

## BOSS TALK

## CONSTANT MUNDA

# Bamburi CEO: Why the cement costs keep rising

**B**amburi Cement Plc, the largest cement maker in Eastern Africa, posted an 18.62 percent growth in sales to Sh41.38 billion in 2021 in an environment of rising cost of the key construction material.

Bamburi Cement chief executive **Seddiq Hassani** spoke to the *Business Daily* on the industry's uncertainty about prices amid supply chain disruptions related to Covid and the war in Europe, anxiety about the dollar shortage and the prospects of the affordable housing project.

## TALK TO US ABOUT THE CEMENT MARKET IN THE PAST YEAR

The market was very dynamic during the year with very big infrastructure projects like the [Nairobi] Expressway and many others. In addition to the infrastructure projects, we have seen the individual homebuilder market also growing.

Overall, our performance for 2021 was double-digit growth in sales and profit. This shows a very robust performance, and we have been able to demonstrate that resilience in the past two years.

## WHAT WERE THE KEY DRIVERS OF THIS GROWTH?

The strong performance is based on three main pillars. The first one is cost management. We have been launching our cost initiatives since Covid in order to optimise our costs.

The second pillar is efficiency of our equipment, operations and fleets. The third one is innovation through launching new products and new solutions.

## GIVEN THE MEGA INFRASTRUCTURE DEALS YOU LANDED IN THE YEAR, HOW DOES THE HOME BUILDER SEGMENT COMPARE WITH PREMIUM PRODUCT IN TERMS OF CONTRIBUTION TO OVERALL SALES?

Premium products represented 25-30 percent of our volumes. The remainder 70-75 percent was in retail, which is still a very dynamic segment. The main customers of the retail market is the individual home builders.

I wouldn't say that in 2021 that [homebuilder] segment struggled. No. It was still very dynamic as well. We had quite a big chunk of the market in volumes and revenues.

## CEMENT PRICES HAVE SHOT THROUGH THE ROOF. WHAT IS DRIVING THE RETAIL PRICES UP?

If you know any product for which the price went down in the last three to four months, I would be happy to see that product.

There's no product, I believe, because we are in a really high inflation environment not only in Kenya, but elsewhere in the world. Inflation in Kenya is only around six to seven percent.

In some countries in Europe it is double-digit inflation or even higher in some other countries. So the reason [for rising cement prices] is inflation which is due to what is happening in Eastern Europe, which has worsened global supply chain disruptions.

## HOW ARE THOSE DISRUPTIONS IMPACTING BAMBURI'S OPERATION COSTS?

The freight markets have increased more than 30 percent and we all know what is happening in the fuel market.

We are a big consumer of coal and the prices have gone up to about \$300 per tonne compared to \$100 last year. This is three times higher. And Covid is still here with us.

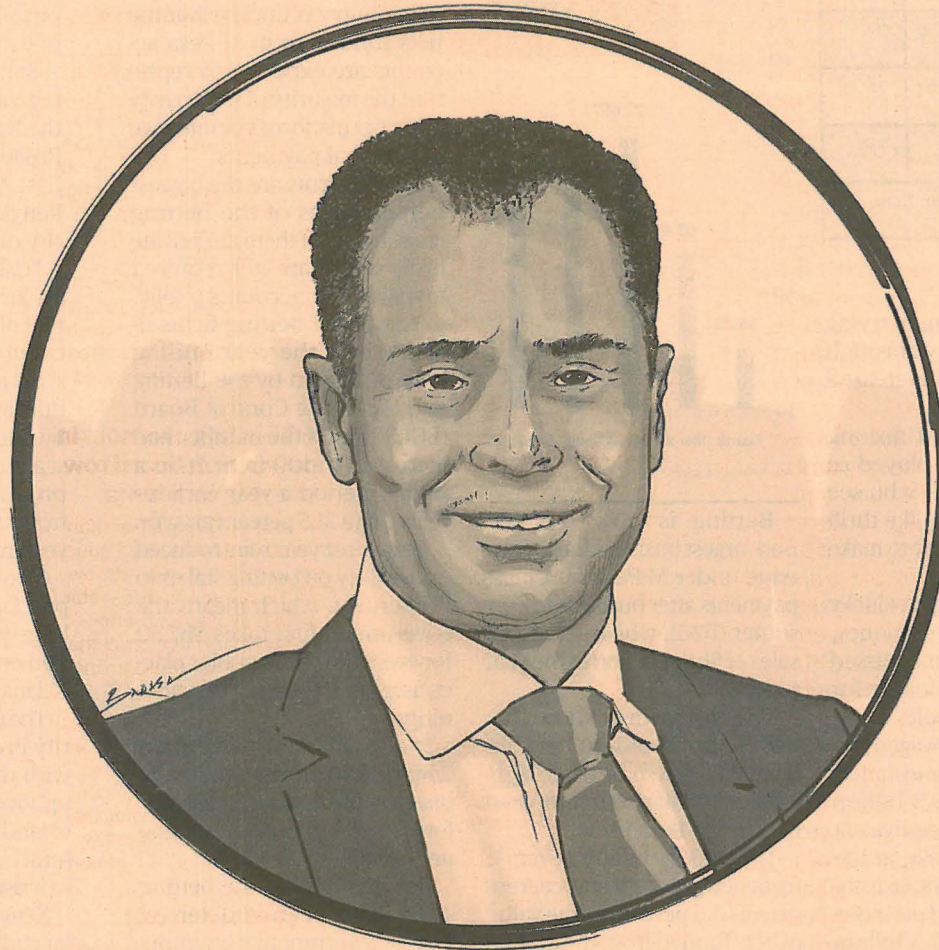
It [Covid] may not be in Kenya, but it is still affecting Kenya. Many cities in China are in lockdown and if you want to import something from China, you cannot get it and that has created some disruptions in the supply chain.

