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Today's View

Venture Debt funding

Over the decades, legions of Indian businesses, big and small, have grown on the back of debt. But for start-ups chasing growth at all costs, debt is like a millstone around their necks. Unsurprisingly, in the past nine years, Indian start-ups have raised about \$56 billion in venture capital, but only about Rs 3,300 crore (\$481.3 million) in venture debt.

Venture debt accounts for less than 1% of all Start-up funding in the country, as against 15% in the US. A turning point for the industry, in particular, is the recent interest in venture debt shown by entrepreneur-turned-millionaire investors Sachin Bansal and Binny Bansal. Venture debt is mostly given to start-ups who are able to raise at least a Series-A round.

As per data available, the venture debt market almost doubled since 2016 moving from around \$5.5B to over \$10B in 2019. From a modest ticket size of Rs.7-10 crore a few years ago, deal sizes have increased to Rs.15-20 crore.

As a rule of thumb, the size of venture debt investment in a company is roughly 33% to 50% of venture capital (equity). The **VC industry** invested around \$27B in the last 12 months. This would imply around \$9B potential debt market.

The emergence of players like **InnoVen Capital, Trifecta Capital, Alteria Capital**, and the entry of individuals like **Flipkart** founders - Sachin Bansal and Binny Bansal - has only brightened this segment.

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TCS to take insurance platform places

Tata Consultancy Services is doubling down on its insurance platform — which has already won more than \$5 billion in business in the last two years — and is looking at newer markets in Continental Europe to expand.



Source – The Economic Times

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Date – 15th Nov 19

According to **YourStory Research**, the quantum of venture debt in India was \$1.2 billion in 2017 with 47 deals and rose to \$1.4 billion in 2018 with 62 deals. In the first seven months of the current year, it stands at \$547 million with 35 deals. Learns speakers' pronunciations over time, normalizing abnormalities in exportable audio and text.

Two of India's biggest venture debt providers—**Temasek**-owned **InnoVen Capital** and **Alteria Capital**—have together done follow-on rounds in about 10 companies this year alone. Venture debt, a more mainstream option for start-ups today, is seeing traction for both early-stage firms and late-stage unicorns.

A relatively new funding source, venture debt, is witnessing traction from some of India's biggest start-ups, including **Oyo**, **Swiggy**, **Byju's** and **BigBasket**.

Venture debt funds, unlike their equity counterparts, don't allocate a portion of their fund for follow-ons, but the sheer pace and interest from companies to raise more debt indicates the maturity in the ecosystem.

Today's News

EarlySalary crosses 1 million loan disbursals

Consumer lending platform EarlySalary said it has disbursed more than 1 million loans, amounting to over Rs 1,850 crore. It said 67% of the loans were given to millennials in the 26-35 age-group, most of whom were job beginners with work experience of under two years. "Completing 1 million salary advances is a major milestone for EarlySalary, as we continue to be the first line of credit for young Indians," said Akshay Mehrotra, CEO at EarlySalary. "These customers often experience a month-end cash crunch and due to lack of credit score knowledge, they are unable to borrow money from the traditional credit facilities available. It is this gap that EarlySalary has been able to successfully mitigate for its consumers."

Source – *The Economic Times*

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PaySense explores lending opportunity, acquires an NBFC

Naspers-backed consumer lending platform PaySense has acquired a NBFC and sought Reserve Bank of India's permission to begin lending on its own. The firm is also in talks with investors to raise \$150-165 million equity as underwriting of loans needs higher capital backing. "We don't want to be merely a service provider. We want to lend as well," PaySense founder-cum-CEO Prashanth Ranganathan said. "All Fintech companies are converging into lending. The future lies there since that's the high margin business." He said existing as well new investors have shown "fair bit of interest" in pumping in capital in his firm. "Whether it is through acquisition or through mere equity, raising has not been firmed up yet. But I can say that we are more inclined to have a long-term capital partner," Ranganathan said.

Source – *The Economic Times*

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This News Letter has been prepared with the assistance of **G Balakrishna** and **M T Rao**

Walmart incurs \$290M hit on Jabong

US retail behemoth Walmart has incurred a \$290 million non-cash impairment charge on a part of the premium it paid for Flipkart, to write off goodwill from fashion portal Jabong's trade name, Chief Financial Officer Brett Biggs disclosed in an earnings call Thursday. When it bought Flipkart last year, Walmart attributed 77% of Flipkart Group's \$24.1 billion in assets to intangibles and goodwill. Barring its flagship brand, Flipkart owns Mynta, PhonePe and the Jabong trade names. In 2016, Flipkart acquired Jabong for \$70 million in cash and has since then been struggling to figure out a definitive long-term strategy for the fashion portal.

