

Lafarge surma cement essay



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AN STUDY OF COMPANY'S PERFORMANCE AND SHARE PRICE Prepared by:

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Business Administration Part - 1 Organizational Part | Name | Lafarge Surma

Cement Limited (LSC) was incorporated on 11 November, 1997 as a private

limited company in Bangladesh under the Companies Act 1994 having its

registered office in Dhaka. Location | Factory location World leader in

building materials Lafarge of France and renowned Spanish cement producer

Cementos Molins have set up a state-of-the-art fully integrated dry process

cement plant at Chhatak, Sunamganj in north east Bangladesh. This location

is 10 km away from the border with the Indian State of Meghalaya. Quarry

location The quarry is located at the border in East Khasi Hills in Meghalaya

(India).

The project has its uniqueness as the raw materials—limestone and shale are

being brought from the quarry across the international border by a 17

kilometer long belt conveyor. Two subsidiaries of LSC, one holding the

mining rights & land leases and the other for quarry operations are located

there. Lum Mawshun Minerals Private Limited (LMMPL) is to hold the mining

rights and land leases and Lafarge Umium Mining Private limited (LUMPL) to

carry out the mining operation. Head office The head office of Lafarge Surma

Cement Limited is located at Dhaka (House 35, Road 24, Gulshan 1, Dhaka

1212, Bangladesh).

The intellectuals behind the scene work here. Strategies for future, financial

forecasting and decision making, records, procurements, internal

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administration and all major parts are geared up from this place. Sales Office
The commercial department is positioned also in Dhaka. | 1. 1. Background |
| 1. 1. 1. Lafarge France |

Lafarge was founded in France in 1833. Throughout these 174 years it has been growing steadily to take lead in the production of different kinds of construction materials and has established itself as the world leader in construction material business. The expertise of Lafarge in efficient industrial production, conservation of natural resources and respect for both the society and environment is being implemented all around the world. It firmly believes that industrialization must create value, protect the environment and respect people and their cultures.

With a workforce of 71, 000 people, the Lafarge Group is present in 70 countries. Its sales for 2006 amounted to €17 billion. Its growth is founded on sustainable development policy. Group know-how encompasses industrial efficiency, value creation, protection of the environment, respect for people and cultures, and preservation of natural resources and energy. To improve building materials, Lafarge places the customer at the heart of its preoccupations. It offers the construction industry and the general public innovative solutions bringing greater safety, comfort and quality to their everyday surroundings.

Lafarge offers all construction industry sectors - from architect to tradesman, from distributor to end-user - a comprehensive range of products and solutions for each stage of the building process. Lafarge holds top-ranking positions in each of its four businesses: Cement, Concrete, Aggregates and

Gypsum. The Lafarge Group is listed on New York stock exchange. In 1833, Leon Pavin, launched an industrial lime production operation in south-eastern France, an area known for generations for the quality of its limestone deposits.

The company signed its first major international contract in 1864, delivering 110, 000 tonnes of lime for the construction of the Suez Canal. International development began with the opening up of North African markets. Lafarge, which had operated in Algeria ever since, now became the leading Portland cement producer in Algeria, and set up operations in Morocco and Tunisia. Lafarge continued to acquire companies in mainland France. With a quarter of the domestic market, the company became established as France's number one cement producer.

Lafarge focused on its main four Divisions, and divested its Specialty Products businesses. Lafarge was the first industrial group to conclude a partnership agreement with WWF (World Wildlife Fund for Nature). In 2001, following the acquisition of Blue Circle, Lafarge became the world's leading cement producer. Numerous acquisitions and joint ventures in all four Divisions, and on every continent, particularly Asia, have continued to consolidate its world leadership position. In July, 2001, Lafarge was introduced onto the New York Stock Exchange (NYSE).

1. 1. . Cementos Molins | Cementos Molins was founded in Spain in 1928. With over 75 years of experience in manufacturing cement, Cementos Molins has now become a renowned Concrete, Aggregates, Mortar and Pre-cast product producer in Spain. It has now 40 Ready Mix plants, 13 Aggregates quarry and 11 Pre-cast product manufacturing units in Spain. Besides Spain, it has industrial

operations in Mexico, Argentina and Hungary. 75 years ago, on 9 February, 1928, Mr.

Juan Molins Parera founded Cementos Molins, S. A. Now, after decades of constant evolution, we would like to look back over our history and pay tribute to its main figures. Cementos Molins was founded to afford continuity to quarries and limestone and natural cement facilities in different locations. Mr. Joaquin Molins Figueras, CEO since the Company was founded, and Chairman of the Board of Directors between 1934 and 1976, fostered the manufacture of cement and calcium aluminates, in accordance with a patent acquired from Lafarge.

