

# The EastAfrican

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BUSINESS

## Cement firms scramble for project funds in East Africa



A truck leaving the Bamburi Cement factory in Mombasa. PHOTO | FILE

### IN SUMMARY

- Standard Investment Bank said in its East Africa Cement Sector Valuation report that Kenya will in the medium-term remain a dominant player in the cement market.
- Cement consumption in Kenya, Tanzania and Uganda in 2014 was estimated at 10.16 million tonnes due to massive infrastructure projects in road, rail and energy sub sectors.
- Investment in East Africa's cement industry, according to SIB, is expected to increase in the next three years, with Tanzania's total production capacity surpassing Kenya's by 2018.

Mombasa Cement Ltd plans to invest Ksh7.3 billion (\$73 million) to expand the factory's production capacity.

The company is eyeing the market created by construction boom in East Africa and other countries in the larger region.

The investment in a new clinker and cement unit is expected to ease pressure on prices, which dropped to \$7 per 50 kilogramme bag from \$8 in 2014.

The firm now has a unit each for clinker and cement and boasts of an annual output of 1.6 million tonnes. The addition of the new units at Vipingo in Kilifi County is subject to approval by the National Environment Management Authority (Nema).

"The objective of expansion of Mombasa Cement's Vipingo factory is to increase the current clinker production capacity from 3,000 tonnes of clinker per day to 9,000 tonnes per day," said the company's MCL's environmental lead expert Philip Omenge in an EIA report to Nema.

Standard Investment Bank said in its East Africa Cement Sector Valuation report that Kenya will in the medium-term remain a dominant player in the cement market.

"While new entrants have succeeded in using discount pricing as a tool to segment the market, it is only a matter of time before intense rivalry cuts across the entire market," said Standard Investment Bank.

READ: [Builders set to benefit as cement firms fight for regional market](http://www.theeastafrican.co.ke/business/Builders-set-to-benefit-as-cement-firms-fight-for-EA-market/-/2560/2435418/-/147q3x/-/index.html) <URL:

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"Improved economic activity and accelerated implementation of infrastructure, were key drivers of 13 per cent year-on-year growth in consumption," said the SIB analysts.

Dangote Cement of Nigeria plans to build \$395 million cement plant in Kitui and Sanghi Group of India will establish a \$119 million cement plant in West Pokot to compete against the East Africa Portland, Mombasa, ARM, National and Savannah Cement companies.

READ: [Dangote to build Kenya cement plant in \\$1.48bn Africa deal](http://www.theeastafrican.co.ke/business/Dangote-to-build-Kenya-cement-plant/) <URL: /business/Dangote-to-build-Kenya-cement-plant/

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East Africa Portland Cement Company, which is listed on the Nairobi Securities Exchange, said it expects infrastructure such as the standard gauge railway and the proposed pipeline project and growth in real estate to drive demand. However, it said the market would eventually be swamped by supply, depressing prices.

"Production efficiency and cost control will therefore remain key pillars of the company's performance, supported by growth in volumes," said Portland managing director Kephah Tande.

Portland has issued a profit warning that earnings in the financial period ending June 30, 2016 will decline by at least 25 per cent due to mounting losses caused by higher financing costs and foreign exchange losses.

The company returned a loss of \$5.2 million for the half year to December 2015 compared with a loss of \$600,000 over the same period in 2014. Financing costs rose to \$2.7 million as debt was used to fund capital projects and a third packing line to support higher sales volumes.

The pre-tax profit of Bamburi Cement Ltd rose by 46 per cent to \$84.5 million in the year ended December 31, 2015 and turnover increased by 9 per cent to \$392 million driven by higher sales, investment income and currency gains.

#### Key domestic market

"Turnover increased driven by demand in the key domestic markets in Kenya and Uganda, resulting mainly from growth in large infrastructure projects and contractor segments," said Bamburi managing director Bruno Pescheux.

He said investment income and foreign-exchange gains were influenced by foreign currency-denominated cash and other monetary assets held by the group, which increased as local currencies depreciated.

Investment in East Africa's cement industry, according to SIB, is expected to increase in the next three years, with Tanzania's total production capacity surpassing Kenya's by 2018.

Dangote Cement and Kenya's ARM Cement will raise Tanzania's installed cement capacity to 9.4 million tonnes per annum in 2018, surpassing, Kenya's cement capacity of 8.1 million tonnes per annum.

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