

PPC prepares to enter Algerian cement market

PPC said on Monday (10 February) advanced plans are in place to enter the Algerian cement market, through a partnership with Algerian private sector investors, in Hodna Cement.



PPC's Ketso Gordhan says that 40% of company revenue will come from African countries by 2017. Image:

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The company said Hodna would construct a 2m ton a year plant for about US\$350m in the Hodna area, about 300km east of Algiers and close to the university and technology-focused town of Setif.

PPC would have a 49% stake of Hodna and assume management control. The transaction would be funded on a project-finance basis, with 80% debt funding from local Algerian banks.

"The Algerian cement market is very attractive as consumption exceeds local production by about 3m tons of cement a year.

Moreover the Algerian government has committed itself to large-scale capital spending programmes, including the US\$6bn New City Hassi Messaoud project, which will see the roll-out of thousands of housing units.

"This will certainly boost the demand of cement in that country," PPC's chief executive Ketso Gordhan said.

Construction

Once the feasibility study was concluded, construction of the plant would take up to 30 months, with commissioning expected by the fourth quarter of 2016.

PPC said that, as with its other expansion projects, it intended to engage China's Sinoma International Engineering to supply and build the plant. It would be supported by India's Holtec Consulting, specialists in project management.

Cement sells for between US\$80 and US\$120 a ton in Algeria, with favourable costs of production from affordable gas prices.

With a population of almost 40m people, of which 74% live in urban areas and a relatively high gross domestic product per capita of US\$5,582, Algeria still requires the construction of 225,000 houses a year to meet demand.

The national housing shortage in Algeria is estimated at 1.2m units.

"We are already building cement plants in three countries: Ethiopia; Rwanda; and the Democratic Republic of the Congo.

This project sees us entering yet another African country and gives us confidence that by 2017, 40% of PPC revenues will be earned outside of South Africa," Gordhan said.

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