In 1943 a rotary kiln for the manufacture of Portland cement with a daily output of 50 tons was installed. The decade of the 50s led to an increase in demand. To satisfy this demand, production volume was increased with the installation of two new furnaces. In 1952 a second Portland cement rotary kiln with a capacity of 150 Tm/day was brought into operation. Three new calcium aluminate cement furnaces were installed to complement the existing two. Moreover, the sixth furnace was installed. Between 1965 and 1974 the Company took a major quantitative leap.

In this period three Portland cement furnaces were added; two with a production capacity of 900 Tm/day and the third with a yield of 3, 000 Tm/day, thus increasing production capacity from 200 to 4, 800 Tm/day. The 70s were difficult for the Spanish cement sector, which was hit by a major crisis, and solutions had to be sought to palliate the effects of a complicated

economic situation. Thus, Cementos Molins along with other companies that sought to sell production surpluses in other markets.

During the 80s, Cementos Molins embarked upon a geographic expansion and product diversification which made the Company the leader of a large group of national and international companies. Since 1988, and together with Buzzi Unicem, SPA, Cementos Molins owns 66% of Corporacion Moctezuma, S. A. de C. V. It is a Mexican holding, a group consisting of several companies that focus their activity in the production and sale of cement, concrete and mortar. It has two cement plants, in Tepetzingo and Cerritos.

Hormigones Moctezuma is the subsidiary responsible for producing and commercializing concrete. At present it has about 40 plants. Together with Lafarge, and with the minority interest of multilateral entities (IFC, ADB, and local shareholders) it has developed the project in Bangladesh. As has already been mentioned, Cementos Molins has not only diversified geographically. The range of products it offers has also been widened. Apart from cement, Cementos Molins has also been engaged in concrete, aggregates, concrete prefabricated products, special mortars and tile cement. 1. 1. 3. Lafarge Surma Cement Limited | World leader in building materials, Lafarge of France and renowned Spanish cement producer Cementos Molins have set up a state-of-the-art fully integrated dry process cement plant at Chhatak, Sunamganj in North East Bangladesh and the quarry across the border in Meghalaya. As told earlier, the raw materials- limestone and shale are brought from the quarry to the cement plant by a 17 kilometer over land long conveyor belt.

The financiers to the project include Asian Development Bank (ADB), International Finance Corporation (IFC), German Development Bank (DEG), European Investment Bank (EIB), the Netherlands Development Company (FMO) and local Standard Chartered Bank and Arab-Bangladesh Bank. The fully integrated, dry process cement plant was situated in Chhatak, Sunamganj. There are two production lines for cement. The plant has a capacity to produce 1.5 metric ton cement per year. Another production line is there for producing clinker, which has a capacity of 3,600 t a day.

Project Implementation Process of Lafarge Surma Cement limited: ? Bangladesh Part

BANGLADESH | Date | | Incorporation of Lafarge Surma Cement Limited | November 1997 | | BOI Registration | January 1998 | | Land Acquisition - Main Plant Site | January 1998 | | Land Acquisition- Long Belt Conveyor (10 km) | July 2001 | | Land Acquisition - Colony, Link road etc. | June 2002 | | Land filling - main plant site | July 1999 - March 2001 | | Environmental Site Clearance - Main Plant | December 1997 - May 2002 | | Environmental Site Clearance - Power plant, clay mining | December 2001 | | Environmental Site Clearance - Long Belt conveyor | July 2002 | | Jetty Construction Permit April 2001 | | Approval of reduced import duty for cement plant, machinery, spares etc. | May 2001 | | BOI approval for foreign loans | June 2001 | | Mining Lease for 30 hectares clay deposit | June 2002 | ? Bangladesh-India Part | BANGLADESH-INDIA | Date | | Exchange of Comfort Letters between the Governments | November 2000 | ? India Part INDIA | Date | | Approval of Foreign Collaboration in the Mining Project | August 1998 | | Incorporation of Lafarge Umiam Mining Private Limited (LUMPL) | March 1999 | | Land Lease - 100 hectares limestone | September 1998 - May 2002 | | Land purchase/Leases - 30 hectares long conveyor belt (7km) | October 2001 -

