

Dalmia Cement takes inorganic path to growth

AMRITHA PILLAY
Mumbai, 20 March

Having set its first cement plant in 1939, Dalmia Bharat Group is one of the oldest cement manufacturers in India, with more than 70 years of presence in the market. Most of its capacity growth, however, happened in the last one decade, which could see a further leap with its ongoing acquisitions.

Between 2004 and 2017, the company grew to a 25-million-tonne capacity from a modest 1.2-million-tonne-per-annum cement making company. With three acquisitions underway, this capacity is bound to rise higher. With its planned acquisitions of Murli Industries and Kalyanpur Cements, the capacity increase to 29.1 mt. Though stuck after UltraTech's counter offer, if the Binani Cements deal goes in Dalmia's favour, this capacity catapults to 40 mt per annum in India.

"In the current phase of expansion we are allocating capital to strengthening our position in existing markets like Bihar (Kalyanpur deal) and entering new markets for growth and diversification (Murli and Binani)," said Puneet Dalmia, managing director for Dalmia Bharat Group in an interview with *Business Standard*. Puneet is the third generation managing the group and has been with the group for the past eleven years overseeing most of the

cement expansion. He added the focus for the cement business to build scale in India.

The strategy to strengthen existing markets, while also explore newer ones to de-risk current exposure is a well-tested one for the group. In the past, the group adopted a similar strategy to de-risk its huge exposure to the South India market, by acquiring capacity in East India markets. The company is likely to continue with the same strategy for the next five to seven years. "Over the next five-seven years, we will continue to balance the asset portfolio in existing and new markets to achieve consolidation, growth and diversification, while maintaining a strong balance sheet and managing risk carefully," Dalmia added.

The last one decade also saw the company wisely match its expansion strategy with the right strategic investments. Dalmia agrees in addition to capital requirements, its association with global investment firm Kohlberg Kravis Roberts & Co LP (KKR) also helped in its inorganic growth plans.

"KKR not only provided growth capital but it helped us build great systems for sourcing, evaluating and closing acquisitions. We went through a learning curve as we learnt the art of integrating acquisitions. It's a totally different skill compared to organic growth," he said.