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## Grasim to sell cement biz to UltraTech

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UltraTech will buy Grasim's cement division in a deal worth more than USD 2 billion as the Aditya Birla Group's attempts to consolidate its cement business under one single roof reaches fruition after 11 long years.

As per report UltraTech 55% owned by Grasim Industries, will buy the latter's cement plants with an annual production capacity of 22 million tonnes and issue shares worth more than INR 9,500 crore to its parent.

The transaction will create India's single largest entity in the cement industry. Swiss giant Holcim's Indian subsidiaries, Gujarat Ambuja and ACC, have a combined higher capacity but do not form one corporate entity. An AV Birla Group spokesperson declined comment.

The board of Grasim is meeting in Mumbai to consider a restructuring of its business.

Kumar Mangalam Birla, who took over from his father Aditya Birla in 1995, launched the first attempt in 1998 when Grasim purchased cement units belonging to group firm Indian Rayon in a stock deal. Overnight, Grasim became a cement giant and the deal was seen as a beginning of a group-wide restructuring exercise involving other businesses. Soon enough, Hindalco became the group's metals flagship after it bought Indo-Gulf's copper businesses.

However, the cement consolidation suffered a setback in 2003 when the group purchased Larsen & Toubro's cement units after a protracted tussle. L&T did not want to part with the business but finally agreed to under a structure where a separate company was formed in which L&T held 11.5%.

This company was called UltraTech and is majority owned by Grasim Industries. Consolidation was not possible as long L&T was a major shareholder. In June this year, the way was cleared by L&T which sold its stake to a clutch of financial investors.

UltraTech will issue shares to Grasim for the transfer of the cement business which will lead to a substantial increase in the latter's stake in the company. UltraTech has 12.4 crore equity shares of INR 10 each and is planning to issue shares of an equal amount, which will double its equity capital.

This will also lead to a substantial increase in Grasim's stake in UltraTech to over 75% from the existing 55%. There is also another option which will see UltraTech issuing shares to the shareholders of Grasim Industries. In this scenario, Grasim's stake in UltraTech will come down to around 44.5%.

(Sourced from Economic Times)

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