

Where to Live

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Cement makers fortify foothold

SAYEDA AKTER

LIFE becomes more delightful than ever for Sulaiman Babu, a 41-year old construction-material shop owner in Badda. His sales figure has steadily risen ever since an elected government came into power at the beginning of 2009.

"The construction projects started to go on in full swing after the government was sworn in early 2009. This change in power has eliminated the slow pace of the industry's growth that lasted for two years when the caretaker government had been on a crackdown on corruption," he said.

The sale of construction material, such as cement, went down, and small sellers like Babu had nothing to do but wait. Neither the real estate sector nor the government undertook any development projects during the two-year time.

Babu said the situation changed for the better after the government took initiative to develop large infrastructure projects, such as Padma Bridge, the elevated expressway and other road projects.

"From then on, we started getting orders from both the government appointed contractors and also from the realtors."

These days, Babu's clients include the roads and highways contractors for the Kuril flyover, and other renowned realtors, such as Purbachal.

The demand for cement, a binder that sets and hardens independently and can bind other materials together, has grown manifold in the last two years. It grew 21 percent alone in 2010, said industry insiders.

To meet the growing demand, most of the top manufacturers are set to expand their production capacity further.

At present, leading cement brands, including Shah Cement, Crown, Fresh, Scan, Ruby, King, Modina and Unique Cement are expanding their production capacities to grab a bigger share of the growing market.

According to the industry insiders, expansion is taking place in multiple ways -- developing factory capacity by importing new machinery and strengthening backward linkages to boost production.

In the last two years, the cement industry received around Tk 2,000 crore in investment on expansion and transport facilities, said insiders.

To support expansion, a huge investment is needed to set up a cement factory unit with backward and forward linkages.

The backward and forward linkages refer to the transportation of raw materials and shipment of finished products with the help of a company's own transportation chain, in which, oceangoing vessels are included.

Meghna Group that produces Fresh Cement is halfway done in raising its capacity by 4,000 tonnes a day, which would take its daily production to 11,000 tonnes.

Heidelberg, which makes cement under the brand names of Scan and Ruby, is likely to increase its capacity by 2,000 tonnes a day, while Bashundhara, manufacturer of the King brand cement, will enhance capacity by 1,000 tonnes.

Also, MI Cement that makes Crown brand has



AMRAN HOSSAIN

Workers operate a truck-mounted cement mixer machine at a construction site in Dhaka.

completed more than 60 percent of its expansion works, including building infrastructure and bringing in new machinery.

Alamgir Kabir, managing director of MI Cement Factory, said his company will increase capacity by 3,000 tonnes a day to reach its optimum level.

"We have completed more than 60 percent of the total expansion works, and we hope to go for production by September. We are optimistic that raising the capacity will help us reduce our cost of production," said Kabir, also a vice president of Bangladesh Cement Manufacturers' Association (BCMA).

He said the company has allocated a total of Tk 110 crore for its expansion.

In addition, MI Cement is building a concrete ready-mix plant near Buriganga river and a plant that will make cement bags as part of its plan to develop backward linkage, Kabir said.

The company has completed 80 percent works on constructing four ships to carry clinker, a basic raw material to make cement, from port to factory. In future, the company will boost exports of the Crown brand cement to Northeastern India.

Local manufacturers started producing cement mainly from the late 1990s. The market

was completely import-dependent before then. At the same time, multinational companies also came in and began operations.

At present, Bangladesh is self-sufficient in cement. There are around 55 companies, of which, a total of 35, including the multinational cement manufacturers, are in commercial production.

These companies are capable of producing 1.85 crore tonnes of cement a year, while the annual demand was 1.5 crore tonnes in 2010, according to BCMA data.

Cement consumption stood at 1.3 crore tonnes in 2009 and one crore tonnes in 2008. Dhaka and Chittagong account for nearly 65 percent of total consumption.

Cement consumption rose three times higher in just a decade-- between 1999 and 2009. The per capita consumption was just 22 kilograms in 1999, which reached over 65 kilograms in 2009, shows BCMA data.

According to the market people, Shah Cement, Crown, Holcim, Heidelberg, Seven Circles, Fresh, Cemex and Lafarge, are the market leaders.

The government's infrastructure projects, such as flyover, airport, bridge and monorail, where cement will be a basic raw material; real

estate companies and individuals are the main consumers of cement, the manufacturers said.

Apart from that, the steady growth in sales also inspired regional and multinational conglomerates to invest in the country's cement sector.

Last week, Indian conglomerate Aditya Birla Group launched its cement brand, UltraTech, in Bangladesh.

Dev Banerjee, country head of Bangladesh operations of UltraTech Cement, said Bangladesh's growing construction sector encouraged the company to come in.

"Bangladesh is an emerging market with immense potential. It requires construction of a huge number of infrastructure facilities. For that, the necessity of quality construction materials comes in," he said at the launch.

Aditya Birla Group acquired Dubai-based ETA Star Cement Company in April last year, and, by extension, the local operation of Emirates Cement in Bangladesh.

Although the cost of acquisition was not disclosed, the enterprise value of the deal works out to around Rs 1,700 crore (approximately \$382.06 million), according to a report published in Times of India on April 30, 2010.

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New name in cement, with new promises

SAYEDA AKTER

BANGLADESH'S growing economy and its booming construction sector have prompted Indian giant Aditya Birla Group to launch its cement brand, UltraTech, in Bangladesh.

"The cement business is a great business to be in, and Bangladesh has enormous potential for growth. I believe that UltraTech is uniquely positioned to capitalise on these developments, given its unique brand values and customer orientation," said Vivek Agarwal, chief executive of international business of UltraTech.

Earlier, Aditya Birla Group acquired Dubai-based ETA Star Cement Company in April last year, and, by extension, the local operation of Emirates Cement in Bangla-



ANURUP KANTI DAS

A cement factory is seen situated at Patenga in Chittagong.

desh.

Even though the UltraTech boss refused to disclose the size of investment in Bangladesh, it was reported in the Times of India that the enter-

prise value of the deal would be around Rs 1,700 crore (approximately \$382.06 million).

In conversation with The Daily Star, Agarwal pledged to

introduce the latest in technical know-how and an environmentally sound manufacturing process during its stay in Bangladesh.

"We'll add value to the

Bangladeshi cement market through technological innovation. The methods to grind clinker or add gypsum or handle fly ash always differ from company to company."

Agarwal said: "We have already brought our technical know-how, which would help us make a difference."

Its plant in Mukhtarpur, Munshiganj, has a production capacity of 2,000 tonnes a day. The company introduced equipment that would prevent fly ash, an ingredient to make cement, from polluting the environment.

The company will also manage to meet its own energy requirements. It has set up a 10 megawatt captive power plant inside the factory. The company will produce half a million tonnes of cement a year in Bangladesh. Agarwal is optimistic about good market response from the already self-sufficient market.

"See, the buying behaviour and product features are almost identical in markets

between India and Bangladesh. Since we have a very good reputation in Sri Lanka, Bahrain, UAE and India, we hope that we'll win this market as well," he said confidently.

UltraTech will import clinker from India and UAE, he said.

The company has 11 integrated plants and one white cement plant in India, one clinkerisation plant in UAE, 15 grinding units -- 11 in India, 2 in UAE, one in Bahrain and Bangladesh each -- and five terminals -- four in India and one in Sri Lanka.

In 2009, the group was ranked among the top six great places for leaders in the Asia-Pacific region, in a study conducted by Hewitt Associates, RBL Group and Fortune magazine.

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