



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2016/02/375)

8th April, 2016

Notice under Section 6 (2) of the Competition Act, 2002 given jointly by

- TPG Asia VI SF Pte. Ltd.
- North Haven Private Equity Asia Platinum Pte. Ltd.
- Caladium Investment Pte. Ltd.
- QRG Enterprises Ltd.

CORAM:

S.L. Bunker
Member

Sudhir Mital
Member

U.C. Nahta
Member

M.S. Sahoo
Member

Legal Representative: AZB & Partners for TPG SF and QRG, Trilegal for North Haven and Desai & Diwanji for Caladium

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

1. On 22nd February 2016, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice given jointly by TPG Asia VI SF Pte. Ltd. (“**TPG SF**”), North Haven Private Equity Asia Platinum Pte. Ltd. (“**North Haven**”), Caladium Investment Pte. Ltd. (“**Caladium**”) and QRG Enterprises Ltd. (“**QRG**”) under Section 6 (2) of the Competition Act, 2002 (“**Act**”). (Hereinafter, TPG SF, North Haven, Caladium and QRG are collectively referred to as “**Acquirers**”).
2. The proposed combination involves the transition of Janalakshmi Financial Services Limited (“**JFSL**”) from a non-banking financial company (“**NBFC**”) into a small finance bank (“**SFB**”) pursuant to SFB guidelines prescribed by the Reserve Bank of India (“**RBI**”).



3. JFSL has been granted an in-principle approval by the RBI to start operating as a SFB and is required to comply with various regulatory requirements prescribed by RBI in order to operate as a SFB and is also required to raise funds to roll out SFB operations as per the RBI guidelines.
4. Pursuant to the in-Principle approval by the RBI, Jana Urban Foundation, a not-for-profit company under Section 8 of Companies Act and a promoter of JFSL, has set up a new company, namely Jana Capital Limited (“**Promoter HoldCo**”). A Non Operative Financial Holding Company (“**NOFHC**”) will also be set up as a wholly owned subsidiary of the Promoter HoldCo. NOFHC will be the holding company for JFSL. (Hereinafter, Promoter HoldCo and JFSL are referred to as “**Targets**”, and the Acquirers and Targets are collectively referred to as “**Parties**”). In order to comply with the RBI guidelines on SFB and roll out of banking operations, the proposed combination entails the following steps:
 - (i) TPG SF, North Haven, QRG and Caladium will acquire shares of JFSL;
 - (ii) TPG SF, North Haven and Caladium will acquire shares of Promoter HoldCo as consideration for transfer of certain shares of JFSL to Promoter HoldCo. Further, QRG will sell shares of JFSL to Promoter HoldCo and subscribe to shares of Promoter HoldCo;
 - (iii) Promoter HoldCo will sell shares in JFSL to NOFHC; and
 - (iv) NOFHC will issue its shares to Promoter HoldCo.
5. Accordingly, the proposed combination involves acquisitions of shares and is covered under Section 5(a) of the Act.
6. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011, the Acquirers, vide Commission’s letter dated 14th March, 2016, were required to provide certain information and the response to the same was received on 18th March, 2016. Acquirers also made submissions on the structure of the proposed Combination and other aspects from time to time.
7. TPG SF, an investment holding company and incorporated under the laws of Singapore, is affiliated with the TPG group which is a global private equity firm. Currently, TPG holds 15.98 percent share capital of JFSL on fully diluted basis.



8. North Haven, an investment holding company incorporated in Singapore and an entity belonging to funds managed by Morgan Stanley group, is a special purpose vehicle set up to invest in JFSL. Morgan Stanley group is a global financial services firm engaged in business segments such as institutional securities, wealth management and investment management. Currently, entities belonging to Morgan Stanley group hold 15.50 percent share capital of JFSL on fully diluted basis.
9. Caladium, a company incorporated in Singapore, is an affiliate of GIC. Singapore's sovereign wealth fund, Singapore ('GICSI'). Caladium holds a minority interest stake in following three enterprises: (i) less than 2 percent non-controlling stake in Kotak Mahindra Bank, a listed banking company that provides universal banking and lending services across India; (ii) stake in the range of 15 to 20 percent with controlling interest in Bandhan Financial Services Limited ("BFSL"), a NBFC which is registered as a core investment company ("NBFC-CIC") and operates solely as the indirect holding company of Bandhan Bank Limited ('BBL'). BFSL has given up its license to operate as an NBFC and accordingly, has ceased all operations in the microfinance sector and (iii) around 5 percent controlling interest in BBL which is a full-fledged universal bank that provides banking services across India.
10. QRG, a public limited company incorporated under the provisions of the Companies Act, 1956, is engaged in provision of services to its associate companies primarily in real estate, securities and IPRs.
11. JFSL, a public limited company incorporated in India, is registered with the RBI as a NBFC-micro finance institution ("NBFC-MFI") and is engaged in the business of providing credit to micro, small and medium enterprises. Pursuant to reorganisation and upon receipt of the small finance bank license ("SFB Licence"), JFSL proposes to commence operations as a SFB providing basic banking activities of acceptance of deposits and lending to, inter alia, small and marginal farmers, micro and small industries, and unorganised sector entities.
12. As per the notice, there are no horizontal overlaps between the activities of the Parties to the combination. With regard to horizontal overlaps, it is observed that Caladium has joint control over BFSL and BBL on account of certain rights available to Caladium in



connection with its investments in BFSL and BBL¹. In this regard, it is observed that BFSL was classified as a NBFC-MFI by the RBI and in August 2015 the entire business of BFSL has been transferred to BBL when BBL commenced operations as a full-fledged commercial bank. Further, it is submitted by the Acquirers that BFSL has also given up its license to operate as an NBFC-MFI and has ceased all operations in the micro-finance business and at present, operates solely as an indirect holding company of BBL. Therefore, BBL, now falls in the category of the scheduled commercial banks which also provide loans of the type that NBFC-MFIs are permitted to disburse but on a different footing.

13. With regards to the micro-finance business carried on by JFSL, it is observed that there are a number of NBFC-MFIs such as SKS Microfinance, Ujjivan Financial Services, Spandana Microfinance, Utkarsh Microfinance, Disha, Muthoot Fincorp, Arohan Financial Services, Satin Creditcare, Grameen Koota, which are providing similar services in several states across India.
14. With regards to vertical overlaps/relationships, it is submitted by the Acquirers that they are not engaged in any activity relating to the production, supply, distribution, storage, sale and service or trade in products or provision of services which is at different stages or levels of the production chain, in which JFSL is engaged.
15. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated in sub-section (4) of Section 20 of the Act, 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 same under sub-section (1) of section 31 of the Act.
16. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.

¹ Vide its order dated 5th March 2015 and 25th June 2015, the Commission approved Caladium's investments in BFSL and BBL in Comb. Regn. No. C-2015.01.243 and C-2015.05.278.



COMPETITION COMMISSION OF INDIA



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17. The Secretary is directed to communicate to the Acquires according.