

UltraTech Cement readies for global buy with management rejig

Ramsurya Mamidenna, Hindustan Times Mumbai, October 26, 2014
First Published: 22:41 IST(26/10/2014) | Last Updated: 08:58 IST(27/10/2014)

The Aditya Birla group has made senior management changes at group company, UltraTech Cement, as part of an overall strategy to prepare India's largest cement maker for a crucial year that could include a multi-billion dollar overseas acquisition.

The \$40-billion, Mumbai-based conglomerate led by Kumar Mangalam Birla has extended the term of group veteran and UltraTech managing director OP Puranmalka by a year. A new finance head would be brought in by year-end. Two financial services experts have been roped in as independent directors on UltraTech's board.

The Aditya Birla group had recently submitted bids for buying the cement assets of global major Lafarge in Brazil and The Philippines. These assets are part of a \$6.3-billion combined portfolio of Lafarge and Swiss building materials giant Holcim, which are to be divested under a proposed merger scheme. The group is one among many international bidders for the assets, which have a combined sales of about \$4.4 billion and employ more than 10,000 people.

"The board (of UltraTech) was of the opinion that the company is at a crucial stage as far as the business is concerned," Aditya Birla group human resources director Santrupt Misra told HT. "It is a vital period for the cement business and the group felt they would benefit from Puranmalka's experience... and decided his term needs to be extended for a year."

Puranmalka has been with the Aditya Birla group for over three decades, and has been instrumental for new cement capacities, buying limestone mines and also for exploring options for mergers and acquisitions (see graphic). He was re-designated managing director from whole-time director on September 1.

Group insider Atul Daga has been made the new chief financial officer in place of incumbent KC Birla, from December 1, 2014. The group has also appointed Renuka Ramnath, founder of Multiples, a \$400-million private equity fund and a former managing director of ICICI Ventures, and Sukanya Kripalu, former CEO of Quadra Advisory, on the board of UltraTech.

"It is one of the good performing cement companies (of India) and has been benefiting from increased volumes and firm cement prices in India. It is also extremely under leveraged and has the balance sheet strength to raise large funds," said Murtuza Arsiwala of Kotak Institutional Equities.

UltraTech has a low debt-equity ratio of 0.3. A low debt equity ratio indicates that a company is able to service its borrowings and can raise additional funds from the market. However the market has been nervous about UltraTech's international acquisition plan.