

**ET EXCLUSIVE****GAUTAM ADANI**  
CHAIRMAN, ADANI GROUP

# 'Demand-Supply Gap, Synergies Led to Acquisition'

Adani plans to double Ambuja-ACC's cement capacity of 70 mtpa within the next 5 years

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**Mumbai:** The Adani Group's move to acquire Holcim's Indian subsidiaries, ACC and Ambuja Cements, was on account of the demand-supply gap as well as synergies with the group's existing business, the Ahmedabad-based group's chairman, Gautam Adani, said on Sunday. The transaction, which would be executed by an offshore entity, would also fit into the group's emphasis on ESG principles and circularity, Adani said.

Adani, 59, who operates India's largest commercial port and the largest renewable energy company, said he would double Ambuja-ACC's cement capacity to 140 million tonnes over 5 years.

"Not only is India expected to remain one of the world's largest demand-driven economies for the next several decades, India continues to be the world's second-largest cement market and yet has less than half of the global average per capita cement consumption. When we combine this demand pattern of cement with our several existing businesses adjacencies that include the Adani Group's ports and logistics business, energy business, and real estate business, it is our view that we are well positioned to



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build a uniquely integrated and differentiated business model that will be competitive and hard to match," Adani told ET in an interview. The \$10.5 billion (₹82,000 crore) acquisition, the largest in India's history, would be funded by an offshore entity owned by the Adani family. The group's listed and operating entities would not be involved, he clarified.

**Immediate Changes in Mgmt Teams Unlikely ▶▶ 6**

# Cement is Not a Material You Import – You Have to be Naturally Atmanirbhar

**T**he race to acquire Holcim's Indian cement business pitted Gautam Adani against JSW's Sajjan Jindal and market leader UltraTech, part of the Aditya Birla Group. The successful acquisition makes Adani Cement, which was set up last year, India's second-largest cement manufacturer. The cement business is a natural fit for the group given its emphasis on infrastructure and the country's growth potential, Adani said in an interview with **Bodhisatva Ganguli**.

## Why has Adani decided to venture into cement?

Our move into the cement business is a validation of our belief in our nation's growth story and our own capabilities. We had stated last year that this was a sector in which we would be investing and had already incorporated Adani Cement as a wholly owned subsidiary. The drivers for this decision have been based on two primary factors. The demand-supply gap, and the synergies with our existing businesses. Not only is India expected to remain one of the world's largest demand-driven economies for the next several decades, India continues to be the world's second-largest cement market and yet has less than half of the global average per capita cement consumption. When we combine this demand pattern of cement with our several existing businesses' adjacencies that include the Adani Group's ports and logistics business, energy business, and real estate business, it is our view that we are well positioned to build a uniquely integrated and differentiated business model that will be competitive and hard to match.

## How is the acquisition funded? Will the acquired entities be part of any of the listed entities? Is there an offshore entity involved?

The acquisition is being completed by an offshore special purpose vehicle of the Adani family, which is not a part of the listed entities or operating entities. The acquisition is fully funded by way of approved commitments from our relationship banks – Barclays, Deutsche Bank and Standard Chartered Bank – and equity infusion from the Adani family.

## What do you see as the long-term potential of cement demand in India?

India's cement consumption is at about just 240 kg per capita, as compared to the global average of 525 kg per capita. As India's middle class continues to expand, an apt comparison would be with China that has a per capita cement consumption of over 1,600 kg. In addition to the large consumer demand that comes from the rapid growth of the middle class, I also see the added acceleration coming from the government's focus on infrastructure. The creation of 100 smart cities, 200 new airports, housing for all as part of the Pradhan Mantri Awas Yojana, large-scale concrete highways and the ministry

## ON SYNERGIES

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mandate that stipulates minimum of 25% of concrete volume to be used in national highways, expressways and other centrally sponsored road projects, the rise of dedicated freight corridors – the list of possibilities that will drive cement consumption is endless. Cement is not a material you import – you have to be naturally Atmanirbhar.

