

# Bain Capital picks up 10% in L&T Finance for ₹1,300 cr

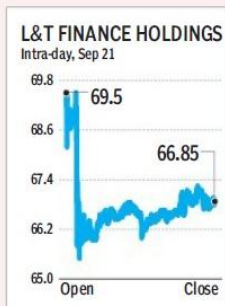
■ To have one seat on board of holding company and some major subsidiaries

By **Bureau**  
Mumbai, Sept 21

**B**AIN Capital Partners has picked up a 10.22% stake in L&T Finance Holdings, the financial services firm promoted by Larsen & Toubro, in two separate deals for ₹1,300 crore, the company said in a statement on Monday.

Following this, Bain Capital will have one seat on the board of the holding company and some of the major subsidiaries.

YM Deosthale, chairman and managing director, L&T Finance Holdings, told analysts that not only has Bain Capital chosen them for its first BFSI investment in India, the transaction is also at a premium to the market price and structured so that



the company has the funds on hand when it needs them over the next 18-month period.

"It positions L&T Finance to invest in the eventual economic recovery without being distracted by capital-raising concerns since we will now not need any more capi-

tal till March 2017," he added. The company said its board has approved a preferential allotment of equity shares and warrants to BC Investments VI and BC Asia Growth Investments (collectively referred to as Bain Capital) respectively subject to approval from shareholders and regulatory authorities.

**YM DEOSTHALE,**  
chairman and managing director, L&T Finance Holdings



and warrants at ₹74 per piece, amounting to an infusion of ₹707.8 crore into the company and constituting around 5.27% of the post issue equity share capital," it said in a statement, adding that the warrants may be exercised by Bain Capital within a period of 18 months from the allotment date or accelerated after six months from the date of allotment based on the company's capital re-

quirement. In another transaction, its parent Larsen & Toubro has sold 8.52 crore equity shares of L&T Finance Holdings or 4.95% of existing equity share capital on National Stock Exchange on Monday at ₹70 per share amounting to ₹596 crore.

The L&T Finance Holdings scrip closed at ₹66.85 on the BSE, down 2.55% from its previous close.

DNA

## Bain Capital acquires 10% stake in L&T Finance for ₹1,370 crore

**Mumbai:** Bain Capital Partners will spend about Rs 1,370 to buy a stake in Larsen & Toubro Ltd's financial arm, as central government's infrastructure plans offer the possibility of more lending opportunities.

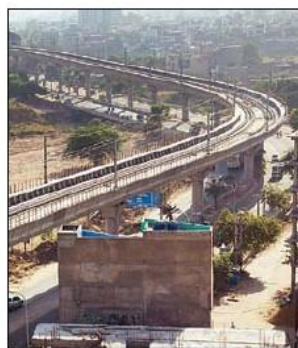
The US private-equity firm will own about 10% of L&T Finance Holdings Ltd, after buying new stock and warrants as well as purchasing some existing shares from Larsen in a block trade, L&T Finance president N Sivaraman said.

L&T Finance will use the proceeds from the sale of new shares and warrants to meet its capital adequacy requirements, according to Sivaraman.

The non-bank financial company offers home mortgages as well as vehicle and equipment loans, mutual funds and investment management services.

The company expects its loan book to increase at a compound annual growth rate of 20% to 25% over the next three years, he said.

The company could benefit



Eyeing Infrastructure gains

from the government's plans to build 13,000 km of new roads and 160,000 watt of solar and wind power capacity by 2022, Centrum Broking wrote in a September 15 note.

"All our capital requirements till March 2017 have now been taken care of," Sivaraman said.

In one part of the deal, Bain Capital will spend Rs 708 crore for a 5.27% stake in L&T Finance by purchasing a mix of preferen-

tial shares and warrants at 74 rupees apiece, the non-bank lender said.

Bain Capital will pay Rs 235 crore for 31.83 million shares, with the rest to be in the form of warrants that can be exercised over the next 18 months.

L&T separately sold about 5% of L&T Finance at about Rs 70 per share, people familiar with the matter said on Monday. The majority of the holding was acquired by Bain Capital, the people said. Citigroup was the sole arranger of the deal, according to the people.

Before the transaction, Larsen owned 72.9% stake of the finance unit, according to exchange filings. Its stake will be eventually diluted to 62.5% after all the warrants have been exercised, Sivaraman said.

