

JK Tyre Seals ₹2,195-cr Buyout of Cavendish from Kesoram

Deal gives entry into 2- & 3-wheeler tyre space, narrows gap with Apollo

Our Bureau

New Delhi | Kolkata: JK Tyre & Industries said it completed the acquisition of tyre, tube and flap manufacturer Cavendish Industries from BK Birla Group company Kesoram Industries in a deal worth ₹2,195 crore, including debt. The acquisition gives the country's third largest tyre maker immediate entry into the market for two- and three-wheeler tyres and narrows its gap with the No.2 player, Apollo Tyres. MRF leads both by a wide margin.

The deal involves ₹700 crore of equity and ₹1,495 crore of debt. JK Tyre invested ₹450 crore, raised through internal accruals, and has not assumed any debt from the deal. A major portion of the debt remains on the books of Cavendish Industries, while the remaining is raised by JK Group associate companies.

"We have safeguarded the balance sheet of JK Tyres," said Chairman Raghupati Singhania. "Major proportion of the debt will be raised by Cavendish and the rest by group companies. We want Cavendish to pay for itself."

The acquisition will give JK Ty-



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re access to three factories of Cavendish, located at Laksar, Haridwar, where manufacturers enjoy tax benefits. The units together will bring an additional capacity of 10 million tyres to JK Tyre. With the completion of the acquisition, JK Tyre has total capacity of 34.7 million tyres a year across 12 facilities in India and Mexico.

"From a strategic point of view, JK Tyres will gain from tax benefits facilities Uttarakhand derive. Besides, the deal gives access to the large volume two-wheeler market, where JK was previously not present," said VG Ramakrish-

nan, managing director of consultancy firm Avanteum Advisers. Singhania said the transaction is an asset sale and the company isn't inheriting any legacy issues. Production has been stalled at Cavendish Industries units for the past two-three weeks, however, processes are being put in place to roll out the first tyre in 15 days, he said. "We should not take more than a year to turn the company around." On claims by brokerage firms that JK Tyre overpaid for Cavendish, Singhania said: "It is a matter of perspective; I think it is a low-cost acquisition because it gives me immediate access to additional capacity which otherwise we would have had to invest in. It helps us get entry into the two-wheeler and three-wheeler market. We gain excise benefits in Uttarakhand."

Kesoram Industries said it would spend the proceeds from the sale to reduce its debt of about ₹4,800 crore.

"Sell off of the company's Haridwar unit will not impact the company's revenue because we intend to fully utilise the capacity of our Balasore (Odisha) unit," Kesoram Industries Chief Financial Officer Tridib Kumar Das said.