## BY HOW MUCH HAS BAMBURI RAISED ITS CEMENT PRICES THIS YEAR?

Our cement has gone up by an average of 10 percent.

## WHEN ARE WE LIKELY TO SEE A REPRIEVE IN PRICES?

What is happening in Eastern Europe has created shortages in some of commodities in energy, gas and fertiliser. All sectors are impacted today, and so it's difficult to say how it will evolve in



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2022 and beyond. It will depend on the events that are now impacting the economy as well.

## HOW HAVE DOLLAR SHORTAGES AFFECTED BAMBURI?

So far we have not faced the kind of crisis where we were not able to pay our suppliers. So we are trying to manage it properly with our banks. But the situation is very bad.

We hope that it will not last for a longer period because then it will be very difficult for us to sustain operations if we are not able to pay our suppliers. But so far, it is still under control.

## IN FEBRUARY, YOU SIGNED A DEAL TO SET UP TWO SOLAR PLANTS FOR FACTORIES IN MOMBASA AND NAIROBI, WHICH YOU PROJECTED WILL CONTRIBUTE ABOUT 40 PERCENT OF YOUR POWER CONSUMPTION. BY HOW MUCH WILL THEY CUT YOUR POWER BILLS?

The construction will begin towards the end of the year after we get all the approvals. It will be completed in quarter three of 2023. We expect it will reduce our power bills by 10-15 percent.

## WHAT ARE SOME OF THE PUBLIC INFRASTRUCTURE DEALS YOU ARE LOOKING AT THIS YEAR IN KENYA AND UGANDA?

We have signed a contract in Uganda to supply contractors who are working on the oil development infrastructure. In Kenya, we don't deal directly with the government. We supply the contractors who are building projects like the affordable housing under the Big Four Agenda.

There are some people in the affordable housing segment [whom we are looking at]. But we have seen a slow-down in infrastructure because many projects have become to an end like the Expressway. In terms of affordable housing, it's still quite dynamic in 2022.

## HOW SWEET WAS THE NAIROBI EXPRESSWAY DEAL FOR BAMBURI?

It was a very important project for us. It was similar to when we delivered to the SGR [standard gauge railway].

## WHAT'S THE PROGRESS ON THE 3D-PRINTED AFFORDABLE HOUSING PROJECT IN KILIFI, WHICH YOU SAID WILL BE THE LARGEST IN AFRICA ON COMPLETION?

We have built a 3D-printed showhouse in Athi River. We will soon be launching the affordable housing project in Kilifi County using the 3D-printing technology. The objective is to build an estate with more than 50 houses using this technology.

This technology will contribute to the objective of increasing the pace of building affordable houses. It will also help reduce costs by increasing the speed of construction and improve the quality.

This is a big breakthrough technology which will contribute to affordable housing under the Big Four Agenda.

## THERE HAVE BEEN CLAIMS OF PRICE UNDER-CUTTING IN THE PAST. IS THIS NOW IN THE PAST?

It is a free market and they price the way they want. It is linked to balance between supply and demand, competition, transport costs and availability of the products in the market.

There are many factors which determine the final price to the consumer, which we are not controlling.

## WHAT IS THE CONTRIBUTION OF LOW-CARBON CEMENT PRODUCTS LIKE DURACEM AND FUNDI TO YOUR SALES?

The new products have had a very strong contribution to our performance. If you talk about Duracem Cement, which is a niche market product, it's representing about 8-10 percent of our volumes.

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