

Shriram sells cement unit for ₹1,400cr

Ireland's CRH-My Home JV Acquires Co | Deal Signals Consolidation In Industry

Rajesh Chandramouli &
Boby Kurian | TNN

Chennai/Mumbai: Irish cement maker CRH, through its joint venture with Hyderabad-based My Home Industries, has acquired Sree Jayajothi Cements, a unit of southern conglomerate Shriram Group, for Rs 1400 crore (\$230 million). Jayajothi Cements, in which the listed Shriram EPC held 68% stake, has been seeking suitors. Sunday's deal paves way for the complete exit of Shriram and minority shareholder Jayavilas Group (the original promoters of Jayajothi) from the Andhra Pradesh-based cement company with 3.2 million tonne per annum plant near Kurnool.

REPAYING DEBT



- > Of the ₹1,400cr raised through the transaction, ₹900cr will be used to retire debt
- > The rest will be shared by the Shriram Group and Jayavilas

Group, the original promoters of Jayajothi

- > Shriram EPC held 68% stake in Jayajothi Cements
- > Shriram had gained control of cement maker after Jayavilas Group failed to pay EPC dues of nearly ₹500cr, which was converted into equity

The \$9-billion Shriram Group forayed into the capex-heavy cement sector after non-payment of EPC dues of nearly Rs 500 crore by Sree Jayajothi, which was converted into equity.

This is one of the larger recent M&A deals in the Indian cement sector, which is tipped to witness massive consolida-

tion, triggered by overcapacity in a slowing economy. India has about 140 large cement makers and at least double that number of mini cement plants, with unfavourable cost structures.

The Rs 1,400 crore raised through this transaction would be used to retire nearly Rs 900-crore debt while the bal-

ance would be shared by the Shriram Group and Jayavilas Group. Shriram Group and MyHome officials could not be reached for a comment. Investment bank MAPE advised on the transaction.

My Home stepped into the fray after Shriram's deal making with buyout private equity firm Blackstone collapsed three months ago. In 2008, CRH, the world's second largest building materials maker, had bought 50% shareholding in My Home for \$456 million, foraying into India.

My Home Industries has three manufacturing units located at Mellacheruvu in Andhra Pradesh. The company produces 3.20 million tonnes of cement per annum — market-

ed under Maha Cement brand.

Aditya Birla owned Ultra-Tech and CRH have been on the prowl for acquisitions, both eyeing Jaypee Group's Gujarat plants in the recent past. PE biggies Kohlberg Kravis Roberts & Co (KKR), which owns stake in Dalmia Cements, and Blackstone too have been eyeing consolidations deals in the domestic market. Baring Asia purchased 14% stake in the Indian arm of Lafarage, signalling the growing interest of financial investors in the sector.

The deal with Shriram would bolster MyHome's presence in South India, more specifically Andhra Pradesh where prices are showing first signs of recovery.