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Solar VC funding drops below \$100 m in Q3: Mercom

Our Bureau

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Corporate venture capital (VC) funding in the global solar sector during the third quarter of 2012 was down to its lowest levels since 2008. It totalled just \$72 million in 14 deals compared with \$376 million in 32 deals in the previous quarter (second quarter) of 2012.

There were 12 corporate merger & acquisition (M&A) transactions in the third quarter, totalling \$393 million, with only four transactions disclosing the amount, according to a report by Mercom Capital Group, llc, a global clean energy communications and consulting firm, on funding and M&A activity for the solar sector during Q3.

"This was the first sub-\$100 million quarter for solar VC funding since 2008. It is a very challenging market, particularly for upstream companies -- good exits have become rare and M&A deals are more and more resembling distress sales," said Raj Prabhu, Managing Partner at Mercom Capital Group.

The report, released on Tuesday, shows that 26 investors participated in the 14 deals in third quarter.

The leading VC deal in the third quarter was concentrating photovoltaic company SolFocus

with \$15 million. At the end of the quarter, most of the year-to-date VC funding went to solar downstream (\$258 million) and thin film companies (\$246 million).

PROJECT VC FUNDING

India, however, did not see any corporate VC funding in the third quarter, but reported project VC funding. The transactions related to Indian companies during the period include Welspun Energy, a renewable energy project developer, which secured a long-term project funding of Rs 355 crore (\$60.6 million) for a 50 megawatt solar photovoltaic project in Rajasthan from a consortium of lenders comprising Central Bank of India, Union Bank of India, IIFCL and Vijaya Bank.

Mahindra Suryaprakash, a Mumbai-based company owned by Kiran Energy and Mahindra Holding, secured a loan of Rs 188 crore (\$34.3 million) from The Export-Import Bank of the United States, to construct two solar photovoltaic plants of 20 MW and 10 MW in Rajasthan.

Solar Field Energy Two, a Mumbai-based company wholly owned by Kiran Energy Solar Private Power, secured a loan of Rs 126 crore (\$23 million) from the same bank to construct a 20

MW solar photovoltaic plant in Rajasthan.

SOLAR LEASE FIRMS

What is interesting, the report noted, was third party finance firms, or solar lease firms. Over \$1 billion in solar residential and commercial lease funds has been raised just in the third quarter of 2012, and almost \$2 billion in 2012 till date.

Of the 12 corporate M&A transactions in the third quarter of 2012, two transactions - Q.Cells and MiaSolé - were distress sales, the report said.

A notable transaction was the acquisition of Vivint by Blackstone Group for \$2 billion. Included in the transaction was the Vivint Solar division, a third party solar finance lease firm. The valuation of Vivint Solar on its own is unknown.

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