

# Billionaires bet on cement sector for big investments

Premji Invest, Damani pick up minority stakes in smaller cement companies

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The Indian cement industry is not only attracting billions of dollars of investment from the new entrants like the Adani group, but several financial investors such as Premji Invest and Radhakishan Damani, promoter of D-Mart chain of retail stores, are also picking up minority stakes in regional cement companies.

Premji Invest, an investment vehicle of infotech major Wipro's promoter Azim Premji, acquired a 10 per cent stake in Hyderabad-based Sagar Cement for ₹350 crore in March. In December last year, Damani increased his stake to 23 per cent in India Cements.

Aditya Birla and JSW groups, which lost the race to buy Ambuja Cements, are backing smaller players for an acquisition. The Adani family, which acquired Ambuja Cements and ACC with 70 mtpa capacity, is planning to increase capacity to 140 mtpa via organic and inorganic routes.

"The financial investors don't want to run the companies and have picked up stakes so that they can ride the boom in the industry. We are entering a phase of consolidation in the sector where many smaller players will exit the sector," said a banker who is advising the cement companies in raising capital.

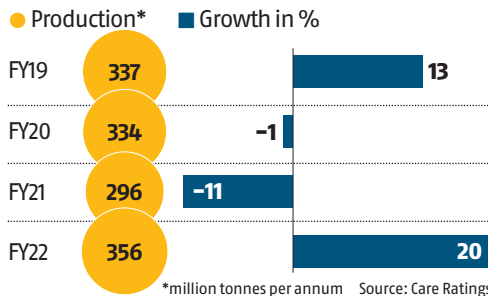
The industry is attracting new investors mainly due to a massive push by the Indian government in the infrastructure sector and real estate sector making a sharp turnaround after two years of Covid lockdowns, say industry experts. The cement sector grew 20 per cent in the fiscal year ending 2022 to report total sales of 356 million tonnes per annum, which is higher than pre-Covid sales of 337 mtpa, according to Care Ratings (see chart).

Experts expect the industry to grow at double digit rate which is attracting new investors. "In the 2023 fiscal year, cement



## STRONG COMEBACK

(INDIA CEMENT PRODUCTION)



## NEW PLAYERS

- Premji Invest invests ₹350 cr to pick up 10% stake in Sagar Cement in March
- Radhakishan Damani raises stake to 23% in India Cements in December 2021
- Adani buys Ambuja Cements, ACC for \$10.5 bn

volumes growth will be stable at 5-7 per cent, driven by affordable housing demand from tier-2 and tier-3 cities, along with infrastructure. However, high construction costs will limit the demand uptick," said Hetal Gandhi, director, CRISIL Research.

Bankers said the cement sector is set for a consolidation with big groups buying out the smaller players. "The financial investors are buying stakes in the cement companies as they see a sharp upside once the smaller companies are sold to the bigger players," said a banker.

Apart from Indian billionaires, several private equity companies are talking to smaller companies to pick up minority stakes. American private equity major Apollo Global Management and Synergy Metals Investments invested ₹1,500 crore

in JSW Cement last year.

"In spite of recent negative news like rising raw material prices like coal and power, the transactions in the cement sector are expected to rise. The government plans to invest in new airports, national highways and new ports. Hence, the demand for cement will go up substantially," said a banker.

Cement prices rose in the last 12 months to touch ₹390 a bag in April this year. Industry analysts say prices will climb by another ₹25-50 across the country as manufacturers pass on rising costs of raw materials to the customers. "This will not impact the valuations. With marquee names as investors, the valuations of many of these small players will rise," said a banker.