Amit Chandra, a managing director at Bain Capital in Mumbai, didn't respond to an e-mail and phone call seeking comment. Sivaraman didn't elaborate on details of the block trade. —Bloomberg

## EXPANDING FOOTPRINT

The U.S.-based private equity firm acquires about 10% stake in L&T Finance Holdings

# Bain buys Rs. 1,305 cr stake in L&T Finance

Lalatu Mishra

**B**ain Capital, the U.S.-based private equity firm, has acquired about 10 per cent stake (if warrants are converted into equity) in L&T Finance Holdings for Rs.1,305 crore through two transactions.

This is part of Bain Capital's strategy to grow its footprint in India and L&T Finance Holdings's plan to mobilise funds for growth.

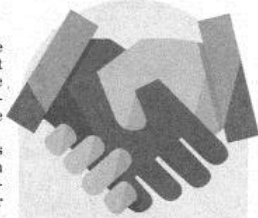
The first transaction involves L&T Finance Holdings, a subsidiary of Larsen & Toubro (L&T), allotting equity shares and warrants on a preferential basis to BC Investments VI and BC Asia Growth Investments (collectively called Bain Capital) respectively amounting to Rs.708 crore.

Bain Capital, subject to necessary approvals, will be allotted 9.57 crore equity shares and warrants at Rs.74 per share/ warrant.

This translates into 5.27 per cent stake (1.75 per cent stake for equity and 3.51 per cent stake for warrants) in L&T Finance Holdings on a fully diluted basis.

As per the deal, Bain Capital can exercise the warrants within a period of 18 months from the allotment date or accelerated after 6 months from the date of allotment based on the company's capital requirement.

"The approval from shareholders of the



➔ The first transaction involves L&T Finance Holdings allotting equity shares and warrants at **Rs.74 per share/warrant** on a preferential basis

➔ Bain Capital also purchased **8.53 crore** equity shares of L&T Finance Holdings from L&T at **Rs.70 per share**

➔ After these deals L&T's stake in L&T Finance Holdings has come down to about **63%**

company for the preferential allotment of equity shares and warrants is proposed to be sought through a postal ballot," L&T Finance Holdings said.

Simultaneously, Bain Capital also purchased 8.53 crore equity shares of L&T Finance Holdings,

representing 4.95 per cent take from L&T at Rs.70 per share, amounting to Rs.596.6 crore. "We have received an expression of interest for purchase of about 5 per cent of the equity share capital of L&T Finance Holdings held by us.

We are evaluating this offer and may sell about 5 per cent of the equity share capital of the company, subject to appropriate internal clearances," L&T had informed the stock exchanges in the morning. The sale was carried out before noon.

L&T Finance Holdings said it will utilise the proceeds for business expansion purposes, while the money generated from the sale of L&T Finance Holdings shares in the open market has gone to L&T.

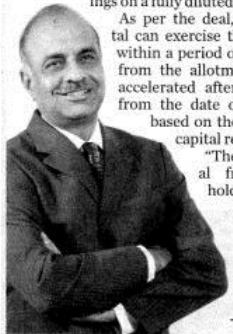
After these deals L&T's stake in L&T Finance Holdings has come down to about 63 per cent.

"L&T Finance Holdings will use the proceeds from the sale of new shares and warrants to meet its capital requirements," said N. Sivaraman, President & Whole-Time Director, L&T Finance Holdings. "Post this infusion, the capital adequacy for the company would go up by 2 per cent from the current 14.5 per cent which will fulfil all our capital requirements till March 2017.

Also, we continue to focus on operational assets in the infrastructure sector in addition to renewable energy as another interesting opportunity," he said.

➔ L&T Finance Holdings will use the proceeds from the sale of new shares and warrants to meet its capital requirements

— N. SIVARAMAN, President and Whole-Time Director, L&T Finance Holdings



## Bain to Buy 10% in L&T Fin for \$200m

Funds to be used for growth capital

Our Bureau

**Mumbai:** US private equity firm Bain Capital has agreed to invest about \$200 million in L&T Finance Holdings through a combination of primary and secondary transactions, marking the Boston-based fund's first bet in India's financial services sector.