March 2002 | | Land Lease - 8 hectares crusher service etc. | October 2001-
June 2002 | | Land purchases | lease agreements - 13 hectares shale |
October 2002 | | Mining Lease for 100 hectares of limestone to LMMPL |
August 2001 - January 2002 | | Transfer of 100 hectares limestone mining
lease to LUMPL | February 2002 | Approval for mortgages of mining lease to
project Lenders | July 2002 | | Mining Leases for 4. 9 hectares shale to LMMPL
| August 2002 | | Environmental clearance to mining project | August 2001 | |
Transfer of environmental clearance to LUMPL | October 2002 | | EOU
approval for mining plan for 100 hectares limestone to LUMPL | October 2002
| | Transfer of the Mining lease for 4. 9 hectares of shale to LUMPL | January
2003 | PROJECT CONTRACTS | Date | | Loan Agreement with multilateral
lenders | September 2001 | | Long Belt Conveyor Contract Signing |
September 2002 | | Mine development Contract Signing | September 2002 | |
Gas supply contract | January 2003 | | Plant Turnkey contract signing | March
2003 | | Power Plant Contract Signing | July 2003 | | Issuance of Notice to
Proceed (work order) | July 2003 | | Commissioning of the Clinker production |
June 2005 | | Commissioning of the Cement production | October 2005 | | 1.
2. Founder | Six founding shareholders were in Lafarge Surma Cement
Limited in 1997 when it was founded as a private limited company. World's
biggest manufacturer of building material took the main initiative to set up a
fully integrated dry process cement plant. With Lafarge another cement
manufacturer of Spain Cementos Molins assembled a Netherlands based
holding company named as Surma Holdings BV. Lafarge Surma Cement Ltd.
as incorporated on 11 November 1997 as a private limited company in
Bangladesh under the Companies Act 1994 having its registered office in
Dhaka. Lafarge and Cementos Molins currently own about 59 percent of
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Lafarge Surma Cement Limited. They first reduced their holdings when Lafarge Surma Cement Limited became a publicly traded company. The company's other sponsors are International Finance Corporation, Asian Development Bank, Sinha Fashions Limited. , Islam Cement Limited. This was the first ever joint venture with a private company for a commercial project for Asian Development Bank. In the year 2003 Lafarge Surma Cement became a public company by being listed in Dhaka Stock Exchange and Chittagong Stock Exchange. The number/percentage of shares of the company is provided below:

Name of the shareholders	Nationality or incorporated in	Number of shares	Holding %
Surma Holdings BV	The Netherlands	34, 184, 935	59%
International Finance Corporation	U S A	5, 797, 000	10%
Asian Development Bank	Philippines	5, 797, 000	10%
Sinha Fashions Ltd.	Bangladesh	1, 755, 000	3%
Islam Cement Limited	Bangladesh	1, 595, 710	3%
Other shareholders-	Bangladeshi ; NRB	8, 939, 030	15%
Total		58, 068, 675	100%

Lafarge did land acquisition of total 17 kilometer both in Bangladesh side and in Indian side to build up long belt conveyor. A group of specialist of cement industry hired both locally and globally to initiate the work of the manufacturing unit. The technology, known as Fully Integrated Dry Process cement plant, creates an exception of the cement industry in Bangladesh. The plant situated in Sunamganj district capable to produce 1. 2 million metric ton cement a year.

The project cost about 255 million US dollar is the unique project in the private sector. The main plan was that lime stone and shale, the basic raw materials, will be extracted from its own quarries in Meghalaya, India and

crushed into small sizes at quarry site. These will be transported to the cement plant at Chhatak, Bangladesh through a 17 Lm long cross-border belt conveyor that will link the quarries with the cement plant. The financiers to the project include Asian Development Bank (ADB), International Finance Corporation (IFC), German Development Bank (DEG), European Investment Bank (EIB), the Netherlands Development Company (FMO) and local Standard Chartered Bank and Arab-Bangladesh Bank.

These financial organizations supported with financial backup provided as debt for initial setup. The plant is located at Chhatak, Sunamganj, Sylhet which is in the far north-east corner of Bangladesh. This location is 10 km away from the border with the Indian State of Meghalaya. The plant has a capacity of clinker production line of 3, 600 ton per day. The limestone comes from its quarry located in the State of Meghalaya, India. Lafarge was founded in France in 1833. Throughout these 174 years it has been growing steadily to take lead in the production of different kinds of construction materials and has established itself as the world leader in construction material business.

Cementos Molins was founded in Spain in 1928. With over 75 years of experience in manufacturing cement, Cementos Molins has now become a renowned Concrete, Aggregates, Mortar and Pre-cast product producer in Spain. Both of these European giants of building materials built a Netherlands based financial holding company named Surma Holding BV. And this Surma Holding BV is the foremost initiator and financier of Lafarge Surma Cement Limited, at present holding the 59% of share of LSC. IFC, The International Finance Corporation, promotes sustainable private sector

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investment in developing countries as a way to reduce poverty and improve people's lives.

IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries. As a token continuation of support to develop private sector in developing country IFC invested ten percent of equity of Lafarge Surma Cement Limited. It also provides support LSC with Long term loan. The other major equity partner also a founder, The Asian Development Bank (ADB), is a regional development bank established in 1966 to promote economic and social development in Asian and Pacific countries through loans and technical assistance.

