

KKR picks 14.5% in Dalmia Cement arm for Rs 500 cr

Deal Puts Unit Valuation Higher Than Parent's



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- **The deal gives the PE firm option to put in another Rs 250 crore next year**
- **The transaction values Avnija Properties at Rs 3,500 crore**
- **KKR will acquire stake in Avnija through purchase of fresh shares and it expects to close the deal within two months.**
- **KKR is likely to send a representative on Avnija board**
- **In March, Dalmia Cement said it will spin off cement, power and refractory biz into wholly-owned unit Dalmia Bharat Enterprises**

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US-based private equity firm Kohlberg Kravis Roberts (KKR) has agreed to buy 14.5% stake in an unlisted entity of Dalmia Cement (Bharat) for Rs 500 crore, putting the offshoot's valuation higher than the parent's.

The deal, which marks KKR's entry into the world's second-largest cement market, gives the PE firm option to put in another Rs 250 crore next year, said Dalmia Cement managing director Puneet Dalmia.

The transaction values Avnija Properties, a step down subsidiary of Dalmia Cement, at Rs 3,500 crore. On Friday's close, the market capitalisation of Dalmia Cement stands at Rs 2,000 crore.

"This can be attributed to the company's restructuring of businesses," said Mr Dalmia. "The restructuring brings better valuation for the cement business, our main stay."

In March, Dalmia Cement said it will spin off its cement, power and refractory businesses into its wholly-owned unit Dalmia Bharat Enterprises, and list it on the stock exchanges by December.

Post-restructuring, Dalmia Bharat will own 100% in Avnija which will house Dalmia's 9 million tonne of cement production capacity along with the upcoming green field project of 10 million tonnes and its entire 45% stake in OCL.

KKR will acquire the stake in Avni-

ja through purchase of fresh shares and it expects to close the deal within two months. KKR, which has invested \$1.1 billion in India, is likely to send a representative on the Avnija board.

"This is a long-term investment," said Sanjay Nayar, a member of KKR and CEO of KKR India. "It's our way to contribute to the continued development of India's residential, commercial, and public sector infrastructure."

Ajay Garg, managing director of Equirus Capital, which advised Dalmia on the deal, said KKR's investment will help Dalmia expand its cement business. "KKR will also bring in substantial value to Dalmia," he added.

Dalmia Cement needs Rs 4,500 crore to scale up capacity by 10 million tonnes by three years. Of this, it has tied up debt of Rs 3,250 crore. The remaining is being funded by share sale and internal accruals.

Lured by a spurt in domestic demand, cement players have been aggressively scaling up capacity. India's annual cement industry, which is likely to grow by 10% a year in the coming years, will go up to 300 mt by December-end. Globally, India is the second-largest cement maker after China which produces 1,400 mt a year.

Cement is the main money spinner for Dalmia Cement with a 70% share in revenue. Sugar and refractory businesses generate 20% and 10%, respectively. The company last year recorded sales of Rs 2,000 crore.