Source – *The Economic Times*

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WhatsApp rivals Signal or Telegram can be hacked too

End-to-end encrypted messaging platforms Telegram and Signal may have found traction among users after the alleged spyware attack on Facebook-owned WhatsApp recently, but cybersecurity researchers say it is a fallacy to think these platforms are not vulnerable to threats. Both Telegram and Signal provide multiple features that offer an additional layer of privacy to chats, but experts say they still are not immune from cyberattacks. Although awareness about these alternatives have been low among users - with only the tech-savvy ones making use of the messaging services - their popularity is growing, largely through word-of-mouth.

Source – *The Economic Times*

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India second in seeking user information from Facebook

The government sent Facebook 22,684 legal and emergency requests for data in the first six months of the year, making India the second-largest country to request information on its citizens after the United States. These requests comprised information on 33,324 users and accounts. Facebook said it complied with about 54% of the requests. The government's requests touched an all-time high from a mere 3,245 requests during the same six-month period in 2013.

In the first half of 2019, governments requests globally for user data increased by 16% to 128,617 from 110,634. "Of the total volume, the US continues to submit the largest number of requests, followed by India, the UK, Germany and France," Facebook deputy general counsel Chris Sonderby said in a post.

Source – *The Economic Times*

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Enterprises shifting investments to hybrid cloud: Nutanix

A majority of enterprises are shifting investments to hybrid cloud infrastructure as they settle on that as their ideal IT operating model, according to the second Enterprise Cloud Index survey by Nutanix.

"As organizations continue to grapple with complex digital transformation initiatives, flexibility and security are critical components to enable seamless and reliable cloud adoption," said Wendy M. Pfeiffer, CIO of Nutanix. "The enterprise has progressed in its understanding and adoption of hybrid cloud, but there is still work to do when it comes to reaping all of its benefits. In the next few years, we'll see businesses rethinking how to best utilize hybrid cloud, including hiring for hybrid computing skills and re-skilling IT teams to keep up with emerging technologies."

Source – *The Economic Times*

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Rebel Foods doubles topline in fiscal 2019, but losses balloon by more than 75%

Rebel Foods, which owns and operates multi-brand cloud kitchen brands, more than doubled its top line in financial year 2018-19, but losses ballooned, as the Mumbai-based company increased its bouquet of offerings, while also continuing to focus on geographical growth. For the year ended March 31, 2019, Rebel Foods, which owns and operates an estimated 2,100 internet restaurants and 275 cloud kitchens spread across three countries, posted net loss of Rs 130.64 crore, up from net loss of Rs 74.44 crore in fiscal 2018.

Other expenses, which typically also includes marketing and promotional spends, among other items, rose 147% to Rs 191.81 crore, as the company began expanding at a rapid pace across South-East Asia and the Middle-East, particularly in Indonesia and Dubai. Separately, cost of materials consumed and employee benefit expenses also rose 105% and 39%, to touch Rs 144 crore and Rs 92.27 crore, respectively, for the year ended March 31, 2019.

Source – *The Economic Times*

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Sachin Bansal pumps Rs 888 crore in Navi Technologies

Flipkart cofounder Sachin Bansal has invested an additional Rs 888.5 crore into his latest venture, BAC Acquisitions, recently renamed Navi Technologies, according to filings with the Ministry of Corporate Affairs. According to the disclosure, Bansal has picked up 6.8 crore equity shares in the company, with each share priced at Rs 130.

Bansal founded BAC Acquisitions in partnership with his IIT-Delhi batch mate Ankit Agarwal, soon after he sold his stake in Flipkart to Walmart last year for about \$1 billion. The US retail giant bought 77% in Flipkart for \$16 billion.

Source – *The Economic Times*

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Jumbotail, NinjaCart raise more as B2B Ecomm finds love

Sector-focused B2B companies such as Jumbotail and NinjaCart have raised additional capital from existing backers as they prepare to raise more funds in the next few months, close on the heels of bigger rival Udaan picking up \$585 million in one of the biggest late stage investment rounds this year.

Jumbotail raised Rs 14 crore from existing investor Nexus Venture Partners, while NinjaCart mopped up Rs 30 crore from Trifecta Capital, regulatory filings show. Jumbotail is in the market to raise nearly \$30 million, according to people aware of the matter. Till date, the company has raised \$23 million.

Source – *The Economic Times*

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