It is a multilateral development financial institution owned by 67 members. Although by definition the bank is a lender to governments and government entities, it has also participated as a liquidity enhancer and best practice enabler in the private sectors of regional member countries. The primary human capital asset of the bank is its staff of professionals, encompassing academic and/or practical experts in the areas of agriculture, civil engineering, economics, public policy and finance. Lafarge Surma Cement Limited is the first private profit oriented joint venture of ADB. Alike IFC, Asian Development Bank also owns ten percent of Lafarge's total equity. Sinha Fashions Ltd. and Islam Cement Limited are only two Bangladeshi institutional sponsor of Lafarge Surma cement limited. Each of these two holds 3 percent of total shares. Although Islam cement was in the cement industry of the country from long time but Sinha fashion was not in the

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cement manufacturing industry. However Sinha Fashion is a renowned group of company in garments sector of Bangladesh. In order to carry out the mining operation LSC built Lafarge Umiam Mining Pvt Ltd. (LUMPL) an India based mining company which, 100 percent owned by Lafarge Surma Cement Limited. Financing Investment of 274m USD including financial charges, captive power plant and initial working capital made to build this company. |

2. Mission & Vision | To be the undisputed leader in Building Materials in Bangladesh | 2. 2 Objective | 1. To start full scale operation in a year.

Although Lafarge came to Bangladesh in 1997 but it is yet to start its full scale operation. It was ready to go with complete production in 2006. In fact it started its clinker and cement production in that year. However, because of the interruption in limestone supply from Meghalaya State of India, it had to stop its limestone production.

As it is fully integrated dry process cement manufacturing plant, the disruption of limestone supply made the whole operation more or less inactive. In the current situation the company imports clinker from other countries where as it used to made clinker itself from limestone. There are expectations from the dealers, customers, vendors and shareholders that Lafarge Surma Cement Limited starts its clinker production shortly. Therefore, the main apprehension of the company is to start full scale operation in a year. 2. To attain 20% of market share in three years Lafarge is the largest producer of building materials in all over the world yet to find a good market share in Bangladesh.

Other cement producers like Shah, Holcim and Heidelberg enjoys major market shares of the cement industry. Market share of cement in

Bangladesh depends on several attributes of the company such as brand image, dealers' network, production capacity etc. Brand image, Dealer's network and production capacity; these are the direct factors can be visualize. However, there are several macro economic and indirect factors like international trade which can significantly affect the direct factors and subsequently the market share. Consumers' perception about a product or company is one of the most important factors for selling the product that in effect provides market share.

The production capacity allows the company to provide more than twenty percent of the total country's cement demand. The concern is to capture at least 20% of the cement market of Bangladesh in next three years. 3. To accomplish positive profit in two years It is more than ten years since it came to Bangladesh. In the year 2001 the annual net loss was BDT 133 million. The negative amount continued in following 4 years also. In the year 2006 the company started its production of clinker and cement and suffered a net loss of BDT - 808 Million, almost seven times higher than 2001 (detail discussion in the financial analysis section). Company's main goal is to maximize the worth of its owners and its evaluation relies on the expected profit of the company.

As a result, it has become very important to gain profit through its business as early as possible. Failure of attaining profit in any circumstances after ten years of establishment is not acceptable to its shareholders. Since lots of expectation is there from the stockholders the company is targeting to accomplish positive profit figures within next two years. 4. To carry out safer industrial practice Unlike other manufacturing units in Bangladesh, Lafarge <https://assignbuster.com/lafarge-surma-cement-essay/>

Surma Cement Limited, has a strong principle in safe industrial practice especially for the workers in manufacturing units. Increasingly, the importance of a safety review is being recognized as an important risk management tool.

Failure to identify risks to safety, and the according inability to address or control these risks, can result in massive costs, both human and economic. The multidisciplinary nature of safety engineering means that a very broad array of professionals is actively involved in accident prevention or safety engineering. The company's target is to bring the number of mishaps at zero. The main theme is an employee should not have to risk injury at work, nor should others associated with the work environment. 5. To make regular expansion of production unit To attain the Major Goal, it is necessary to ensure adequate production capacity of manufacturing unit and accurate supply of the raw material.

Expected future demand conditions make it necessary to start an expansion of production by expanding first the size of the plants producing more cement. The company believes in continuous development. Therefore the company is thinking about building another line of production unit. However, if kept unchecked, that might lead to earlier expansion of production capacity than is necessary. | 2. 3 Strategies | Disruption of limestone supply occurred because of some environmental and legal issues. To start full scale operation in a year LSC should settle things with the Indian government as soon as possible.

