

BusinessCem Almaty 2010

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Almaty has the largest urban population in the country with some 1.5m inhabitants and is regarded as the financial centre of Central Asia. Along with the capital Astana, the city will play host to the Asian Winter Games in 2011 so construction activity is high on the agenda.

In the welcome speech, Mr VA Dolzhenkov, deputy Akim (mayor) of Almaty, informed delegates that the arrival of the conference was a positive thing with preparations for next year's sporting events already well under way.

United Cement

The first session presentations began with Mr AA Issabekov, general director of United Cement Group, the leading cement producer in Kazakhstan and the second largest cement group in the former Soviet Union. The company has grown to have cement plants in Russia, Kyrgyzstan, Uzbekistan as well as Kazakhstan where it has a market share of 31 per cent. Its Kazakh facility is the 1.2Mta Oskemen plant (Semey Cement) which was established in 1958 and was a former Russian state plant. It utilises the wet-process technology and has enough limestone reserves for the next 50 years. The company also supplies cement into Kazakhstan from five other plants that it owns in neighbouring countries.

Mr Issabekov stressed that United's success in the domestic market was based on cement price and quality, but that



Mr Issabekov speaks about United Cement's activities in Russia and other CIS countries

The 10th anniversary of BusinessCem's International Central Asia Conference and Exhibition, 18-21 October, drew some 140 delegates from 12 countries to Almaty, the cultural capital and second city of Kazakhstan. The venue of the Almaty Intercontinental Hotel would provide attendees with the chance to listen to industry speakers, survey the 20 international exhibition stands and enjoy BusinessCem's hospitality and entertainment against the enchanting backdrop of the Tien-Shan mountain range.



Delegates at BusinessCem Almaty heard two days of presentations and enjoyed an excursion around the city

shipping and delivery were key, especially in the main consumption areas of Almaty, Aktau and the capital where United is the chief cement supplier. Large-scale construction projects for the firm are currently the transit highway between West China and Eastern Europe and delivery to several major hydro-power projects.

"Imports of cement into Kazakhstan have seen a slowdown in 2010," said Mr Issabekov. "Down from 1.2Mt in 2009 to 0.7Mt in 2010. United's group cement production has also fallen and is expected to be around 3.5Mt this year. However, growth potential is high in Kazakhstan with per capita consumption reaching 339kg in 2009 and perhaps 388kg by the end of 2010," he said.

Mr Issabekov added that prices have been stable at around US\$70/t this year. With the new additional capacity expected to enter the domestic market in the next few years cement production in Kazakhstan is on schedule to rise to 7.2Mta by 2013, with consumption rising to around 6.5Mta. Per capita consumption could reach 407kg by 2013.

Moving on to United's other markets, Mr Issabekov said that the company has

two cement plants in Kyrgyzstan, the first being Kant Cement built in 1964 with a capacity of 1.3Mt and the second a grinding facility called Technolin, built in 1975, which has a milling capacity of 375,000tpa. The Technolin works has currently been mothballed because of high production costs. When the gas price is US\$380/m³ the plant can only run at 40 per cent of total capacity and it is simply not economical. However, the facility is undergoing an overhaul to be completed in March 2011 when Chinese contractors CAMC Engineers convert the factory to coal usage. The cement production output in the country is currently 2.5Mta, but a new 1Mta facility is expected to begin production in the south very soon. Per capita consumption is currently at 143kg and is expected to rise to 148kg in 2011.

United operates three plants in Uzbekistan. The Tashkent plant built in 1929 has a capacity of 1.1Mt which is likely to be upgraded in the next few years, the 0.66Mta Bekabad works that was established in 1926 and the 1Mta Kuvasaycement plant in the Fergana region. The Bekabad works will be modernised to become the largest

factory in Central Asia as it is converted into a 2500tpd dry-process facility. This plant serves the Tashkent region with its growing population of 3m people. China CAMC Engineers are again involved in this project and China Triumph International Engineering (CTIEC), with the new milling capacity having already come on-stream this August. The new cement line will begin next summer and will serve the domestic market and send exports to South Kazakhstan. Cement consumption in Uzbekistan is currently 6Mta and cement prices are around US\$84/t. Per capita consumption in 2010 is estimated at 231kg. Going forward, production is likely to rise to 95Mta by 2013 and consumption by then is forecast to increase to 8Mta.

United also has the Novotroitsk cement plant in Russia which serves West Kazakhstan. It was built in 1954 and has a production capacity of 470,000tpa. Kuznetsky Cement was built in 1943 with a capacity of 0.6Mta, but it is installing a new 1Mta dry-process line. Cement prices in Kuznetsky are typically US\$67/t this year but were US\$150 in 2009. Per capita consumption was 377kg last year. Cement production in this region was 6Mta in 2009 and consumption just behind at 5.5Mta. By 2013 production and consumption could rise to 10Mta.

