



THE VISION Corporation

GLOBAL CEMENT MARKET & TRADE INFORMATION SERVICE

U.A.E. CEMENT MARKET UPDATE

Sunday, March 28, 2010

History

Dating back to the mid-1970s, the cement industry is one of the oldest manufacturing industries in the UAE. The first factory, Al Ittihad Cement Company of Ras Al-Khaimah, started commercial production in 1975.

It was also reported by private sources that Union Cement Company (UCC) is the first cement producer established in the United Arab Emirates. It was set up in 1972 in the Khor Kwair Industrial Area and the production commenced with the first line in 1975 under the management of "Norcem A.S.", a member of Heidelberg Cement Group. The second line started in 1977 followed by the third one in 1979. In 2006 UCC commissioned its milestone "Plant 4", a 10,000 ton per day clinker production kiln that increased the clinker production capacity of UCC from 1.2 to 4.5 million ton per annum. Moreover; in 2007 cement mills 5 & 6 also contributed to add up the company's grinding capacity to 4.8 million ton per annum and this made UCC the biggest cement manufacturer in the U.A.E.

This was followed by the construction of several other factories in Al Ain, Sharjah, Dubai, Fujairah, Ajman and Umm al-Qaiwain. The total number of cement factories throughout the country had reached nine by the end of 1998. Eight of these produce Portland cement, and one factory in Ras al-Khaimah manufactures white cement. The total capacity of the eight Portland cement factories is estimated at 9 million tones. These factories employ 2,999 workers, representing a total investment of approximately Dh 1.8 billion. Ras al-Khaimah Company for White Cement and Construction

GLOBAL CEMENT MARKET & TRADE INFORMATION SERVICE is a project of **The Vision Corporation** as an addition to its current cement & allied products trade, export facilitation, shipping and supply chain management services to cement industry, the new project is to update the global cement industry & trade with current trends in cement products, trade, supply, prices and relevant information.

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Materials is expanding its production capacity to 450,000 tons per year.



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Test production at a new Dh 550 million cement plant in Ras al-Khaimah commenced in mid-August 1999. The plant, the fourth in Ras al-Khaimah, is owned by Ras al-Khaimah Cement Company. It will have a production capacity of 1 million tons per year of Portland cement. A Dh 80 million cement plant in Dubai's Jebel Ali industrial area was fully operational by mid-September 1999. Plans are under way to raise production capacity immediately from the initial 250,000 tons per annum to 400,000 tonnes. Falcon Cement is the first purpose-built ground, granulated blast furnace slag processing plant in the Middle East.

Cement Prices in UAE

In February 2009, U.A.E. government has asked the cement producers to reduce price of cement by 22% with effect from April 1st 2009. The prices were fixed at AED 280 for a tonne of bulk cement and AED 14 for a bag. Most factories have been selling bulk cement at about AED 330 per tonnes to AED 360 per tonnes, while bags are priced at AED 16 and an additional dirham is levied as transport charges.

According to The Vision Corporation's survey and research team, in March 2010, the cement prices are even lower than the price of the cement a year ago. Today cement prices in UAE are roaming between AED 210 to AED 220 per ton and price of a 50 kg bag is between AED 10 to AED 13. Based on the survey

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and research of The Vision Corporation's team, cement prices offered by various cement producers in U.A.E are according to below table;

Cement Producer	Bulk Cement	50 kg bag
Union Cement	AED 220	AED 12
Emirates Cement	AED 220	AED 11.25
Jabel Ali Cement	AED 210	AED 10
National Cement	AED 220	AED 12
Binani Cement	AED 210	N/A

It was also learnt that cement industry has recently decided to fix different prices for different emirates. In Abu Dhabi, where a less financial crisis hit construction industry is existing, cement price shall be fixed at AED 250 a ton, AED 240 a ton in Dubai while in Northern Emirates including Ras Al-Khaimah, Umm Al Quwain, Ajman and Sharjah the price of cement shall be fixed at AED 220 a ton.

U.A.E. cement industry looking for export markets to increase sales and prices.

Almost all the cement producers are looking for export markets in GCC and African countries to increase volume of sales and increase the prices. Union Cement, located in Ras Al-Khaimah, with its wide range of products, Ordinary Portland Cement, Low, Moderate and High Sulphate Resisting Cement and its own bulk tanker fleet, told that *"it is selling bulk cement at Dh220 per tonne, while it charges Dh12 for a 50kg bag. The company's production varies from 5,000 to 10,000 tonnes of cement and 15,000 to 20,000 tonnes of clinker cement daily, with an annual clinker production capacity of 4.5 million metric tonnes and cement production capacity of 4.8 million metric tonnes. It is now negotiating export trade with other countries, particularly GCC states". "We are talking with many clients from Sudan, Kuwait, Bahrain and so on. However, one has to be able to produce regularly,"* said M Mustafa Gorgunel, General Manager of Union Cement Norcem.

Proximity to a port has the advantage of reducing logistic cargo fees. *"Instead of shutting down one's plant, it is better to export some of the volume at a loss to improve productivity, cut costs and strive to break even for some profit,"* he said.

Mumbai-based Binani Cement's production facilities in Dubai under the name of Binani Cement Factory LLC, located in Jabel Ali Free Zone, adjacent to Jabel Ali seaport in Dubai that have a capacity of two million tonne per annum. Mr. Vinod Juneja, Managing Director, Binani Cement, said the company plans to cover the entire West Asia as the demand in Dubai was expected to remain suppressed at least for next two years.



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"The realisation in Dubai has fallen from Dirham 350 a tonne pre-Dubai crisis to Dh 240-250 a tonne currently. We expect realisations to increase by Dh 25 to 30 when we tap other markets from Dubai," he said. Binani Cement plans to open offices in the new markets. The company had managed to avoid bad debts as it follows cash and carry policy in Dubai. Having put expansion plans in Dubai and South Africa on hold, Binani Cement intends to divert machinery ordered for the capacity addition there to Gujarat where it intends to set up a 2.5-million-tonne plant. "We have already acquired 25 acres of the total 200 acres required for the Gujarat project and the funds are tied up. We would be doing the ground breaking in next two months," said Mr Juneja.

According to R Chaudhary, General Manager of Jebel Ali Cement taold that Jabel Ali Cement is also looking at exports apart from its existing Oman market and eyeing Qatar. *"We are in talks with Qatar and to expand strategically in that country,"* he said. Mr. Salah Soliman, Marketing and Sales Manager at National Cement Company, said his firm also looking at exports in the coming year. He said *"If there are any suitable export orders matching my selling prices, I would not hesitate to export."*

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