



## COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2015/05/278)

25<sup>th</sup> June 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 22<sup>nd</sup> May 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**' or '**Caladium**'), pursuant to execution of two agreements on 24<sup>th</sup> April 2015, namely, (a) Share Subscription Agreement ('**SSA**') between, *inter alios*, Bandhan Bank Limited ('**Bandhan Bank**'), Caladium, Bandhan Financial Services Limited ('**BFSL**') and Bandhan Financial Holdings Limited ('**BFHL**') and (b) Policy Agreement ('**PA**'), *inter alios*, between Caladium, Bandhan Bank, BFSL, BFHL, International Finance Corporation ('**IFC**') and Small Industries Development Bank of India ('**SIDBI**').
2. The proposed combination consists of an investment by the Acquirer by subscribing to equity shares, constituting 4.99 percent stake in Bandhan Bank, on a fully diluted basis, leading to its acquisition of joint control over Bandhan Bank.
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, headquartered in Kolkata, is registered with the Reserve Bank of India ('RBI'), as a non-banking financial company – micro finance institution ('NBFC-MFI'). BFSL has also 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 which it has incorporated BFHL as a non-operating financial holding company and Bandhan Bank to operate as a bank in terms of the In-Principle Approval.
5. At present, Bandhan Bank has no operations. However, upon receipt of the banking license from the RBI, it will undertake banking operations in India. As stated in the notice, the product portfolio of Bandhan Bank will include, *inter alia*, deposit and loan products including the micro finance products (currently provided by BFSL), pursuant to the business transfer of BFSL's entire business to Bandhan Bank. BFSL is engaged in, *inter alia*, 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 pension, insurance and remittance services.
6. 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 10<sup>th</sup> June 2015, the Acquirer was required to remove defects and furnish certain information/document(s) by 16<sup>th</sup> June 2015. The Acquirer filed its response on 17<sup>th</sup> June 2015, after seeking an extension of one day.
7. It has been stated in the notice that the Acquirer, being a private equity investor, is acquiring a stake in Bandhan Bank solely as a financial investment, in the ordinary course of business. However, it is noted that the PA entered into between, *inter alios*, the Acquirer, Bandhan Bank, BFSL, BFHL and IFC reserves certain limited matters as 'GIC Reserved Matters' in respect of which no resolution or decision may be passed / taken without the prior written consent of the Acquirer. Some of these matters on which Caladium along with other investors of Bandhan Bank may have joint control over the bank are (a) creation of or entering into or termination of joint ventures or partnerships and/or creation or sale/liquidation of its significant strategic investments, direct/ indirect joint ventures or its subsidiaries and (b) reorganization or change in the nature of its current business or activities or launch



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of any new line of business(es). In view of the foregoing, it is observed that the PA envisages joint control of Caladium over Bandhan Bank. Further, in this regard, it is also observed that not only has Caladium acquired joint control over Bandhan Bank on account of the provisions of the PA, it has also acquired indirect joint control over Bandhan Bank on account of its rights under the Restated Shareholders Agreement of BFSL executed between, *inter alios*, BFSL, BFHL, Small Industries Development Bank of India ('SIDBI'), IFC, Caladium and Bandhan Employee Welfare Trust ('BEWT') on 24<sup>th</sup> April 2015.

8. As aforementioned, Bandhan Bank currently has no operations in the banking sector. The Acquirer has insignificant presence in the financial services market through non-controlling minority stake in companies engaged in the financial services industry in India. It is therefore, noted that there is no significant horizontal overlap or vertical relationship between the parties to the combination.
9. 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.
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.