

# US PE co to buy 15-20% in Dalmia Cement arm for Rs 750 cr

## fe Bureau

**Mumbai/Chennai, May 7:** US-based private equity major Kohlberg Kravis Roberts & Co (KKR) is picking up anywhere between 15% and 20% stake in Avnija Properties, a wholly owned subsidiary of Dalmia Cement (Bharat) Ltd (DCBL). DCBL and KKR (together with its affiliates) on Friday entered into a definitive agreement under which KKR has agreed to invest up to Rs 750 crore in Avnija Properties, an unlisted company, which will house post restructuring DCBL's 9-mtpa cement manufacturing capacity as well as OCL India's 5.3 mtpa capacity. OCL is also a group company of DCBL.

Dalmia will also transfer its proposed addition of 10 million

## Concrete step

■ KKR is a global alternative asset manager having \$52.2 billion in assets under management as on December 31, 2009

■ KKR has invested more than \$1.1 billion in India since 2006

■ Dalmia will transfer its proposed addition

of 10 million tonne capacity across its plants in Tamil Nadu and Orissa to Avnija Properties, making it as the single entity for cement business

■ Since the investments will be in tranches, the stake will be anywhere between 15% and 20%



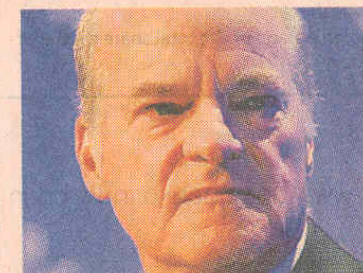
tonne capacity across its plants in Tamil Nadu and Orissa to Avnija Properties, making it the single entity for cement business. Dalmia is planning to invest Rs 4,300 crore for the fresh 10 million tonne capacity addition to be

done over a period of next three years, the company's official spokesperson told *FE*.

To a question, the official said, since the investments will be in tranches, the stake will be anywhere between 15% and 20%.

The use of proceeds will be for both organic/inorganic growth and de-leveraging. With the infusion of funds by KKR, the group expects to significantly bring down its overall debt, the spokesperson said. He, however, declined to comment on the overall debt. DCBL requires about Rs 4,500 crore for expansion. It has tied up with a consortium of banks led by IDBI Bank for Rs 3,200 crore. The rest will be funded through internal accruals and private equity infusion.

"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 with KKR is not just about capital but the foundation of a long-term



**Henry R Kravis**, founding partner, Kohlberg Kravis Roberts

relationship. It will enable us to enhance our capacity and market share through organic as well as inorganic routes while benefiting from KKR's global network and proven value creation capabilities," said Puneet Dalmia, MD of Dalmia Cement.

"We are excited to be working with a dynamic and entrepreneurial family with a successful execu-

tion track record in India. 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. This is a way to invest behind and contribute to the continued development of India's residential, commercial and public sector infrastructure," said Sanjay Nayar, CEO of KKR India.

The transaction is subject to customary regulatory approvals.

Dalmia Cement shares on Friday slipped 0.94% to close at Rs 259.45 on the BSE.

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is an asset manager having \$52.2 billion in assets under management as on December 31, 2009. KKR has invested more than \$1.1 billion in India since 2006.