Bain, which manages \$75 billion globally, will buy a combined 10% in L&T Finance, helping the infrastructure lender in expanding its operations.

As part of the transaction, L&T Finance will issue 3,18,36,971 equity shares (1.75% of equity) at ₹74 per share to BC Investments VI and 6,38,20,990 warrants (3.51%) at ₹74 per warrant to BC Asia Growth Investments.

This would be approximately a 7.6% premium to its closing price on Friday. This primary infusion will bring in ₹708 crore to the company, L&T Finance said in a statement.

The warrants may be exercised by Bain Capital within 18 months from the allotment date or accelerated after six months from the date of allotment, based on the company's capital requirement, L&T Finance said.

Separately, Bain has bought 8.5 crore shares (near 5% stake) at ₹70 a piece from the parent, Larsen & Toubro through an open market purchase. Bain has in-

vested about \$1.6 billion in India through four transactions, including a \$1-billion buyout of IT services firm, Genpact, and another \$550 million in largest motorcycle maker, Hero MotoCorp.

Bain is likely to get a seat on L&T Finance's board post the conversion of warrant, said people with direct knowledge of the matter. Bain Capital declined to comment.

The funds would be used for the growth capital purposes of L&T Finance, which expects to grow at a compounded rate of 25% over the next 3 years, L&T Finance President N Sivaraman told ET.

"The transaction will essentially help us to ensure that the growth is not hampered because of capital non-availability. The deal will take care of our capital requirements till FY18," he said. Kotak Securities forecasts a 24% loan growth for L&T Finance to ₹56,500 crore in FY16 largely led by the infrastructure finance business and housing, microfinance and two-wheeler loans in the retail business.

Order flow growth for the infra sector is likely to revive in FY16-17, Bank of America-Merrill Lynch said in a note on September 8.

"Sales growth of infra companies and government capex are witnessing gradual signs of a revival," it said. The transaction would be

the second-largest NBFC deal so far this year.



## Bain picks up 10% in L&T Finance for ₹1,300 crore

BY REGHU BALAKRISHNAN  
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MUMBAI

Private equity firm Bain Capital has bought close to a 10% stake in L&T Finance Holdings Ltd, an arm of Larsen and Toubro Ltd (L&T), for a little over ₹1,300 crore in two separate transactions.

As part of the deal, Bain Capital is investing ₹708 crore in L&T Finance through the issue of preferential shares and warrants, the company said in a statement to the exchanges. This will translate into 5.27% of the post-issue equity share capital of L&T Finance.

In addition, Bain Capital bought 85.2 million shares, or a 4.95% stake, in L&T Finance from parent firm L&T through an open market transaction. The share sale via the exchanges was concluded at an average price of ₹70 per share, implying a deal size of ₹597 crore.

"The primary transaction is of capital raised by L&T Finance by diluting a little more than 5% through a primary issuance of shares and by way of warrants. In addition to this, Bain has taken additional exposure indi-

TURN TO PAGE 2 ▶



**Deal terms:** Bain Capital can exercise the warrants as early as six months from allotment.

## Bain Capital picks up 10% in L&T Finance

▶ FROM PAGE 1

rectly by buying from L&T from the market," said N. Sivaraman, president and wholtime director at L&T Finance, adding that Bain will effectively hold a little more than 10% following the conversion of the warrants.

Sivaraman said the deal will help the company raise capital to fund its growth and also allow L&T to divest some of its holding in the finance firm.

"Subject to all necessary approvals, it is proposed to issue an aggregate of 95.66 million equity shares and warrants at ₹74 per share/warrant, amounting to an infusion of ₹707.80 crore in the company and constituting 5.27% of the post-issue equity share capital of the company on a fully diluted basis," L&T Finance said in the statement.

The warrants may be exercised by Bain Capital within a period of 18 months from the allotment date or even as early as six months from allotment, based on the company's capital requirement, L&T Finance said.

Sivaraman said that the capital-raising will help L&T Finance fund its growth over the next few years.

"As we see it, the decisions that have been taken by the government should help the economy return to 8-9% growth. This, in turn, will help us grow our balancesheet. A CAGR (compound annual growth rate) of 20% over the next three years seems quite likely," he said.

