

KKR Buys Stake in Indian Cement Maker Dalmia for \$165 Million

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May 7 (Bloomberg) -- Kohlberg Kravis Roberts & Co. agreed to acquire a stake in the cement business of Dalmia Cement (Bharat) Ltd., making the purchase the biggest private equity investment in the nation's cement industry.

KKR will invest as much as 7.5 billion rupees (\$165 million) in a Dalmia unit, which will own cement factories producing nine million tons a year, Dalmia's stake in OCL India Ltd. and new projects across the country with a total capacity of 10 million tons a year, according to a joint statement by KKR and Dalmia.

India, ranked below war-ravaged Ivory Coast and Sri Lanka for the quality of infrastructure, plans to double spending to as much as \$1 trillion on roads, ports, power and other projects between 2012 and 2017 boosting demand for construction material. Asia's largest economy after Japan and China may expand 8.5 percent in the year ending March 31, according to government estimates as the nation boosts infrastructure spending.

"While the cement industry by nature is cyclical, this is a long-term investment in a great family business, its management team and in India's economy," Sanjay Nayar, chief executive officer at KKR India, said in the statement today.

Dalmia Cement dropped 0.9 percent to 259.55 rupees in Mumbai. The announcement was made after market.

New investments in India by buyout firms rose more than threefold to \$2 billion in the three months ended March 31, from \$620 million in the first quarter of 2009, Chennai-based research firm Venture Intelligence Ltd. said in April.

KKR Mauritius Cement Investments Ltd.'s stake in the new unit, Avnija Properties Ltd., will be converted into equity holding of up to 21 percent in the new company, Dalmia said in a separate filing to the Bombay Stock Exchange.

Expanding Capacity

"In India there's a boom in cement and most of our customers are very aggressive on expanding capacity," cement-plant maker FLSmidth & Co. A/S Chief Executive Officer Joergen Huno Rasmussen said in an interview on April 8. "We're estimating 10 percent growth in cement consumption in India, which is double the global rate."

KKR has invested about \$1.1 billion in India since 2006. In March, it invested in Coffee Day Resorts, which runs India's Café Coffee Day chain.

Equirus Capital acted as the financial adviser to Dalmia for the transaction