



Press Release

For Immediate Publication

## **Dalmia Cement (Bharat) Limited**

### **Restructuring for Growth**

#### Company to Demerge its Cement, Power and Other Businesses

*New Delhi, March 18, 2010:* The Board of Directors of Dalmia Cement (Bharat) Limited (DCBL) ("DCBL") in a meeting held today unanimously approved a Scheme of Arrangement (the "Scheme") to transfer its Cement, Power and other businesses from DCBL into Dalmia Bharat Enterprises Limited (DBEL)

- DCBL shareholders to receive one additional share in Dalmia Bharat Enterprises Limited for every share held
- Dalmia Bharat Enterprises Limited to be listed on stock exchanges
- Existing DCBL to continue as an integrated Sugar company

The board considered and approved plans to reorganize the businesses with a view to -

- ❖ Create 'pure play', focused and independent entities
- ❖ Pursue focused and aggressive Growth
- ❖ Enhance fund raising flexibility
- ❖ Provide shareholders additional liquidity and choice of ownership
- ❖ Unlock shareholder value

#### **The Restructuring Scheme**

According to the proposal approved by the Board, the Restructuring is proposed to be undertaken through a Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956. The appointed date for the transfer is April 1, 2010.

Under the Scheme, DCBL will demerge the Cement Undertaking, Refractory Undertaking, Thermal Power Undertaking and certain other business into Dalmia Bharat Enterprises Limited which at presently is a wholly owned subsidiary of DCBL. Further, the Cement & Thermal Power Undertaking will be demerged into two wholly owned subsidiaries viz., Avnija & Dalmia Power Ltd, respectively.

The proposed Scheme of Arrangement will be subject to the approvals of the High Court of Judicature at Tamil Nadu. The restructuring will further be subject to various statutory approvals, including those from the shareholders, lenders and creditors.

### **Share Entitlement Ratio**

'Dalmia Bharat Enterprises Limited ' will issue equity shares to the shareholders of DCBL in the ratio of one (1) Equity Shares of Rupees Two each of Dalmia Bharat Enterprises Limited for every one (1) Equity Shares of Rupees Two each held in DCBL. The Equity Shares of the Dalmia Bharat Enterprises Limited will be listed on the Bombay Stock Exchange, the National Stock Exchange and the Madras Stock Exchange Association Limited.

The Scheme is expected to be completed by Q3 FY2011 and is subject to the requisite approvals of the Shareholders, Creditors, Lenders, Stock Exchanges, High Courts and other Regulatory Authorities.

### **Strategic Rationale**

The board believes that DCBL is at an inflection point. Favorable industry dynamics present compelling opportunities for focused and independent growth in each of its sectors. Hence, there is a pressing need to put in place enablers that will provide a platform over the long term to seize these opportunities. The Board, therefore, concurred that the businesses be realigned. A Restructured DCBL is expected to unlock value for shareholders.

- It offers two 'pure play' listed entities to investors allowing them flexibility for capital allocation
- It realigns the management structures and increases transparency and accountability thereby enhancing corporate governance
- It streamlines decision making and increases efficiency in business processes through focused management teams
- It creates an enabling platform for fund raising and growth of respective businesses

Commenting on the rationale for the proposed restructuring, **Mr. Puneet Dalmia, Managing Director of DCBL** added "We have a very strong vision for the Cement, Power & Sugar businesses. The proposed realignment will give each business the right fillip for growth. Plans are already in place in our Cement business to create a national presence with a particular focus on growth markets across India. We shall continue with our regular operations and initiatives under the new structure. The Sugar business offers investors a sizable opportunity given the favorable macro dynamics in the sector.

The demerger itself will create distinct corporate entities that will give our existing shareholders additional liquidity."

The proposal to demerge puts into action the group's plan to create distinct forward looking verticals. We are focused on consolidating our advantages of operating efficiency, innovation, scale, premium offering in Cement & integrated operations in Sugar.

Mr. Vallabh Bhanshali, Chairman, Enam Securities said "Dalmia Cement Bharat has taken the right step to restructure in line with the changing business environment and its growth plans. This exercise seeks to create a long term platform to capitalize not only on current opportunities in Cement and Sugar sector but also emerging opportunity in Power. In addition, the restructuring exercise will help the shareholders by unlocking value through clear demarcation of businesses into separate, legal and listed vehicles.

Mr. Asanka Rodrigo, Director Actis, Largest Institutional investor in the Company, commented on the occasion, "We are very supportive of the important strategic decisions Dalmia Cement has taken since our investment and it has expanded cement capacity significantly. The demerger will allow for greater focus on the individual businesses; we anticipate it will release shareholder value by unlocking a conglomerate discount which has applied to the company in the past."

## **Brief Profile of Businesses**

### **Three large scale, high growth and focused business**

DCBL is today a diversified conglomerate with significant presence in Cement and Sugar; Power, is a growing revenue stream and could become a considerable part of revenues going forward. The company has delivered exceptional results in the past with a 4 year Revenue CAGR of ~ 40%, EBITDA CAGR of ~ 64% and PAT CAGR of ~ 51%.

The restructuring seeks to create independent growth engines focused on Cement, Sugar and Power. Each of these businesses is capable of pursuing independent opportunities, deploying different technologies and attracting different sets of financial and strategic partners.

- **Cement**

- Southern India's third largest cement maker with ~ 9 Mn T capacity with Tamil Nadu and Kerala accounting for 74% of dispatches YTD Dec'09
- Enjoys high Cement EBITDA / ton due to premium branding, optimal product mix and operational efficiencies
- Plans 10 Mn T of additional Greenfield capacity by 2013
- Associate company OCL India Ltd (5.3 MT capacity, in which DCBL has 45.4% stake) has dominance in Eastern India

- **Sugar**

- One of the largest Sugar players in UP with 22,500 tcd capacity
- Integrated plants with 79 MW cogen capacity of which 2/3 rd is exportable
- Integrated operations to provide balanced performance

- **Power**

- Self sufficient for in-house power requirements – Poised for merchant power sale
- 72 MW of thermal power plants at Dalmiapuram and Ariyalur in Tamil Nadu
- To benefit from attractive sector outlook

### **Advisors to Restructuring**

Ernst & Young acted as Advisors to the transaction & Tax Matters.

Amarchand & Mangaldas and Suresh A. Shroff & Company acted as Legal Advisors

BMR Advisors acted as the transaction and Valuation Advisors.

Enam Securities Private Limited acted as financial advisors and also provided a fairness opinion to the Board of DCBL.

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