It is better not to go for judicial proceeding, because it might be time consuming. As the conveyor belt was one of the major issues of environmental problem, so land ports can be used rather than conveyor belt. The mining problem can be resolved through new accusation of another mining company which is not involved in this kind of problem. Different countries can be rethought for bringing limestone, both from India or Others. Building the second line of the company in another location could be helpful to carry on a feasible operation by using clinker. Bangladesh is a growing economy. Lots of infrastructure development is occurring every where. • Settle things with Indian government not to go for judicial procedure. Bringing limestone from other countries or make the location feasible to produce cement directly from clinker. • Buildup rapport with big construction firms and real-estate developer. • More promotional work to get more market share. So there is a huge need for building materials. If we think about the local market condition, in Bangladesh per capita cement consumption is higher than many developing countries in the world. That means one person has consumed a good portion of cement in Bangladesh. So many people are in Bangladesh is involved in the developing economy. Many cement manufacturers are there in Bangladesh's cement manufacturing industry.

But Lafarge has the only fully integrated plant. Like composite. Lafarge has a huge capacity to fulfill the 22% need of the overall demand. Growing better dealer's network could be another way in grabbing more market share. As the big construction firms purchases a huge quantity of cement, a better understanding with big construction firms could be helpful for Lafarge. Same

goes with the real state developers. More product information oriented promotion is needed to introduce the deference of the Lafarge's product with others. | 3. 1 Organizational Structure |

The organizational structure of LSC is more or less flat. The organizational structure of LSC can be best described as Divisional structure. Unlike bureaucratic structures, divisional structure is formed when an organization is split up into a number of self-managed units, each of which operates as a profit center. Such a division may occur on the basis of product or market or a combination of the two with each unit tending to operate along functional or product lines, but with certain key function (e. g. , finance, personnel, corporate planning) provided centrally, usually at a company headquarters. In the same way, the organizational structure of LSC is divided into many business units.

These business units can be illustrated in a ways that a component that add value for the organization. That business unit can be treasure, that business unit can be sales or that can also be internal audit. For instance, treasure manages the fund of the company in way that maximizes the financial benefits in the mean time that reduces the risk. Similarly, sales unit also work to sale the product to the cement dealers and other customers, which successively generate revenue. Same is true for the internal audit business unit. It creates control over excess cost and other things, which adds value to the organization. In this way each department is divided into different business units.

Each of these units works as a profit center, meaning that each of these units contributes in maximizing the profitability of the business.

Organizational structure of LSC can be compared to a matrix structure.

Matrix structure overlays two organizational forms in order to leverage the benefits of both. Lafarge Surma Cement Ltd. and the Lafarge Umiam Private Limited are the two different entities under this matrix structure. The matrix structure of LSC combines geographical with product divisions. The product-based structure allows the company to exploit global economies of scale, whereas the geographic structure keeps knowledge close to the needs of individual countries.

Each has group specific responsibilities, but some issues are decided jointly across all of these groups. Although the organizational structure of the LSC is maintained in a way that every department has its own responsibility and work but the whole organization is linked with customized software named JDE to create more interaction among the users. Organ gram See the appendix | 3. 2 Different departments and their function | | 3. 2. 1 Procurement | The procurement department is responsible for all kind of procurement starting from stationeries to limestone. They do all the local purchase as well as imports.

However, all these purchase has a systematic order to execute. Overall, the purchase department is responsible to i) receive the requisition, ii) purchase processing, iii) send the document to accounts for payment. Procurement procedure for LSC The need should come from the respective user department. The user department should issue a purchase requisition to the purchase department. Any department needs something; it will give

requisition of that material. The head of the department will have to approve that. If it is in plant then the plant manager will have to approve it and if it is in head office head of the department will have to approve it.

Purchase department will verify the purchase requisition if that is signature by the correct authorized person, the item, if the supplier is specified or not etc. If not then purchase department will send the PR back to the user department for correction. If it is a valid Purchase requisition or correction has made, the purchase department will contact with the suppliers of the particular product or service. If the supplier is specified by the user department then the purchase department will directly go for negotiation. If not, then the purchase department is responsible to contact with various suppliers and request for quotation. The bid should be made in a closed envelop and all the bid quotations of the suppliers will be opened in front of the purchase committee headed by the Head of Procurement.

This procedure of course depends on the value of the product to be purchased. In case of low valued product or service the purchase committee is not called upon for all these works. The responsible officer of the purchase department does the work by himself. Then when all the quotations are gathered, these quotations are incorporated in a comparative statement based on the financial value, ordering from lower value to the higher value. Upon setting the comparative statement the purchase department will negotiate the price with suppliers and choose the best offer. At this point a purchase approval form is filled up. Purchase approval is subject to the value of the total ordered value.

When the PO (Purchase Order) is approved, it is usually generated from a automated computer system, where all the data base is maintained. When PO is generated in the system, the printed version should be signed manually by the appropriate authority. Then the PO is given to the supplier and supplier supplies the goods. If the goods are imported through LC (Letter of Credit), the purchase will communicate with the supplier to setup delivery terms and condition and receive the PI (Proforma Invoice). After receiving the PI, the purchase department should take the approval of LC from Finance Director and Head of Procurement and give it with the PI to the treasury for further procedure.

