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Solar sector continues to see dip in venture capital

Our Bureau

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The slump in global venture capital (VC) investments in the solar sector, which started in the third quarter of 2012, continued in the first quarter of 2013. But, the solar downstream companies continued to attract VC funding in Q1 of 2013.

According to 'Q1 2013 Solar Funding and M&A Report' by Mercom Capital Group llc, VC investments in the sector dropped to \$126 million in 26 deals during the first quarter of 2013 compared with \$220 million in 27 deals in the previous quarter (fourth quarter of 2012). This is the second lowest quarter for VC funding since 2008, it said.

After strong VC investments in the first two quarters of 2012, there has been a consistent decline in the last three quarters

VC investments

Company	Amount raised (\$ m)	Source
Welspun Energy	161	Central Bank of India
Sai Maithili Power	9	EXIM Bank of US
HHV Solar	39	Swelect
Simpa Networks	2	Asian Development Bank

Source: Mercom Capital

(third and fourth quarter of 2012 and first quarter of 2013) even though there was a slight uptick in fourth quarter 2012.

In total, downstream companies, mostly solar lease companies, raised \$75 million in eight deals, followed by thin film with \$25 million in six deals, it said.

Raj Prabhu, CEO of Mercom Capital Group, said: "After being burned by solar technology investments, especially thin film, we are finally seeing VC

investments shift away from technologies and towards downstream/lease companies that are benefitting from record low panel prices."

The notable Indian transactions during the quarter were Welspun Energy, Sai Maithili Power, Simpa Networks, and HHV Solar.

TOP PICKS

The top VC funding deals in first quarter of 2013 included \$30 million raised by OneRoof

Energy from Hanwha followed by \$28 million raised by Sungevity.

On the mergers & acquisitions front, the first quarter amounted to \$306 million in 15 transactions. Although half of them did not disclose details, M&A strategies fell into three categories: acquisitions of downstream players to acquire project pipelines or create captive markets for upstream products, acquisitions of key technologies and IP, and acquisitions of distressed assets/companies, said the report.

The largest disclosed M&A transaction by dollar amount in the first quarter was solar cell manufacturer Goldpoly New Energy Holdings' acquisition of power plant developer China Merchants New Energy Holdings in a non-cash transaction valued at \$273 million.