## What are the synergies of this acquisition with your current portfolio?

Cement is fundamentally a game of supply chain and energy efficiency, and therefore our natural adjacencies look highly attractive to us. Be it mining, ensuring raw material availability, fuel sourcing, supply of power, or efficient logistic capabilities, all of these are existing synergies. For instance, with the circular economy principles becoming increasingly important, the ability to utilise fly ash from our power plants and consume all of it in cement production is a

well-known and trusted brands in both urban and rural India. In addition, the existing capabilities of Ambuja and ACC, the commonality in their best practices, a very strong pan-India distribution footprint, a robust partner network, and manufacturing and R&D expertise provide us with a robust foundation to build a formidable growth strategy. What we will add to the mix of capabilities is what I have already described – our expertise in power generation, green power, multi-modal logistics presence and pan-India presence. There could not have been a better way for us to jump-start this business and propel ourselves to becoming the second-largest cement manufacturer in the country. In terms of growth, we expect to aggressively expand and double the existing 70 million tonnes per year capacity within the next five years.

## What is the group's assessment on the current leadership of Ambuja and ACC? Will you be making changes?

While we are still getting to know the leadership team across the companies, I have no doubt that we will find highly capable leaders across both the companies. The multi-decade legacy and formidable market positioning of the two companies give us immense faith in the capabilities of the existing leadership and I do not see us making any immediate changes to the management teams. We fundamentally believe that the existing teams will be able to bring in the expertise to achieve the growth plans we have in mind for our next phase. Iconic, pan-India brands like Ambuja Cements and ACC are built by extraordinarily passionate people and we want to leverage this. To augment this point, over the last five years, the Adani Group has acquired 35 companies. Our track record of assimilating teams into our organisation is a testament to our successful M&A philosophy. Be it airports, ports, or renewables, we have onboarded thousands of new members and the new leaders have not just grown but thrived with us. I have always seen the new people as a widening of the talent pool at Adani.

## With the focus on energy transition and climate finance, how does the deal stack up with Adani's ESG road map?

We recognise that the cement industry needs to be greener and, in this context, I am very confident that we are uniquely positioned to have line of sight to becoming the greenest cement manufacturer in the world and at the same time provide the affordability that every Indian consumer needs.

## ON ESG ROAD MAP

**We are already one of the world's largest renewable power companies and best positioned to reduce the carbon footprint of cement manufacturing**

significant material advantage. Also, with Adani being India's largest full-fledged logistics player, our understanding of warehousing as well as the economics of moving cement, be it through coastal shipping from our own ports, multi-modal road or rail networks, and thereafter being able to deliver at multiple locations across the country, is a significant factor in our being able to efficiently serve a vast set of pan-India customers. To top it all, our strength as a power generator and increasingly a renewable power producer gives us a significant advantage – not just in terms of energy costs but even more in terms of being able to supply green energy. On the demand side, we continue to execute on a massive number of construction activities that span every one of our infrastructure businesses. I therefore expect us to be one of the largest customers of our own cement business.

## What is Adani's growth strategy in the context of Ambuja and ACC?

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# Immediate Changes in Mgmt Teams Unlikely

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India's per capita cement consumption stood at 240 Kg, well behind China's 1,600 and the world average of 525 and there was ample scope for growth, more so, because of the government's emphasis on infrastructure. "We consider ourselves fortunate that the opportuni-



**Gautam Adani**

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"On the demand side, we continue to execute on a massive number of construction activities that span every one of our infrastructure businesses. I therefore expect us to be one of the largest customers of our own cement business," he added. "Cement is not a material you can import. You have to be naturally Atmanirbhar."

There is unlikely to be any immediate changes in ACC and Ambuja's management teams, Adani said, adding that he aspired to become the greenest cement manufacturer in the world.