For the quarter ended 30 June, L&T Finance reported a 15% increase in net profit to ₹192 crore. The company's wholesale loan book as of 30 June rose 29% to ₹23,352 crore from a year ago while its retail loan book was at ₹25,867 crore, up 14% year-on-year. Following the deal, L&T will reduce its stake in L&T Finance to about 62.5% following the conversion of the war-

rants. L&T has so far held 72.5% in its finance subsidiary.

At present, Mace Cipef Ltd, the investment arm of US-based PE fund Capital International Private Equity Funds, holds a 3% stake in L&T Finance Holdings.

On Monday, L&T Finance Holdings shares slid 2.55% to close at ₹66.85 on the BSE on a day the benchmark Sensex fell 0.10% to 26,192.98 points.

Bain Capital, an active investor in listed entities, invested \$550 million in Hero Investment Pvt. Ltd in March 2011. The money—part of ₹4,000 crore that the private equity firm invested along with Lathe Investment Pvt. Ltd, a unit of the Government of Singapore Investment Corp. Pte Ltd—was used by the Munjal family-controlled Hero group to acquire Honda Motor Co.'s 26% stake in Hero Honda Motors Ltd, since renamed Hero MotoCorp. Ltd.

In November 2014, Bain Capital sold a 4.27% stake in Hero MotoCorp. for \$400 million. It now has a 1.5% stake in the company.

In the recent past, several leading investors have invested heavily in listed entities, especially in non-banking financial companies (NBFCs).

In June, Piramal Enterprises Ltd acquired a 9.99% stake in Shriram City Union Finance Ltd, the retail-focused NBFC of the Shriram Group, for ₹790 crore.

In May, Apax Partners Llp acquired a 20.37% stake in Shriram City Union Finance by buying shares held by TPG Capital in a secondary transaction worth ₹2,366.27 crore.

"As compared to an *ab initio* (from the beginning) evaluation of private enterprises, investment in listed entities has a lower risk element; the business and the company are better reported. It is a case of success breeding success," said Kalpana Jain, senior director at Deloitte Touche Tohmatsu India Pvt. Ltd.

## Bain Capital buys 10% stake in L&T Fin for \$200m

TIMES NEWS NETWORK

Mumbai: Bain Capital Partners on Monday acquired 10% stake in L&T Finance Holdings, the financial services arm of engineering conglomerate L&T, for slightly over \$200 million, or Rs 1,350 crore. Bain will get a board seat in the company as part of the deal first reported by TOI last week. The Boston-based asset manager struck the deal after purchasing new stock and warrants and snapping up shares from parent L&T through stock market trades.

The company — which offers home, vehicle and equipment loans — will deploy the funds towards capital adequacy requirements. "This transaction helps us to meet our capital requirements for the next 18 to 24 months," L&T Finance president N Sivaraman told this newspaper.

Bain will get 5.27% stake in the company, subscribing to warrants at Rs 74 per share. The private equity manager also purchased most of the 5% stake of-floated by L&T through bulk trades at a price lower than that prevailing in the market. L&T Finance Holdings shares ended at Rs 67 by close of Monday's trade on the BSE.

Sivaraman said Bain will be a partner to boost the company's growth prospects, but added there were no current discussions regarding the possibility of allowing the US investor to raise its stake. L&T, which owned almost 73% stake in the financial arm, will see its holding fall to 62.5% after all the warrants have been exercised over a period of 18 months.

# Bain Capital buys 10.2% in L&T Finance

Pays ₹1,370 cr in separate deals, including part of promoter stake

ABHINEET KUMAR  
Mumbai, 21 September

Bain Capital, the global private equity (PE) giant, acquired a 10.2 per cent stake in L&T Finance Holdings in two separate deals on Monday.

Under the first deal, the non-banking-finance company issued 95.3 million fresh shares and warrants to the PE firm at ₹74 a share. This transforms into a 5.3 per cent stake in the company on a fully diluted basis.

In a separate deal, the NBFC's promoter, construction giant Larsen & Toubro, sold an additional 85.2 million shares amounting to 4.95 per cent stake in the company to Bain Capital in a block deal at ₹70 a share.

This has enabled Bain to acquire a 10.3 per cent stake in L&T Finance for about ₹1,370 crore, providing it a board of directors' seat. Both transactions were done on a premium to Friday closing price of the stock at ₹68.6 a share on the BSE.

