

## Fundamental Research

### Adani – Holcim deal

16<sup>th</sup> Jun. 2022

- On 15<sup>th</sup> May 2022, **Holcim Ltd.** (promoter company of **Ambuja Cements Ltd.** and **ACC Ltd.**) has signed a binding agreement with the **Adani Group** for selling its business in India. Whole transaction cost is anticipated at around USD 10.5bn.
- Holcim's Indian assets includes 63.11% stake in Ambuja, which in turn owns a 50.05% interest in ACC; and a 4.48% direct stake in ACC.
- With the acquisition of the Holcim's assets, Adani will be almost in a pole position in the domestic cement sector.
- Currently, Ambuja-ACC combined have an installed cement capacity of around 66mn tonnes (31.4mn tonnes of Ambuja and 34.9mn tonnes of ACC). The two companies together have 23 cement plants, 14 grinding stations, 80 ready-mix concrete plants and over 50,000 channel partners across India.
- The deal is likely to close in H2 of 2022, subject to CCI clearance.
- Since Adani doesn't have any cement asset in the country, this transaction is not likely to face any CCI hurdle.
- Pursuant to the deal, Adani will pay around Rs. 50,000cr (USD 6.5bn) in cash for the Holcim's asset. The deal values Ambuja at Rs. 385 per share and ACC at Rs. 2,300 per share. Based on EV/tonne, Ambuja and ACC are together valued for around USD 165 per tonne.
- Adani will also make mandatory open offer for 26% of the shares held by the public in Ambuja and ACC each. This open offer would cost around Rs. 31,000cr (USD 4bn).
- As per the open offer, Adani will make a cash offer to acquire 51.6cr shares of Ambuja at Rs. 385 and 4.9cr shares of ACC at Rs. 2,300 per share.
- If 26% and more public owned shares are tendered, then Adani's stake would climb over 89% in Ambuja and 81% in ACC.
- Adani has not given any indication of taking both Ambuja and ACC private post the acquisition. We feel that in the near term, there is no possibility of delisting the shares from the bourses.
- According to the media reports, Holcim will not pay any taxes in India as the deal is protected under the India-Netherlands treaty.
- Moreover, according to the Holcim's management, after the sales of assets it would not be liable for the fines imposed by the CCI on Ambuja and ACC. The liability will be on new owner.
- In the past, CCI has imposed a fine of Rs. 1,148cr on ACC and Rs. 1,164cr on Ambuja. Currently, the matter is pending before the apex court.
- The acceptance ratio for the open offer is 70.72% for Ambuja and 57.33% for the ACC public shareholders.
- Below is the tentative schedule of major activities related to the open offer of both the companies.

No.	Name of Activity	Schedule of Activities (Date and Day)*
1.	Issue of Public Announcement	Sunday, May 15, 2022
2.	Publication of the Detailed Public Statement in the Newspapers	Monday, May 23, 2022
3.	Last date for filing of the draft Letter of Offer with SEBI	Monday, May 30, 2022
4.	Last date for public announcement for competing offer(s)	Monday, June 13, 2022
5.	Last date for receipt of comments from SEBI on the draft Letter of Offer (in the event SEBI has not sought clarification or additional information from the Managers to the Open Offer)	Monday, June 20, 2022
6.	Identified Date*	Wednesday, June 22, 2022
7.	Last date for dispatch of the Letter of Offer to the shareholders of the Target Company whose names appear on the register of members on the Identified Date	Wednesday, June 29, 2022
8.	Last date by which a committee of independent directors of the Target Company is required to publish its recommendation to the shareholders of the Target Company for this Open Offer	Monday, July 4, 2022
9.	Last date for upward revision of the Offer Price and/or the Offer Size	Monday, July 4, 2022
10.	Date of publication of Open Offer opening public announcement, in the Newspapers in which the Detailed Public Statement has been published	Tuesday, July 5, 2022
11.	Date of commencement of the Tendering Period	Wednesday, July 6, 2022
12.	Date of closure of the Tendering Period	Tuesday, July 19, 2022
13.	Last date of communicating the rejection/acceptance and completion of payment of consideration or refund of Equity Shares to the shareholders of the Target Company	Tuesday, August 2, 2022
14.	Last date for publication of post Open Offer public announcement in the newspapers in which the Detailed Public Statement has been published	Wednesday, August 10, 2022
15.	Last date for filing the post Offer report with SEBI	Wednesday, August 10, 2022

Source: Choice Broking Research

### Choice's Rating Rationale

The price target for a large cap stock represents the value the analyst expects the stock to reach over next 12 months. For a stock to be classified as Outperform (Buy), the expected return must exceed the local risk free return by at least 5% over the next 12 months. For a stock to be classified as Underperform (Reduce, Sell), the stock return must be below the local risk free return by at least 5% over the next 12 months. Stocks between these bands are classified as Neutral (Hold).

Rating Rationale	
BUY	Absolute Return >15%
Hold	Absolute Return Between 0-15%
Reduce	Absolute Return 0 To Negative 10%
Sell	Absolute Return > Negative 10%

### Disclaimer

This is solely for information of clients of Choice Broking and does not constitute to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment. POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – •Analyst interest of the stock/Instrument(s): - No. •Firm interest of the stock / Instrument (s): - No.

## Choice Equity Broking Pvt. Ltd

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158, J.B. Nagar, Andheri (East), Mumbai - 400 099.

+91-022-6707 9999

www.choicebroking.in

+91-022-6707 9959

### CONNECT US

Any kind of queries on RESEARCH, You can contact us on: 022 - 6707 9999

Do visit the Choice portfolio of products at :  



**CONSOLIDATED  
SCRIP OVERVIEW**



Trade With

**JIFFY**