

**SCALING UP**

# IIF, Nexus invest in SEDEMAC's second round of fund-raising

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BANGALORE

Pune-based SEDEMAC Mechatronics Pvt. Ltd. founded by a professor at the Indian Institute of Technology, Bombay (IIT-B), has raised a second round of funding from Nexus Venture Partners and India Innovation Fund (IIF). Financial details were not disclosed.

The firm makes electronic control modules to increase fuel efficiency and reduce emissions.

"We don't come across these kinds of companies very often. In three-five years time, we expect the company to take a leadership position," said Ashwin Raguraman, vice-president, IIF, an early-stage venture investor that backs companies with intellectual property (IP) in emerging technologies.

While Nexus invested an undisclosed sum in SEDEMAC in 2008 as well, IIF is making its first investment in the company.

SEDEMAC sells its modules to original equipment manufacturers (OEMs) of parts for heavy vehicles such as forklifters, cranes and bulldozers as well as to component suppliers for two- and three-wheeler makers.

It also provides electronic speed governors for diesel or gas powered engines and gensets to help reduce fuel consumption and improve power quality.

SEDEMAC, founded in 2008 at IIT-B's incubation centre Society for Innovation and Entrepreneurship, will use the corpus from its second fund-raising for research and working capital requirements, said co-founder and director Shashikanth Suryanarayanan, a professor in the department of mechanical engineering at the institute.

"Part of the capital will go into our continued research and development work. We will also utilize the capital for financing our supplies," he added.

SEDEMAC "is working with leading small engine manufacturers in India. The latest capital infusion will help it in expanding into new applications", Sandeep Singhal, co-founder and managing director of Nexus, said.

"As increasingly more and more two-wheelers move towards emission control, there will be an enhanced requirement for the kind of products that SEDEMAC

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has," he said, also pointing to potential demand for diesel gensets used in telecom towers.

"SEDEMAC's energy monitoring technologies will find takers. It's a good technology. But how does one make a fast-scaling business out of it remains to be seen," said Sanjay Anandaram, an entrepreneur-turned-investor. "One has to see this in totality. How does one build a business around the technology?"

Suryanarayanan agreed the business will need time to scale up but said over the long term, it can emerge a formidable winner. "The deals that we get are for years. Scaling up is possible if one has a business in place, catering to the demand of each OEM," he said.

Separately, IIF, backed by the National Association of Software and Services Companies (Nasscom) and IKP Knowledge Park, said it expects to complete securing investor commitments for its ₹100 crore first fund by the end of the year and may consider raising another fund.

"We may look at raising another fund, and, for it, we may relax our focus on IP-driven tech play. We may look at a broader gamut," Raguraman said, adding that the fund will not invest in sectors such as real estate or restaurant chains where technology is not involved. "Our real value is in information and communication technologies."

IIF, which has invested in three companies so far, including SEDEMAC, is carrying out due diligence on at least two more start-ups, Raguraman said. IIF typically invests up to \$1 million in a start-up and is open to co-investments. It expects to invest in at least two to three companies this year from its first fund.

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