

INVESTOR NETWORK

Tracxn unveils platform to help angels exit start-ups

TracxnSecondary could raise liquidity in start-up space that draws flak for not returning enough cash to investors

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BENGALURU

Start-up data analytics provider Tracxn Technologies Pvt. Ltd has launched an Internet platform aimed at helping early investors in mature start-ups sell their shares by connecting them to venture capital (VC) firms and other institutional investors.

If the platform, called TracxnSecondary, gains scale, it will increase liquidity in the Indian start-up business that is often criticized for not returning enough cash to investors.

Eventually, Tracxn plans to expand the platform to include start-up employees, who can use it to liquidate their stock options. Stock options are a key part of the compensation package for senior executives in some start-ups, especially among the highly valued ones such as Flipkart Ltd and Snapdeal (Jasper Infotech Pvt Ltd).

"(Angel investors) have been sitting on a very large pile of stock, which is very highly valued but still not liquid," said Abhishek Goyal, co-founder, Tracxn. "Angels want to make more investments. The market is really attractive, (but) they're all looking for liquidity. At the same time, there are a lot of international funds who want a small exposure to India. So there's demand (for such a platform) on both sides."

Tracxn has started working with a few angel investors and hopes to initially have a portfolio of 10 companies that have raised more than \$50 million, including

the likes of Flipkart, Snapdeal and Paytm, on the platform.

Within 30 days of launching it in India, the company will expand TracxnSecondary to Southeast Asia.

"These are the geographies where the ecosystem is new and there aren't many structured secondary avenues. The kind of funds we are working with are dedicated secondary vehicles, whose mandate is to buy from angels and make money on that, and that kind of ecosystem doesn't exist in India right now. This is true for all emerging markets," said Goyal.

Over the past two years, investors have pumped in more than \$9 billion into Indian Internet start-ups, betting that the explosion in smartphone sales and the corresponding mobile Internet connections will lead to unprecedented sales growth for these young companies.

Unlike the two other large start-up hubs, the US and China, India is thought to suffer from a lack of 'exits'—industry jargon for initial public offerings or acquisitions.

No Indian consumer Internet start-up launched over the past decade has gone public yet, meaning that a majority of the cash pumped into start-ups by investors has only increased in value on paper.

Liquidity has improved slightly over the past three years or so. The sale of bus ticketing site Redbus to South Africa's Naspers Group in June 2013 is a rare case of start-up investors actually receiving millions of dollars in cash (other start-up deals since then have weighed heavily toward stock swaps). Early investors in a few start-ups including Flipkart, Snapdeal and Quirk have also seen some returns on their cash investments by selling shares in secondary deals to other investors. Secondary sales of shares, how-

ever, continue to happen rarely.

TracxnSecondary hopes to help increase the frequency of secondary transactions.

Whether the platform can gain scale will eventually depend on the investor sentiment toward start-ups. Currently, after an investment boom of nearly two years, VC firms and others have become cautious about start-ups.

TracxnSecondary also plans to work with large family offices looking to invest in start-ups. The firm said it will connect institutional investors to angels, and not as a peer-to-peer marketplace, so as to avoid regulatory issues.

"ESOPs (employee stock ownership plan) will take time, as that is more regulated and require tie-ups with companies before we take that forward, so we'll extend that a little later," Goyal said.

TracxnSecondary is Tracxn's third initiative that goes beyond offering data. It has a platform called Tracxn Syndicate to connect start-ups with potential investors, and a start-up incubator called TracxnLabs, backed by Flipkart co-founders Sachin Bansal and Binny Bansal, to invest in new firms.

The three-year-old firm was started by Abhishek Goyal and Neha Singh, former VC investors at Accel Partners and Sequoia Capital, respectively.

Tracxn has so far raised \$3.5 million from Sachin and Binny Bansal; Sahil Barua, co-founder of e-commerce logistics firm Delhivery, and VC firm SAIF Partners. It has received undisclosed amounts of money from Ratan Tata, chairman emeritus of Tata Sons Ltd, former UIDAI chairman Nandan Nilekani, Aarin Capital co-founder T.V. Mohandas Pai, WhatsApp vice-president Neeraj Arora and Jungle co-founder Anand Rajaraman, among others.