

Outlook

ST- Stable
LT- Positive

Research Report:

Cement Sector of Bangladesh - Update

Md. Arman Chy. Nayan

nayan@idlc.com

Research, IDLC Investments Ltd.

Highlights

Key Statistics

Installed Capacity (Mn MT)	25.00
Industry Average Utilization Rate (%)	70.0%
Consumer Demand (Mn MT)	15.00
Total Population (Mn)	160.00
Per Capita Consumption in June, 2013 (Kg)	93.75
Currently Plants in Operation	45.00
Factories Exporting Cement to India	8.00
Construction as % of GDP (2012-2013)	9.1%

Source: The Financial Express and Research, IDLC Investments Ltd.

Market Size Derivation

Total Demand (Mn MT)	15.00
Standard Price Per Bag (BDT)	450.00
Total Market Size (BDT Mn)	135,000.00
Total Market Size (USD Bn)*	1.74

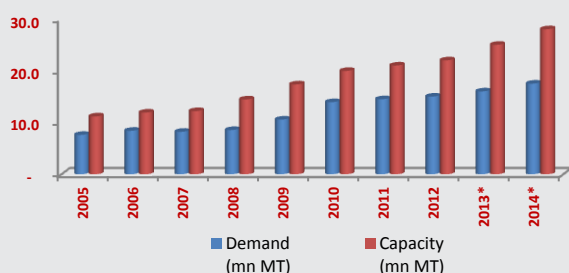
*USD\$ Rate is BDT 77.75/\$ is Used.

Industry Demand & Production

Year	Demand (Mn MT)	Demand Growth (%)	Capacity (Mn MT)	Capacity Growth (%)
2005	7.6	18.5%	11.2	5.2%
2006	8.4	10.5%	11.9	6.6%
2007	8.2	-2.4%	12.2	2.4%
2008	8.5	4.1%	14.4	18.4%
2009	10.6	23.8%	17.4	20.2%
2010	13.9	31.8%	20.0	15.0%
2011	14.5	4.0%	21.0	5.3%
2012	15.0	3.5%	22.0	4.8%
2013*	16.0	6.7%	25.0	13.6%
2014*	17.5	10.0%	28.0	10.0%

* Projected

Source: Research, IDLC Investments Ltd.



Abstract

- Bangladesh Cement Industry has been observing stable growth in last three years driven by steady pace of urbanization and construction of large infrastructure projects.
- At present, installed capacity of the Bangladesh Cement Industry is about 25 Mn MT, whereas demand for cement is about 15 Mn MT. And, the total market size is nearly US\$1.74 bn.
- Average capacity utilization rate is 65%-75% and some of the renowned companies are producing at more than 100% capacity utilization level through sub-contract.
- Industry is oligopoly in nature where top ten players are alone controlling over 85% of the total industry capacity and have pricing control.
- Local dominance still prevailed in the industry as six out of top ten are local cement manufacturers.
- Industry is regional in nature and subject to seasonality. Due to seasonality, top line may be affected by maximum 50% during the monsoon.
- Almost all the raw materials of cement are imported, which leave massive risk due to any disruption like political uncertainty, currency fluctuation and supply chain problem.
- Portland Composite Cement (PCC) is widely produced, substituting Ordinary Portland Cement (OPC) due to lower requirement of clinker (core raw material). Current availability of PCC is 95% against 5% of OPC in our industry.
- Focusing on upcoming infrastructure development activities, most of the companies have been increasing production capacity which leaves robust growth opportunity in long run.
- Much lower per capita consumption, which is below 100 kg compared to other countries like India (174 kg), Malaysia (590 kg), Pakistan (131 kg), Sri Lanka (178 kg) and world average (nearly 500 kg) also depicts huge growth opportunity in the long run.
- Overcapacity may lead to increase competition and price war among the market players.
- Overcapacity may foster companies seeking new export destinations like Myanmar.
- Stable outlook (5%-10% growth) is expected in near future and robust growth (15%-20%) is likely in long run together with the expected increase of infrastructure development activities.

IDLC Investments Limited
Eunoos Trade Centre (Level 21)
52-53, Dilkusha C/A
Dhaka 1000
Bangladesh

+880 (2) 9571 170
+880 (2) 9571 171

www.idlc.com

Disclaimer: This Document has been prepared and issued by IDLC Investments Limited on the basis of the public information available in the market, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts & information stated in the Document are accurate as on the date mentioned herein. Neither IDLC Investments Limited nor any of its director, shareholder, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the Document are genuine, accurate, complete, authentic and correct. Moreover none of the director, shareholder, member of the management or employee in any way be responsible about the genuineness, accuracy, completeness, authenticity and correctness of the contents of the sources that are publicly available to prepare the Document. It does not solicit any action based on the materials contained herein and should not be construed as an offer or solicitation to buy sell or subscribe to any security. If any person takes any action relying on this Document, shall be responsible solely by himself/herself/themselves for the consequences thereof and any claim or demand for such consequences shall be rejected by IDLC Investments Limited or by any court of law.