## IN TWO STEPS

Buyer	L&T Finance Shares	Stake	Seller	Transaction
Bain Capital	85.2 million	4.95%	L&T	Secondary
Bain Capital	95.6 million*	5.3%	L&T Finance	Primary sale
* Includes warrants				Source: Company

The deals value L&T Finance at ₹13,700 crore.

"We expect our balance sheet size to grow at a compounded annual rate of 25-30 per cent in the next three years," says N Sivaraman, president & whole-time director, L&T Finance Holdings. "The equity infusion from Bain will help us meet the capital requirement to support this growth."

L&T Finance has market leading positions in its core segments of renewables, roads and rural lending. Its four business verticals are infrastructure finance, retail finance, asset management and insurance distribution. In FY15, the company had book sizes of ₹23,000 crore and ₹25,000 crore, respectively, for retail finance and infrastructure finance. Under its mutual fund arm, the company manages assets worth ₹23,000 crore. The stock was down by 2.5 per cent to ₹66.85 a share on

Monday, after the announcement of both transactions.

"The total purchase price is about 1.8 times the net worth or book value," said an analyst tracking the company. "Financial services has been one of the biggest attractions for PE investors in India, providing a proxy to India's gross domestic product growth. This deal seems to be in line to that."

For Bain Capital, this is the first investment in a financial service business in India. It has so far invested \$1 billion in about half a dozen companies in India, including Hero MotoCorp and Genpact. Its experience in India has been mixed, with investment in Lilliput Kidswear getting into trouble. However, it made a profitable partial exit from Hero MotoCorp and is expecting a substantial upside in Genpact. The company declined to comment for this report.



# L&T Fin sells 5.3 pc to Bain Capital for ₹708 crore



**MUMBAI:** Leading NBFC L&T Finance Holdings on Monday said it sold 5.27 per cent promoter stake to leading private equity firm Bain Capital through an issue of preferential shares and warrants for about Rs 708 crore.

L&T Finance board has decided to raise capital (Rs 707.87 crore) by way of preferential issue of eli-

gible securities and warrants to Bain Capital Investments VI and Bain Capital Asia Growth Investments (collectively referred to as Bain Capital) respectively, subject to approval from shareholders and relevant statutory/regulatory authorities, the company said in a statement.

The company would issue an aggregate of 9,56,57,961

equity shares and warrants at Rs 74 per share/warrant, amounting to an infusion of Rs 707.87 crore, constituting 5.27 per cent of the post-issue equity share capital on a fully diluted basis.

Under the agreement, BA will be issued 3,18,36,971 equity shares at Rs 74 per share, amounting to Rs 235.59 crore or 1.75 per cent of the post-issue equity share capital on a fully diluted basis to BC Investments VI, while 6,38,20,990 warrants at a price of Rs 74 per warrant or 3.51 per cent, amounting to Rs 472.27 crore to BC Asia Growth Investments.

Warrants may be exercised by Bain Capital within 18 months from the allotment date or accelerated after six months from the date of allotment based on the company's capital requirement, L&T Finance said. The company said it will seek shareholders approval for the deal through a postal ballot. **PTI**

Herald

## L&T Fin sells 5.3% to Bain Capital for Rs 708 crore

**MUMBAI:** Leading NBFC L&T Finance Holdings today said it sold 5.27 per cent promoter stake to leading private equity firm Bain Capital through an issue of preferential shares and warrants for about Rs 708 crore. L&T Finance board has decided to raise capital (Rs 707.87 crore) by way of preferential issue of eligible securities and warrants to Bain Capital Investments VI and Bain Capital Asia Growth Investments (collectively referred to as Bain Capital) respectively, subject to approval from shareholders and relevant statutory/regulatory authorities, the company said in a statement.

Hindustan Times

## BAIN CAPITAL BUYS OVER 10% STAKE IN L&T FINANCE

**MUMBAI:** US private equity firm Bain Capital has acquired a little over 10% stake in L&T Finance Holdings in a two-step transaction for ₹1,304 crore. Bain will invest ₹708 crore for about 5.27% in L&T Finance Holdings through the issue of preferential shares and warrants. The private equity firm also bought 4.95% of L&T's shareholding in L&T Finance Holding for ₹596.4 crore. **PTI**