Consumption in the Volga region of Russia is approximately 9.2Mta and in 2013 it is forecast to increase to 13Mt, while production might rise to 19Mta. Per capita consumption dropped from 414kg in 2007 to 300kg in 2009, but it is important to note that prices were also much higher in 2008 at US\$130/t compared to US\$60/t today.

Soyuzcement

Mr Vyacheslav Boltenko of Soyuzcement (Russian Cement Association) spoke on the state and perspectives of the Russian cement industry. The government has made decisions on how the industry is to be modernised and has identified several major projects that will go ahead despite the global economic slowdown. Dyckerhoff Cement will commission a new kiln line this year and Novotroitsk Cement (United Cement Group) will have a new 1.2Mta line by late 2011. HeidelbergCement's Tula plant is also being modernised between 2011-12, along with Novorossiysk and Slantsy

The Kazakh cement industry was well represented with speeches from United Cement, HeidelbergCement Kazakhstan and Shymkentcement



Cement. Eurocement is similarly expected to grow its domestic production capacity.

"The main burst of projects will be in 2015-16" Mr Vyacheslav said.

"These projects are currently in their implementation phase and still face financial and political issues before proceeding, but are likely to all be between 1-2Mt in size.

"By 2020 Russia is expected to add a further 20Mta to current production," he added. "This capacity will be in line with infrastructure needs that are government dependent. The state will also decide when the factories should be built and where and what they need to produce."

HeidelbergCement

Mr Kampa of HeidelbergCement spoke on the German multinational's entrance into the Kazakhstan market in 2005 when it acquired the Bukhtrama cement plant, which is in the middle of an upgrade programme. HeidelbergCement's distribution centres are located at Almaty, Astana, Oskermen and Aktau. The peak year of production in Kazakhstan was 2007 when it manufactured 4.5Mt of cement. Kazakhstan's production levels were 3.9Mt in 2009 and have reached 3.61Mt for the first nine months of 2010. The main producers include: HeidelbergCement (1.6Mta), United Cement (1.2Mta), Steppe Cement-Central Asia Cement (3Mta), Italcementi-Shymkentcement (2Mta), Basel Cement-

Sastobe Cement (0.4Mta), giving a total market capacity of 8.2Mta.

Mr Kampa acknowledged that there was some disparity between his figures and that of Mr Issabekov, but HeidelbergCement's assessment is that annual cement consumption has fallen from a high of 7.2Mt in 2007 to 4.9Mt in 2009 and 4.4Mt for the first nine months of 2010. Kazakh cement production last year is recorded as 3.9Mt and for the first 10 months of 2010 it had reached 3.6Mt. He added that the main imports come from Russia, China, Kyrgyzstan, Uzbekistan and Azerbaijan. Imports had fallen to 0.87Mt for the first 10 months of 2010.

New capacity coming on-stream in northern Kazakhstan includes BI-Cement's 0.5Mta plant in 2011-12 and Kokshe Cement's 1.2Mta plant in 2012, situated 270km northwest of Astana. Kokshe Cement is to be supplied by equipment from FLSmidth and the plant is part-owned by East Energy Company. In the Southeast at Mynaral, Vicat's 1.1Mta Jambyl plant has been built by CTIEC and is currently being commissioned to start full production in 2011. The 0.5Mta Khantau works is also planned to open in 2011 in the south. In the eastern part of the country Kazaktsement will operate a 1Mta plant by 2011-12. HeidelbergCement also plans to complete its Caspian Cement 1Mta plant in Aktau in 2012. If all these projects are completed it will add 5.3Mta to Kazakh cement capacity by the end of 2012.

HeidelbergCement's Caspian Cement plant construction was originally to be a 2Mt plant but will now be built in two phases. The first phase will see a 1Mta plant by 2012 to be followed by a second 1Mta line at a later stage. Mr Kampa suggested that production will reach 10.3Mta in Kazakhstan by 2015 but that consumption might only rise to 7.3Mta.



Delegates had the opportunity to speak with suppliers on some 20 exhibition stands

Garadagh Cement

Mr Kamran Abbasov talked about Holcim's Garadagh Cement works, Azerbaijan's sole integrated cement producer. Holcim entered the Azerbaijan market in September 1999. It has a new 4000tpd kiln No 6 line project under construction, equivalent to 1.7Mta. Holcim has worked with the European Bank and Azerbaijan Investment Company to replace the existing four wet kilns and to improve the environmental compliance to EU/Holcim standards and CO₂ reduction according to the agreed Environmental Action plan.

Some 70 per cent of the production situated near to the capital is sold and used there, while 44 per cent of the market is in Garadagh. Other major urban populations are at Baku in the east and the nearby Sungayit and Gandja in the northwest. Holcim has managed to grow its domestic market share from 31 per cent in 1999 to 44 per cent in 1H10. Clinker imports are falling and in 2009 amounted to 466,000t having reached 825,000t in 2007. This year clinker imports are expected to drop further to 210,000t. The main clinker imports come from Russia, followed by Iran, Georgia and Turkey. Minor quantities are also imported from Ukraine and Turkmenistan.