3. 2. 2 Commercial | Mainly the commercial department deals with the sales process and the promotional process. The responsibilities of selling goods are summarized below -

1. Creating the customer ID
2. Issuing the sales proposal with terms and condition
3. Granting the price approval form
4. Processing the current check with the finance department
5. Dealing with the credit sales e. g. PDC or LC

3. 2. 3 Finance |

Finance department deals with all financial matters of the company. The works are as follows:

1. Trade financing
2. Insurance of plant, materials in head office and vehicles.
3. Work under credit policy and procedure
4. Budgeting for the different departments and the company.
5. Receivable collection and payment processing

Under trade financing the works of LC for import is the vital one. As it was one of my major responsibilities in doing my internship, I am going to describe the full process of this:

LC opening procedure for import: When the company receives the Performa Invoice (PI),

the procurement department issues an Approval of LC and sends it to AP.

Then AP does the following things - Stage: 1

Sends the PI to Insurance Company and requests the Insurance Company to issues a cover note to Advising bank. The insurance company sends a copy of cover note to 1) LSC 2) PSI Company and 3) The conforming bank (Bank of Lafarge). Sent to In the same time, AP fills up the relevant forms to request the bank to open the LC. These are as followings: | SL No | Forms | | 1. | Bank application form | | 2. | Bangladesh Bank's LC authorization form | | 3. | IMP LC form | | 4. | PSI form (In certain cases) |

With these forms LSC sends the request letter to bank for opening a LC.

Here, the bank takes the following charges: | SL No | Charges | | 1. |

Commission | | 2. | VAT | | 3. | Swift Charge | | 4. | Others | | 4. 1 |- Processing Fees | | 4. 2 |- Stamp | | 4. 3 |- LC Form Cost | Then the bank opens the LC and sends a copy to LSC. Now the responsibility goes to the seller to ship the goods. Stage: 2

When the goods are sailed the seller sends the Non Negotiable Documents to LSC. These documents usually include the followings: | SL No | Nonnegotiable Documents | | 1. | Certificate of origin | | 2. | Packing list | | 3. | Airway bill/ Shipping documents | | 4. | Inspection certificate [Clean report of findings] | | 5. | Commercial Invoice | At the moment, LSC sends these nonnegotiable documents to its bank so that the Bank can endorse it and issue the following certificates) Shipping Guarantee Certificate and ii) No objection certificate. When the bank endorses the documents, the bank takes the initial margin from the account of LSC. The significance of the endorsement

of non negotiable documents is that by the time original documents come through banking channel; with these endorsed documents the company can release the goods from the port. Now, these endorsed documents are sent to CNF agent for discharging the goods from the port. Stage: 3 In the mean time the original documents reaches to issuing bank from advising bank After that the bank sends the original documents to LSC in exchange of the dollar amount taken from LSC account.

Unit wise duties and responsibilities for payment: Reception

- Receiving the Invoice
- Note down in the register book
- Identifying the relevant user department
- Send the invoice to the user department.

User Department

- Approve the invoiced amount manually and send it to AP accountant if there is no PO against that Purchase.
- Approve the invoiced amount both manually and in the system if there is a PO.
- Issuing the GRN if there is a PO against that Purchase.
- Send the signed approval form to the Purchase department if there is a PO.

Purchase

- Receiving the documents sent by the User Department.
- Matching the Challan against the Purchase Order. Attach the PO and purchase approval with the invoice.
- Authorize the invoice previously signed by the budget holder.

Account Manager

- Check the overall accounting report.
- Approve for General Account posting.

General Accountant

- Post the entries into general account module accordingly. | 3.

2. 4 Human Resource Division | Human resource department is one of the major concerned departments which help the organization run in a guideline as well as boosts up the employees to work. The function of LSC is as follows

- 1. Work under HR policy
- 2. Coordinate with employees
- 3.

Recruiting, promotion, increment, posting and other works. 4. Ensuring the safety issue of the working environment. | 3. 2. 5 Administration | Administration department is attached under the Managing Director. That is concerned with over all administrative process of the administration. The functions are mentioned below - 1. Managing the overall administration. 2. Taking care of the organization's resources. 3. Managing the support stuffs. 4. Ensuring the safety issue of the working environment. 5. Keeping rapport with external parties | 3. 2. Manufacturing | Manufacturing department is located in the plant office at Chattak, Sunamganj. Every single work related with the plant office or manufacturing goes under this department. The major functions are as follows - 1. Maintenance of the plant. 2. Making of production schedule. 3. RnD and other works related with the production. 4. Coordinate with every business unit related with production 5. Reporting to MD | 3. 2. 7 Legal Department |

Legal department is concerned about all the legal issues sustaining in the present time and all the issues that can be coming up in future. The responsibilities are as follows - 1. Verifying all the third party agreements. 2. Solve the existing legal issues 3. Preventing the company from going towards any risky deal. | 3. 2. 8 IT Department | As LSC has a very strong IT infrastructure, it department is very important one to keep its responsibility going. The major work is to do all the IT related works those are concerned with 1. Networking 2. Software 3. Hardware 4. Training those are related with IT. | 4.

