



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2015/01/243)

5th March 2015

Notice under section 6(2) of the Competition Act, 2002 given by Caladium Investment Pte. Ltd.

Order under Section 31(1) of the Competition Act, 2002

1. On 30th January 2015, the Competition Commission of India ('**Commission**') received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 ('**Act**') given by Caladium Investment Pte. Ltd. ('**Acquirer**'), pursuant to a binding term sheet executed, *inter alios*, between Bandhan Financial Services Limited ('**BFSL**' or '**Target Enterprise**'), the shareholders of BFSL and the Acquirer on 16th January 2015 ('**Binding Term Sheet**').
2. The proposed combination consists of an investment by the Acquirer by subscribing to equity shares of BFSL, constituting approximately 15.14 percent stake in BFSL on a fully diluted basis, and acquiring approximately 2 percent shares of BFSL from Financial Inclusion Trust, which is one of the shareholders of BFSL.
3. The Acquirer, a company incorporated in Singapore, is a special purpose vehicle and an affiliate of GIC, Singapore's sovereign wealth fund. As per the information provided in the notice and other documents on record, the Acquirer has minority investments in two enterprises having operations in India namely, Kotak Bank Limited ('**Kotak**') and Edelweiss Financial Services Limited ('**Edelweiss**'). Another affiliate of GIC also has certain stake in India in Asset Reconstruction Company (India) Limited ('**ARCIL**'). Edelweiss, Kotak and ARCIL are collectively referred to as the '**Portfolio Companies**'.
4. BFSL, the Target Enterprise is headquartered in Kolkata and is registered with the Reserve Bank of India as a non-banking financial company – micro finance institution ('**NBFC-MFI**'). BFSL has received 'in-principle' approval from the RBI to set up a bank on the terms and conditions set out in the New Bank Guidelines of the RBI ('**In-Principle Approval**'). Pursuant to the in-principle approval, BFSL incorporated Bandhan Financial Holdings Ltd. as a non-operating financial holding company ('**NOFHC**') and which, in turn, incorporated Bandhan Bank Ltd. ('**Bank**') to operate as a bank in terms of the in-principle approval. BFSL is stated



to be engaged *inter alia* in the business of providing micro credit using the group based individual lending model by way of small ticket income generating loans, micro health and education loans and loans to micro, small and medium enterprises. BFSL also provides some pension, insurance and remittance services.

5. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (**‘Combination Regulations’**), vide letter dated 13th February, 2015, the Acquirer was required to remove defects and furnish certain information/document(s) by 19th February, 2015. The Acquirer filed its response on due date. As the response was incomplete in certain aspects, vide letter dated 25th February 2015, issued under Regulation 14 of the Combination Regulations the Acquirer was again required to remove defects and furnish certain information by 2nd March 2015. The Acquirer filed its response on 3rd March 2015 after seeking an extension.
6. It has been stated in the notice that the Acquirer being a private equity investor is acquiring a stake in BFSL solely as a financial investment in the ordinary course of business. It is further stated that the rights conferred on the Acquirer are largely in the form of minority investor protection rights as set out in the Binding Term Sheet. However, in this regard, it is observed that the Binding Term Sheet reserves certain matters (**‘Affirmative Matters’**) in respect of which no resolution or decision may be passed / taken without the prior written consent of the Acquirer, i.e. the Acquirer has veto rights over certain acts relating to BFSL. In this regard, it is noted that the Acquirer has the right to nominate one director on the Board of Directors of BFSL. The said affirmative rights of the Acquirer *inter alia*, include (i) changes/amendments to the memorandum and/or articles of association; (ii) changes in the capital structure, including through new issues of equity or equity linked securities, buy back, rights issue, bonus issue, stock/share split, sweat equity shares, redemption of securities, capital reductions etc.; (iii) significant changes to the incentive structure of the senior management and appointment or removal of any member of the senior management; (iv) reorganization or change in the nature of current business or launch of any new business or businesses other than the transfer of the micro-finance business of BFSL to the Bank; (v) appointment or removal of any nominee director of BFSL on the board of NOFHC and the appointment of every corporate representative of BFSL for attending meetings of the shareholders/members of NOFHC; (vi) changes to the dividend policy; (vii)



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appointment or change of auditors. In view of the foregoing, it is observed that the Binding Term Sheet envisages Acquirer's joint control over BFSL.

7. As aforementioned, BFSL is mostly engaged in the micro finance business. It also provides pension, insurance and remittance services. The Acquirer is a private equity investor, and though the Acquirer and an affiliate of GIC have equity stake in companies which are engaged in the financial services industry in India, however as stated by the Acquirer, they do not have direct or indirect control over the said Portfolio Companies. It is therefore, noted that there is no horizontal overlap or vertical relationship between the parties to the combination.
8. Considering the facts on record and the details provided in the notice, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and, therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.
9. This approval is without prejudice to any other legal/statutory obligation as applicable.
10. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
11. The Secretary is directed to communicate to the Acquirer accordingly.