

Zuari Industries cements decision to venture into cement business once again

NEW DELHI: Zuari Industries is re-entering the cement business after exiting it four years ago. This comes as part of plans to spend over \$1.5 billion for expanding fertiliser, real estate and cement businesses, the chairman of the diversified firm said. The company had sold its equity stake in the cement business to joint venture partner Italcementi in 2006.

Saroj Poddar, chairman of Zuari Industries said the Italian cement giant has the right of first refusal to undertake either jointly or wholly the proposed cement unit that is at present housed under Gulbarga Cement. But the rights expire in October and Italcementi has not shown any interest in the project as yet.

"Although the next two years will see lot of capacity coming up in the sector, over a longer period, cement remains a lucrative business to be in, given the economic growth prospects of the country," said Mr Poddar who became the chairman of key group firms after the demise of his father-in-law and industrialist KK Birla in August 2008.

The initial plan is to set up a three million tonne cement plant at Gulbarga in Karnataka. The project would absorb an investment of Rs 1,500 crore and is expected to commence from mid-2011. It will be funded through a mix of internal accruals, borrowings and a possible equity issue.

"We will not restrict ourselves to this greenfield unit and will consider all means to expand even if it comes down to making acquisitions," said Mr Poddar.

Besides re-entering cement, Zuari also has plans to invest around Rs 5,790 crore for expanding the core fertiliser business. A large part of this will be used for a Rs 5,000 crore greenfield ammonia urea complex of 1.1 million tonnes. Zuari may consider raising fresh funds through a public issue for this project, said Mr Poddar.

"We are also scouting for acquiring mines abroad to secure raw material for fertiliser business," he said. The group could also look to set up a new fertiliser plant internationally if it gains access to mining operations. Meanwhile, Zuari is also foraying into the real estate business with its first township development project worth Rs 500 crore in Mysore. This would be a stepping stone to expand presence in the realty space, said Mr Poddar.

In its other smaller businesses, the group is in talks to strike a joint venture deal with a global furniture maker to expand the product portfolio of Indian Furniture Products, a subsidiary of Zuari Industries.