Competitive Profile Matrix: | | | Lafarge | Holcim | Shah | | Critical Success Factors | Weight | Rating | Score | Rating | Score | Rating | Score | |

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Customers and Dealer Network | 0. 25 | 3 | 0. 75 | 4 | 1 | 5 | 1. 25 | | Brand name | 0. 1 | 5 | 0. 5 | 5 | 0. 5 | 4 | 0. 4 | | Technological Advantages | 0. 15 | 5 | 0. 75 | 4 | 0. | 4 | 0. 6 | | Skilled Workforce | 0. 2 | 4 | 0. 8 | 3 | 0. 6 | 3 | 0. 6 | | Total | 1 | | 3. 4 | | 3. 9 | | 4. 05 | In this competitive profile matrix, three major players have been compared. Five different critical success factors are taken into consideration and those are acquiring raw material, customers and dealer network, brand name, technological advantages and skilled workforce. The weights have been allocated according to the importance of the success factor.

Here, the most important factor is accruing the raw material. As discussed in this report in several parts that LSC is uses lime stone as its raw material and all the other cement manufacturers uses clinker. LSC itself makes clinker from the limestone and then processes the clinker into cement. Therefore there is a major difference in between these companies. However, the effect is similar if the acquiring of the raw material is hampered because of some reason. In the result we found that Shah Cement is in the top position among all three. Holcim containing second and Lafarge stood third. The main reason behind Lafarge's lacking behind is the failure in accruing raw material. 5. 0

Industry Analysis | Bangladesh is a developing country with a population of about 140 million. Today many industries have been established, such as rice, cotton, sugar, tea, tobacco, fertilizer, garment, jute, cement, hides, skins and leather. Cement sector is the largest increase sector in Bangladesh. There are 70+ cement factories in Bangladesh and daily production capacity is 16. 687 Million MT. It is growing daily. The first cement

factory in the country was established during British regime named as ' Chattak Cement Factory'.

This nationalized factory was established in the early 1940. Historically the demand of cement outnumbers the actually production available in the country. Still, this was the only factory in that time because of the unavailability of raw material. The factory had an installed capacity of 270, 000 tones per annum (TPA) when it was first installed. Aynepur Cement Factory was the first private cement factory, established in 1992. However, it could not manage to run properly because of the internal problems. Till the first half of 90's, Bangladesh cement market was typically an import market. Until 1992 there were only two cement plants in the country. Except Lafarge Surma Cement Ltd. all other cement production facilities that are in operation today are clinker 4grinding units. These factories were establishments where imported clinkers are ground to produce cement. By 2002, there were as many as 56 cement grinding factories in the country with a total production capacity of 11. 8 million tons. Today, cement is one of the most potential sectors to invest in and grow. Today there are more than 70 cement factories in Bangladesh. Many largest foreign investments in Bangladesh were in this sector. For instant, Lafarge (French Multinational), Holcim, Heidelberg, Cemex invested billions in this sector by setting up their own plants in different parts in Bangladesh.

Hyundai was the first multinational company to start up a local factory primarily to fulfill the demand of Jamuna Bridge. In the later half of 90's, a number of companies sprang up, allured by the prospect of a large demand-supply gap. This included world leaders like Lafarge, Holcim, Heidelberg

(Scancem) or Cemex - each now having their own plants. However, today there are more companies than what the country needed. Cement is one of the more prosperous industries in Bangladesh in terms of its financial return. However, there are challenges and need of forecasting for keep this growth. The scarcity of raw materials, competitors and lack of modern technology might put the industry into tough time. | 5. Diamond | Factor Endowment:

- Land Most of the cement manufacturing plants are located at the river bank in all over the country. This is because the supply of raw materials and the distribution is vitally done through the waterway. This kind of land is certainly not unavailable but location strategy is important for the facilitation of the plant. Every processing plant needs a significant amount of land. Most of the cases these lands are acquired from the local inhabitants or the government. Usually these lands are not that expensive.
- Workforce availability Bangladesh has a cheap labor facility for all kind of labor incentive industry.

However, with modern technology most of the cement manufacturing plants are equipped in a way that in production process very little touch of men's hand is required. In that regard, to operate those highly sensitive and complicated machineries, engineers are out sourced from abroad. So, it can be said there is a lack of workforce availability. In order to loading and unloading purpose the labors are required and that is cheap and feasible in our country.

- Capital required and Availability Cement manufacturing and processing has different stages. Most of the factories in our country imports clinker from abroad and makes finished cement for local consumption.

