

UltraTech acquires Jaypee Cement unit for Rs. 3,800 cr

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India's largest cement maker, UltraTech Cement, on Wednesday acquired the Gujarat cement unit of Jaypee Cement Corporation, the third largest in the business, for Rs. 3,800 crore. The acquisition will take UltraTech's capacity up to nearly 59 million tonnes per annum (mtpa).

The two companies had been discussing the sale for well over a year, and will enable Jaypee to offload Rs. 3,650 crore of its overall debt across businesses of Rs. 56,000 crore. Jaypee intends to reduce its debt by Rs. 15,000 crore and hinted there may be more asset sales in its cement, power and infrastructure businesses.

UltraTech will transfer the debt from Jaypee's Gujarat cement unit to its books. The balance amount will be paid through issuance of UltraTech shares to Jaiprakash Associates with an equity outgo not exceeding Rs. 150 crore. It will lead to an equity dilution of 0.32%.

"With this acquisition of 4.8 mtpa the company's capacity increases to 59 mtpa. With projects underway, it will stand raised to 70 mtpa by 2015," said Kumar Mangalam Birla, chairman, UltraTech Cement. "We have added capacity in the last 10 years, and remain open to adding more capacities in India and overseas."

Jaiprakash Associates, the holding company of Jaypee Cement, has been bogged down by debt of over Rs. 55,000 crore, and has been trying to sell the Gujarat plant for more than a year.

It was in talks with several potential buyers, including Ireland's CRH.

"We are focussed on debt reduction across segments," said Manoj Gaur, executive chairman, Jaiprakash Associates.



“We will reduce our debt by Rs. 15,000 crore in this year. The contraction in the economy has impacted everybody. We have taken a reality check and decided our debt needs to be reduced.”