

8 Housing founders cry foul on being given differential exit rights compared to others

ET Bureau | Jun 20, 2017, 01.22 PM IST



A battle is brewing between the founders of Housing.com and the online realty search platform's new owners.

Eight of the dozen founders of Housing.com, which Singapore-registered [PropTiger](#) acquired this year, have written to the board of the combined entity complaining about not being offered equal purchase terms for their shares.

This "differential treatment of same class of shares is a violation of our rights as shareholders," these founders have asserted in their letter, which ET has reviewed.

The eight founders, who together own about 5% of Housing.com, also complained about not being formally informed about the company's acquisition by PropTiger and have sought a "copy of the scheme."

The letter was written by Housing's former chief technology officer Abhishek Anand to PropTiger chief executive Dhruv Agarwala and the representatives of the various shareholders in the combined entity.

These shareholders include media conglomerate News Corp, Japanese telecom and internet major SoftBank, and investors Nexus Venture Partners, Falcon Edge Capital and Helion Venture Partners.

"Angel investors have been offered an exit at a purchase price of Rs 350 per share or other favourable exit rights, while the

shares held by us, belonging to the same class as those of the angel investors, are not being offered the same exit rights and are being differentially treated...," the Housing founders say in their letter, dated June 16.

PropTiger had valued shares of Housing.com at about Rs 585 per unit for the merger, and at its peak shares of the startup were worth over Rs 2,000 per unit. Housing.com's angel investors include Powai Lake Ventures and India Value Fund's Haresh Chawla.

Members of Powai Lake Ventures sold their shares as part of PropTiger's acquisition of the company. Housing's founders have also insisted that key documents relating to the merger should be shared with them.

"The scheme of the proposed merger has not been communicated to us. As the shareholders of the company, we have a right to receive the relevant valuation report, copies of the board interaction, shareholders' interaction...," they have said in their letter. A PropTiger spokesperson declined to reply to ET's queries on the letter.

The development underlines how shareholders in Internet companies are finding it hard to realise value for the stock they own even as the sector goes through a spate of consolidation.

ET reported in May that a group of former Snapdeal employees had sought information from the Delhi-based company on what the worth of their employee stock options would be if it is sold to market leader Flipkart at a discount.

Legal experts ET spoke with said all stakeholders, including minority shareholders, in a company are entitled to receive information regarding a merger. However, certain clauses could restrict information or documents from being shared with some shareholders even if they hold the same class of shares as others.

"It depends on what is being sought to be achieved in that entire scheme of merger," said Simone Reis, co-head of the M&A Practice at law firm Nishith Desai Associates. "If the subject matter of the consideration is part and parcel of the same scheme of merger or any scheme of arrangement, then yes, all shareholders have the right to know what it is, because they have to vote on it as a whole. But if it is over and above that, then it may not necessarily be subject to the scheme of amalgamation and may perhaps not be available to all."

Housing.com, once a storied Internet company, was founded by a dozen students of the premier Indian Institute of Technology, Bombay and was valued at about \$250 million in late 2014. But soon, Housing was beleaguered by its mercurial former founder Rahul Yadav's clashes with the company's investors.

The board eventually fired Yadav, who in May 2015 pledged his entire shareholding in Housing, estimated then to be worth Rs 150-200 crore, to company's employees. In January, the board agreed to sell Housing to PropTiger for \$70 million.

As part of the deal, the combined entity has raised \$50 million from News Corp-owned online real estate advertising company REA Group and another \$5 million from SoftBank, the primary investor in Housing.