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Scancem invests in India and Bangladesh

The Board of the Nordic cement and building materials group Scancem has decided to invest in India and Bangladesh. Through its subsidiary Scancem International, the group intends to acquire 25 percent of the shares in the Indian cement company Narmada Cement Company Ltd. The investment will be made through an issue of new shares in Narmada. The agreement in India is subject to approval by the country's authorities and sufficient financing of an extension of the production capacity. Scancem International also invests, together with international partners, more than SEK 200 M (USD 25 M) in cement import facility in Bangladesh.

"Realizes our long-term strategy"

- These investments represent an important step towards realizing the group's long-term strategy in Asia, comments Scancem's CEO Sven Ohlsson. We hold a leading position within international cement operations and trading and have long experience from the United States, the Middle East and Africa. We will now transfer this combination of trading and handling of cement as well as management services to a market which is new to us.

Further investment planned in India

The Chowgule Group of India is the major shareholder of Narmada, and the group is furthermore active in international trade through exports of iron ore and pellets and in shipping. Narmada's current annual production capacity is about 1.2 million tonnes of cement, and a capacity increase to approximately 3 million tonnes is planned during the next few years with participation from Scancem. The investment will be financed internationally and is estimated to cost USD 150 M.

- Through this association, Scancem stands to gain a foothold in a new and interesting market, says Cato A. Holmsen, President of Scancem International. The Indian investment is an important continuation of our broad international cement activities. Narmada has a cement clinker plant in the Gujarat State north of Bombay and two cement grinding plants north and south of this city. The plants are of high technical standing with strategic locations near ports which means good export potential.

India is a major producer of cement with an annual production of approximately 70 million tonnes of which 4 million tonnes are exported. With a current per capita consumption of about 70 kilos there is a high potential for growth in the country.

Import terminal in Bangladesh

The investment in Bangladesh will comprise a floating import terminal in Chittagong - a silo ship with an annual capacity of 30,000 tonnes - and specialty vessels for transporting the cement to the capital Dhaka. Storage facilities and a packing plant will also be built in the capital. The project will be completed by the end of 1998. Later, the establishing of a cement grinding facility ashore in Chittagong will be considered, in which case the import of cement will be changed to the import of clinker. The total annual cement consumption in Bangladesh amounts to 3.2 million tonnes.

- Today, Bangladesh has a low cement consumption in relation to its 125 million inhabitants, Cato A. Holmsen says. The country is currently in a positive phase of development. Our aim is to gain a substantial market share and later develop operations further. Together with international partners we will own 70 percent of the shares in a company to be established where local companies and financial institutions will hold the remaining 30 percent. We intend to finance the investment through the World Bank subsidiary IFC and Nordic finance institutions.

Scancem International will manage the cement operations in Bangladesh through its subsidiary Scancem Asia Pacific Ltd. in Singapore.