

Sephaku to make cement next year

Raw materials supplier Sephaku Holdings said yesterday it would start manufacturing cement from late next year.



Funds from its Nigerian partner, Dangote Cement, would enable it to benefit from new technology and plant, while competitors had to replace older facilities. The company said it would embark on a road show this week to attract investors in a growth strategy.

Sephaku would be the first new entrant to the local cement production market to open its own new plant since 1934, the company said.

"Further to the company's strategy of becoming a focused cement player in the South African market, Sephaku Holdings has been streamlining its business and has made significant progress on its 2,5million tons-per-annum cement producing facilities near Delmas and Lichtenburg," the company said.

Sephaku would benefit from new investment in a depressed market. SA's construction companies have taken a severe hit following the collapse of global markets and a slump in domestic demand after the 2010 Soccer World Cup.

Sephaku CEO Lelau Mohuba said the company wanted to challenge large local producers Lafarge, PPC and Afrimat, regardless of threats from imports.

Some buyers say imported cement is cheaper and of acceptable quality. But French company Lafarge's South African arm said last week it was concerned some imports did not meet quality standards or were imported without a licence.

Sephaku said it had a cash-flush investor in Dangote Cement, which owned 64% of Sephaku Cement. Dangote Cement had projects and operations in Nigeria, Benin and Ghana, with production and import capacity of 14-million tons a year and projects in development which offered 11,1-million tons a year in additional capacity.

Sephaku raised R350m by issuing equity to Dangote Cement in 2008. Sephaku raised a further R779m from Dangote in

2009 when it listed on the JSE. In 2010, Sephaku began construction of its Aganang cement plant.

The plant was half complete and the balance would be funded through syndicated debt - its bill for the plant was R3,2bn.

Mr Mohuba said Sephaku had planned to produce cement from next year, to gain a foothold in the industry before the cement market reached capacity in 2016.

The company believed there would be a shortfall in capacity in the industry in five years, because of a lack of investment and a shortage of quality limestone deposits in SA.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>