ARM steps up expansion plans across East Africa

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Pradeep Paunrana, ARM Cement chief executive. PHOTO | SALATON NJAU

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IN SUMMARY

- CEO Pradeep Paunrana says the cement maker will from next year complete and initiate new projects in a multibillion-shilling investment programme.
- The flurry of expansion by established and new players is expected to further weigh down cement prices, making cost-cutting and market share growth as key profit drivers.

ARM Cement is stepping up its investment in new plants in the East African region where rivals are also raising their output capacity, signalling increased competition that is set to intensify price wars.

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Chief executive of the NSE-listed company Pradeep Paunrana says the cement maker will from next year complete and initiate new projects in a multibillion-shilling investment programme.

ARM will in 2015 complete one more grinding plant in Tanga with a capacity of 2,500 tonnes per day, adding to the new plant in the same locality that was recently commissioned with a capacity to produce 3,200 tonnes of clinker and 4,000 tonnes of cement per day.

"This will be followed by the expansion of our Kigali, Rwanda cement grinding plant to a capacity of 200,000 tons per day," Mr Paunrana said in a statement.

READ: ARM Cement completes takeover of Kigali firm after 65pc stake buyout
"Our next major growth will be in Kenya, a growing market that is still heavily reliant on imported clinker." He added that ARM is set to build a 2.5 million tonnes per year integrated clinker and cement plant in Kitui County in the short term.

The firm's expansion plans comes amid similar heavy investments by its rivals, setting the industry for a new round of price wars as the race for market share intensifies.

Profit

East African Portland Cement Company (EAPCC) plans to spend Sh2.5 billion in new investments in the short term to expand its output and boost efficiencies.

READ: EAPCC plans Sh2.5bn investments
National Cement is also expanding the capacity of its Lukenya factory to 1.7 million tonnes of cement from the current 600,000 tonnes. This is besides the construction of a clinker plant in Kajiado where it will also build its coal fire power plant.

READ: National Cement plans Sh1.7bn coal fired power plant
Nigeria-based Dangote Cement is set to double the production capacity of its upcoming factory in Kenya, setting the stage for increased competition in the regional cement market.

The company, which received a prospecting license in March, says it has revised the factory's annual capacity to three million tonnes from the previous 1.5 million tonnes.

The flurry of expansion by established and new players is expected to further weigh down cement prices, making cost-cutting and market share growth as key profit drivers.

The average retail price of a 50kg bag of cement in Nairobi, for instance, stands at about Sh650 compared to a peak of Sh740 in 2008 and 2009.

The price wars are attributed to the entry of new manufacturers such as National Cement, Savannah Cement and Mombasa Cement that are riding on lower prices to gain market share.