opinion
- Fund Raise – Equity / Debt / SME IPO advisory
- Strategic – JVs/ M&A
- Angel Fund

Geographies

- India
- Japan
- China