

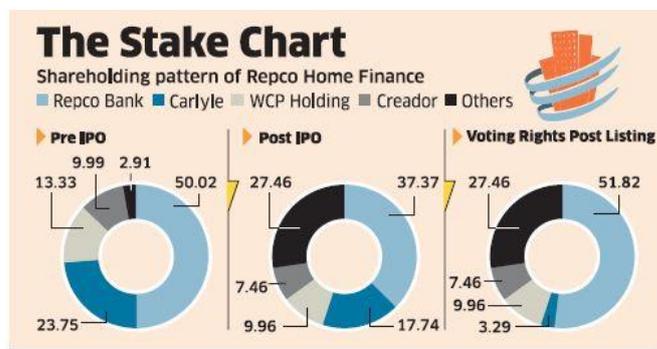
Carlyle transfers 80% voting rights of repco to promoter

MUMBAI: In a rare instance, American private equity company Carlyle has transferred four-fifths of its voting rights in Repco Home Finance (RHF) to the company's promoter, state-owned Repco Bank, ahead of its initial public offer (IPO), enabling the promoter to easily veto and pass resolutions after the listing.

Post listing, Repco Bank will enjoy 51.82% voting rights though it holds only 37.37% stake. A power of attorney has been executed by Carlyle, which currently owns 1.10 crore shares, or 23.75%, of Repco Home Finance, authorising the promoter to exercise voting rights for 89.81 lakh shares, or 19.39%, of the total equity at any general meeting to be held after the date of listing. The company's IPO opens on Wednesday.

Experts said the conclusion of the agreement among shareholders would have little impact prior to listing, but would have triggered Sebi's takeover code - mandating the promoter to make an open offer for an additional 26% stake - if the transfer was effected after the listing.

"While the transfer of voting rights would not have any regulatory impact as the company is still unlisted, once listed, the shares and voting rights would potentially be subject to both disclosures and open offer obligations," said Sandeep Parekh of Finsec Law Advisors.



An open offer is triggered if shares or voting rights change hands beyond 26%. If there is any transfer of voting rights, a buyer has to make an open offer unless the acquisition is below the threshold, or is otherwise exempt. Currently, Repco Bank has 50.02% stake, while Carlyle holds 23.75% of RHF's capital. Post the offer, the promoter's

stake will fall to 37.37% and that of Carlyle to 17.71%.

When contacted, a Carlyle spokesperson declined to comment.

"Though the regulator (Sebi) permits a company to issue shares carrying differential voting rights, any transfer of shares between two parties will not be recognised by the market post listing," said Mehul Salva, founder of Ripplewave Equity.

The power of attorney was executed after the ministry of home affairs, which owns Repco Bank, issued a letter dated March 17, 2011. The shareholders' agreement between Carlyle and the promoter was amended, whereby Carlyle agreed to transfer its voting rights to ensure that the latter and any government authorities or entities owned or controlled by government authorities were entitled to exercise voting rights to the extent of 51% of the total voting rights of the company after the listing of

the equity shares.

Further, subsequent to listing, the promoter has the right of first refusal with respect to any transfer of equity shares by Carlyle. The Rs 270-crore IPO of RHF will open on Wednesday, with an issue of 1.57 crore shares of face value of Rs 10 each for cash in a price band of Rs 165-172 per share.

Carlyle bought 49.70% stake in RHF in 2007 for Rs 76 crore. A few months ago, Carlyle transferred 61.92 lakh shares, or 13.33%, to WCP Holding, 46.39 lakh shares, or 9.99%, Creador and 4.48 lakh shares, or 0.97%, to Mixon Holdings.

After this transfer, Carlyle holds 23.75% of the company's equity share capital. The overall value of this stake at the IPO's upper price band of Rs 172 will be Rs 254 crore.

The company's loan book has increased from Rs 500 crore in FY08 to Rs 3,000 crore at present. Repco Home Finance's loan book grew at a CAGR of 44% between FY08 and FY12. Net profit CAGR recorded a 45% growth between FY08 and FY12. CAGR in sanctions went up by 31% between FY10 and FY12.