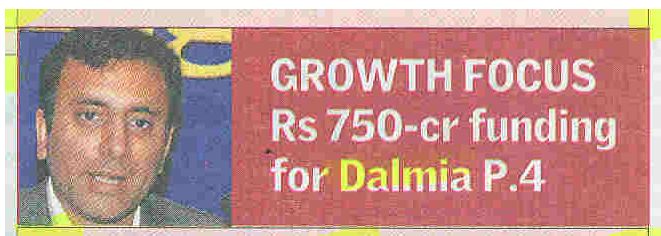


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# Kohlberg Kravis to invest Rs 750 cr in Dalmia Cement

## Dalmia Cement being revamped to demerge sugar, cement businesses

Our Bureau  
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Kohlberg Kravis Roberts & Co. L.P. and its affiliates are planning to invest up to Rs 750 crore in the cement business of Dalmia Cement (Bharat) Ltd.

According to a Dalmia Cement press release, Kohlberg Kravis and DCBL have signed an agreement that provides for Kohlberg Kravis to invest up to Rs 750 crore into DCBL's wholly owned unlisted subsidiary which will operate the cement business.

DCBL, which has two main lines of business including sugar and cement, is being restructured to demerge these businesses.

According to a company official, the sugar business will be retained with DCBL. A new entity, Dalmia Bharat Enterprise Ltd, which will be listed in six months, will have under it an unlisted company, Avniya Properties Ltd, to operate the existing cement business and the proposed expansions in cement with effect from April 1, 2010.

The restructure is awaiting the approval of the Madras High Court. Shareholders



Mr Puneet Dalmia, Managing Director, Dalmia Cement (Bharat) Ltd (file photo). — Kamal Narang

will get one share in DBEL for every share they hold in DCBL.

KKR's investment will be in Avniya Properties with the stake ranging between 15-20 per cent. Avniya Properties will control nearly about 15 million tonnes' a year of cement production capacity. This includes 9 million tonnes under DCBL and a 45 per cent stake that DCBL has in OCL

India Ltd, which gives it an additional 5.3 million tonnes.

Among the new projects in the pipeline are two cement plants of 2.5 million tonnes each in Karnataka at Gulbarga and Belgaum. Avniya Properties will also control the SPV, Dalmia Cements Ventures Ltd, floated in 2008, through which an investment of over Rs 4,500 crore is to be made in greenfield cement

### The entities

- KKR is a global alternative asset manager with \$52.2 billion in assets under management as of December 31, 2009.
- KKR has invested more than over \$1.1 billion in India in various sectors including technology, telecom and hospitality sectors.
- Dalmia Cement Bharat Ltd (DCBL) is at present mainly in cement and sugar, apart from power and refractory businesses.
- Dalmia Cement is being restructured to demerge sugar and cement businesses.

projects totalling an annual capacity of about 10 million tonnes at various locations.

On this investment plan, officials had recently said that Rs 3,200 crore has been "underwritten" by a consortium of banks led by IDBI Bank. The company has made investments of Rs 450 crore and for the balance it is examining various options including private equity funding.

The official said that following statutory approvals Avniya will initially draw Rs 500 crore and the balance later.

The release quoting Mr Puneet Dalmia, Managing Director, DCBL, said, "When we realigned our businesses in March 2010, one of our goals was to create separate pure play entities that could thrive

on their own and have flexibility to raise capital. This transaction will enable us to enhance our capacity and market share through organic as well as inorganic routes."

Mr Sanjay Nayar, CEO, KKR India, told *Business Line* that, this is a long-term investment in an industry that is cyclical in nature. KKR had chosen Dalmia Cement as it was among the fastest growing companies in the cement business in 10-15 million tonnes a year segment that comes next to the top players. Cement sector holds significant potential in line with the plans India has for infrastructure.

This is an option to share in the growth of residential, commercial, and public sector infrastructure.