



Press Release:

Equirus Capital acted as the financial advisor to DCBL for the transaction

THE ECONOMIC TIMES

KKR buys 14.5% in Dalmia unit for Rs 500 cr

8 May 2010, 0059 hrs IST, ET Bureau

MUMBAI: THE US-based private equity firm Kohlberg Kravis Roberts (KKR) has agreed to pick up 14.5% stake in an unlisted entity of Dalmia Cement (Bharat) for Rs 500 crore, taking 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 an option to put in another Rs 250 crore next year, said Puneet Dalmia, managing director of Dalmia Cement. 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 a wholly-owned unit, Dalmia Bharat Enterprises, and list it on the stock exchanges by December. Post-restructuring, Dalmia Cement will own 100% in Avnija, which will house Dalmia's 9-million tonne capacity plants and the upcoming green field project of 10 million tonnes. The parent company's 45% stake in OCL will also be shifted to Avnija.

KKR will acquire the stake in Avnija 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, said KKR's investment will help Dalmia expand its cement business. "KKR will also bring in substantial value to Dalmia," he added. Equirus Capital advised Dalmia Cement on the deal.

Dalmia Cement needs Rs 4,500 crore to scale up its capacity by 10 million tonnes over three years. It has tied up debt of Rs 3,250 crore for the purpose. The remaining will be funded through share sale and internal accruals.

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.

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 million tonnes by December-end. Globally, India is the second-largest cement maker after China which produces 1,400 mt a year.

<http://economictimes.indiatimes.com/news/news-by-industry/indl-goods/-/svs/steel/KKR-buys-145-in-Dalmia-unit-for-Rs-500-cr/articleshow/5904720.cms>



The image shows a banner for the San Francisco Chronicle. The logo "San Francisco Chronicle" is in a white serif font on a dark teal background. Below it, in smaller white text, is "NORTHERN CALIFORNIA'S LEADING NEWSPAPER". To the right, "Subscriber Services" is written in white. Below the banner is a navigation bar with a teal background and white text. It contains a button "It's so easy to subscribe" and a menu with items: "Welcome", "Choose a subscription", "Delivery & Payment", and "Confirmation".

Business Report The Chronicle with Bloomberg

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

Thursday, May 6, 2010

©2010 Bloomberg News

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.

--Editors: Abhay Singh, Arijit Ghosh

<http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2010/05/06/bloomberg1376-L221331A74E9-5.DTL>



PRIVATE EQUITY

KKR To Invest Rs 750Cr In Dalmia Cement Arm

May 07 2010, 17:14:25 IST | REGHU BALAKRISHNAN

The subsidiary will use the funds for organic and inorganic growth and deleveraging.

This comes as a back-to-back, block-buster deal from KKR quarters. Just a month after it announced a \$75-million investment in Coffee Day Resorts, Kohlberg Kravis Roberts & Co or KKR has inked a Rs 750-crore investment deal with Dalmia Cement (Bharat) Ltd.

As part of the deal, KKR will invest up to Rs 750 crore (\$165.59 million) in Dalmia Cement's unlisted subsidiary Avnija. JM Financial advised KKR on the transaction, while Equirus Capital acted as financial advisor to DCBL. This is the largest private equity deal in the cement industry, according to a company statement. No other details related to the transaction were disclosed.

The subsidiary Avnija will house DCBL's 9 MTPA (million tonne per annum) cement manufacturing capacity, DCBL's stake in OCL India Ltd (5.3MTPA capacity) along with the upcoming green field projects of 10MTPA across the country. The use of proceeds will be for both organic/inorganic growth and de-leveraging, said a statement. "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," said Puneet Dalmia, MD of Dalmia Cement (Bharat) Limited.

"We are excited to be working with a dynamic and entrepreneurial family with a successful execution 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, a Member of KKR and CEO of KKR India, in a statement. The transaction is subject to customary regulatory approvals.

Since 2006, KKR has invested over \$1.1 billion in India in technology firm Aricent; telecom infrastructure player Bharti Infratel and Coffee Day Resorts, operator of the Café Coffee Day chain of cafes in India.

<http://www.vccircle.com/500/news/kkr-to-invest-rs-750cr-in-dalmia-cement-arm>
