

Avantha set to sell Solaris to Agrocel for Rs 800 crore

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Avantha Group is set to sell its agro chemicals unit, Solaris ChemTech to Agrocel Industries for about Rs 800 crore as the Gautam Thapar-controlled firm is selling its non-core businesses to repay some outstanding debt.

Agrocel, part of the Shroff Group of Companies which includes Excel Industries, is expected to sign definitive agreement in the coming week and an announcement is due before year-end, multiple sources with knowledge of the matter told ET.

The transaction is expected to bring some relief to Avantha Group, which has total debt of more than Rs 12,500 crore. Lenders have already dragged one of the group companies, Bilt Graphic Papers, which borrowed close to Rs 7,000 crore, to NCLT to initiate bankruptcy proceedings against the company. “The group has been desperately trying to sell this asset for a long time. They did try a deal with a strategic US investor, but it couldn’t complete it. However, this time, they struck a deal with Agrocel and a definitive agreement will be signed within a week,” said one of the sources mentioned above.

Avantha group did not respond to emailed queries until press time Wednesday. Avantha sold part of Solaris to the Aditya Birla Group in May 2013. After that deal, which included the chlor-alkali and phosphoric acid divisions, Solaris is left with bromine manufacturing and distribution. The group had signed a deal to sell the remaining company to USbased Chemtura Corporation, but the transaction was not completed.

Solaris improved its financials last fiscal supported by improving bromine prices and better recoverability of bromine. The company had operating income of Rs 201.75 crore in FY18, up 11.3% from Rs 181.23 crore a year ago. However, it reported a net loss of Rs 71.9 crore against net profit of Rs 1.6 crore a year ago.

The company reported strong operating margins of 42.05% in FY18 indicating that the losses are only due to adjustments related to exceptional items arising on account of slump sale of its specialty chemical unit. **“It is expected that the company will turn around by FY19, with better bromine recoverability and improving prices,” Brickwork Ratings said in a note on July 30.**

Agrocel, part of Excel Industries, has been looking to expand its businesses. The company competes with Tata Chemicals in most of its business segments and the acquisition will be a strategic fit for the company, sources said.

Since the inception of India's Insolvency and Bankruptcy Code (IBC) more than two years ago, distressed M&A values in India have totalled \$14.3 billion and a promising pipeline of opportunities continues to build, according to a study by Mergermarket and Kroll in October.

Since 2017, distressed M&A values in India were 12% of total M&A value. Two-thirds of distressed transactions were classified as “direct” where the asset itself was distressed, while the remaining one-third of “indirect” transactions resulted in a sale because the parent organisation was in distress, the study added.