Garadagh Cement had a capacity of 1.6Mta in 2009 but only produced 1.15Mt. Cement production in the country is expected to reach 3Mta in 2010 with Garadagh Cement providing 1.2Mt of this total. In addition to Garadagh Cement there are some 15 grinding stations currently operating.

Mr Abbasov said: "By 2014 the domestic cement production is expected to rise to 4.1Mt and Garadagh Cement will aim to be producing 1.7Mta by then. Opportunities to export are likely to grow during 2013-14 when the domestic industry will have overcapacity. The smaller grinding units are likely to be forced out by 2014 because of their lower grade cement, high production, delivery costs and their lack of state support."

There is a gradual change towards bulk cement deliveries that are now up to 58 per cent, compared to 50kg bags that have a 42 per cent market share. The trend has allowed for the increased use of additives. Buyers of bagged cement are private end-users. CEMII is 78 per cent of sales in Azerbaijan and CEMI

the remaining 22 per cent. Some 85 per cent of Garadagh Cement's production is CEMII with pozzolan or slag. Sales of 'Gizildash', a locally-made cement in an area southwest of Baku, have been increasing. It is known for its high quality limestone or golden stone.

Three new plants with a total capacity of 2.8Mta are being built and will be launched between 2012-14. Firstly, there is a bidding phase underway for the new 2Mta Gizildash cement plant, located 3km northwest of Sangachal. The project is being established by Norm LLC with technical expertise of Holtec Consulting Private Ltd. Secondly, Akon is a large construction company in Azerbaijan that is building its first cement plant near to the border with Georgia in the north. This plant is north of the Mangachevir reservoir and will have a capacity of 1Mta and will be on-stream in 2011.

Finally, as previously mentioned, Garadagh Cement is constructing its new dry-process kiln line No 6 with CBMI. As a pre-request of CBMI winning the main contract, the new line will utilise European equipment. Kiln Line No 6 will produce its first clinker in September 2011 and will be fully operational by March 2012. The preheater tower will stand 130m high and will have eight floors. Construction of the cement silo slipform works have been completed and building of the clinker silo tunnels has begun along with the coal storage hall and coal mill foundations.

Further presentations

After the market reports there were a host of supplier papers on new technology and equipment including Gebr Pfeiffer's new MultiDrive technology and Intercem Engineering's 3D scanning equipment for measuring existing buildings at cement plants and redesigning land use around existing machinery for upgrade projects.

The second day of presentations gave delegates further experiences of cement technology in Russia and the other CIS countries. One of the best resources was the presentation from Mr Korobkov of the Siberian Research and Design Institute of Cement (SRDIC). The institute is working with the design of the new Kokshe cement plant in Kazakhstan and has been actively involved in civil engineering since 2004, providing structural engineering, feasibility studies, architectural solutions and inspections.

Some notable Russian projects have included a 3500tpd kiln line for Soda in Bashkortostan in 2007 and the 2300tpd upgrade at Mordovcement in the same year. This year the SRDIC has been involved in Sukholozhsk Cement's new 3200tpd line. In 2009, the institute also worked on the 1.2Mta project at Krasnoyarsk Cement, while a 1.3Mta modernisation project was also carried out at Iskitimtsment's Chernorechensky plant.

Shymkentcement

Mr Atilla Yildiz, general director of Shymkentcement, outlined the producer's standing in Kazakhstan. After detailing the development of parent company Italcementi Group and Italcementi's ownership of Shymkentcement in 1998, he pointed out that in 2009 there was a new shareholder agreement with a new local shareholder joining the owners – Italcementi now owns 92.88 per cent of the shares in Shymkentcement. The plant is located in the Enbekshi region of South Kazakhstan, near the borders of Uzbekistan and Kyrgyzstan and was built in 1958. It has a 15 per cent share of the domestic market with four wet-process lines manufacturing 1.5Mta of cement.

Recent acquisitions in ready-mix have resulted in the formation of the BetonATA company. It has 120m³/h of ready-mix production capacity and will expand Shymkentcement's activities into construction and building materials.

The cement plant upgraded its emissions control with two new ESPs in 2009 for kiln gas dedusting, bringing dust levels down to 50mg/m³. All products are managed by ISO 9001 and ISO 14001 integrated management systems and the company has an American Petroleum Institute certification for oil well cement production. Shymkentcement also launched the Bravo Build brand this year to extend its strategy with two retail shops where customers can buy products directly from Shymkentcement.

At the conclusion of the papers, Businesscem followed the custom of planting of a new tree in the hotel grounds. The meeting then held a friendship dinner on the final night with dancers and entertainment to bring the event to a close. The next BusinessCem meeting will be held in Moscow, 27-29 April 2011.