

# Warburg Pincus Sells 25% in Capital First

Shilpy.Sinha@timesgroup.com

**Mumbai:** US-based private equity fund Warburg Pincus on Wednesday sold 25% in Capital First to a clutch of investors, including GIC Singapore, HDFC Mutual Fund, Jupiter and Nomura, making nearly a five-fold return from its investment in five years.

With this transaction, GIC's stake will go up to 14% from 5%. GIC, a sovereign wealth fund of Singapore, has invested total of Rs 991 crore in the company.

Warburg had invested close to Rs 938 crore in Capital First in multiple rounds since 2012. They sold 2.43 crore shares at an average price of Rs 727 a share. It made about Rs 1,766 crore through the share sale on investment of Rs 380 crore.

ET first reported the story in its edition dated April 18 that Warburg is looking to sell a portion of its shares.

Morgan Stanley is the second largest investor in Capital First after GIC Singapore. HDFC Life and HDFC Mutual Fund are the third largest investors in the deal.

"The new shareholder GIC and the marquee FII and DIIs provide great stability for continued growth of the company," said V Vaidyanathan, chairman, Capital First.

"We feel there is a freeway for sustained growth in years to come."

Vaidyanathan brought in Warburg Pincus in 2012 following a management buyout of the listed non-banking financial company Future Capital Holdings.

"With fresh capital available and capital adequacy over 20.5%, we are confident of growing at 25% for next few years."

With significant sovereign fund coming in, the company is in a strong position and may raise capital when needed.

"It has been approximately five years since Vaidyanathan invited Warburg Pincus to invest. It has been a terrific journey, during which Capital First has created immense value for its partners and stakeholders," said Vishal Mahadevia, co-head, Warburg Pincus India.

Affiliates of Warburg Pincus continue to remain significant shareholders in Capital First, he added.

Recently, Vaidyanathan had sold 1.5% stake in the company at Rs 688 to retire debt availed to purchase in the first place. He now owns 10.5%.

"The story has just begun for Capital First and this is a multi-year compounding story based on continuous consumer, SME and affordable housing. We expect our profitability growth to beat our loan growth of 25% easily," said Vaidyanathan.

Post the deal, Warburg's share

will fall to 36%, valued at Rs 2,750 crore at today's price.

It owned 61.1% in Capital First before the deal. Warburg had sold small stakes in the company. New investors like Goldman Sachs, One North, HDFC Life, Birla Sunlife, GIC Singapore and Ashmore have bought in the company over the last five years.

Post the announcement of the deal shares plunged by over 4% on the Bombay Stock Exchange. The share sale happened through two block deals where Warburg first sold 20% and 5%.

In 2012, Warburg had bought the shares at Rs 162 a share. Since the shares have gone up to Rs 729.10 on the Bombay Stock Exchange.

The company recorded a net profit increase of 44% to Rs 239 crore in 2016-17 from Rs 166 crore a year ago. It expects to grow loan book by 25% in the current financial year: 20,000 crore.