Only Lafarge Surma Cement Limited produces clinker in Bangladesh from limestone. In order to setup a fully integrated cement processing plant it requires a huge amount of capital. Most of the capital required to import machineries. However, as this is a kind of business that will surely generate money as there is a huge demand from both public and private sector that is why financial institutions, both foreign and local, like commercial banks, investment organizations, international financing is quite available for potential projects. As the economy of this country is growing, it is expected that demand will continue to increase in future also. Infrastructures. As explained earlier, waterway is the imperative for the transport of the raw material and the distribution of the cement bags. In Bangladesh, rivers are there to serve the purpose. However the river way is not always up to the task. During rainy season silt comes with the water flow in the river and makes the rivers shallow. Therefore, dragging is required to make the path ready for transport. Moreover, jetty and other facilities needed to be built to utilize the infrastructure. Demand Conditions • Local demand - For Clinker In Bangladesh except Lafarge Surma Cement Limited, all cement processing factories import clinker to make cement.

Only Lafarge Surma Cement Limited imports lime stone to make clinker. Therefore each company requires clinker as the vital raw material of cement. 90% of the inside material of cement is clinker. So there is a great demand from the local companies to procure clinker from Lafarge Surma Cement Limited. - For Cement As a growing economy Bangladesh has a great demand for cement. More and more construction work is going on both in public and private sector. Every year, the demand exceeds the actual

production. It can be concluded if the ongoing development of the overall economy continues the demand for cement will boost further. The following table shows the summary of demand condition and the production - Year | Production Capacity | Demand | | |(in 000 tons) |(in 000 tons) | | 1997 | 1013 | 3335 | | 1998 | 1240 | 3590 | | 1999 | 2085 | 4450 | | 2000 | 3580 | 5316 | | 2001 | 5005 | 5526 | | 2002 | 7281 | 5913 | | 2003 | 7384 | 6327 | | 2004 | 8420 | 6770 | | 2005 | 9058 | 7243 | World Cement, Vol 33, p 53-59. [pic] •

Global Demand The ASEAN member countries seem to be caught in a stalemate in terms of penetrating each other's markets, Malaysian manufacturers are seeking new markets outside the region in a bid to deal with the excess supply. Malaysian manufacturers currently export cement to a wide array of countries such as Hong Kong, Australia, the Maldives.

So, there is a chance for Bangladesh also to export in these countries. More than that Bangladesh has a location advantage to supply in east India.

Global demand of cement in these developing countries will increase rapidly. Moreover, the demand by the developed countries will never fall because of their purchasing power.

Related & Supported Industries: Related and supportive industries are as follows: • Supplier of raw material and spare parts • Oil and Gas • Chemical suppliers • Electricity • Financial Institutions

Firm's Strategy, Structure and Rivalry: The first cement manufacturing industry in was established 70 years ago. The following statistics reflect current levels of activity: | Year | No. f Plants | Production | | | Capacity (in 000 tons) | | 1997 | 10 | 1895 | | 1998 | 13 | 2210 | | 1999 | 15 | 2845 | | 2000 | 20 | 4625 | | 2001 | 50 | 9657 | | 2002 | 61 | 13557 | | 2003 | 65 | 13887 | | 2004 | 68 | 15837 | | 2005 | 69 | 17037 | The rivalry is not massive. Only few

big companies control the market. Six or Seven companies have the maximum share (70%) of the market. [pic] The Role of Chance ; the Role of Government There was not enough development of the cement manufacturing industry compared to other countries until 1990 because of government price control on cement and unfavorable import duty on clinker to promote the development of the industry in the country. After the year 1990, Bangladesh government changed its rules as it withdrew the price control, and had a favorable tax control for the imported clinker.

In that year the number of installed grinding mills more than doubled from 20 in 2000 to 50 in 2001, which in turn almost doubled the production capacity, and paved way for surplus. This allowed Bangladesh to become self sufficient in cement production. Many multinational companies and entrepreneurs also started setting up their plants in the country because of the favorable duty structure imposed by the government for local production. In a least develop countries like Bangladesh government play an important role. The subsequent roles are played by the government in the development of the cement industries - Industry Ministry - Evaluation the need of Industry - Financial help from External resource division Registration of the companies - Rules and regulation development - Support through inter ministry meeting - Proposing tax holiday and rebate to the finance ministry. Ministry of Finance - Incentives for entrepreneurship development - Infrastructure development - Loan Assistance - Establishment of Economic Zone. Other Government Agencies work for supplying gas, facilitate transportation. More than facilitation the government has a vital role to play that is regulating the businesses. | 5. 2 Porter's Five Forces | Barging power

of Customers At present there are about 70 cement processing plants in Bangladesh, So, there are so many brands from which customers can choose.

However, in case of quality all the brands are not same. Even same brand has different qualities. Therefore, the customers have options to choose from these brands. However, as the actual production is always lower than the demand so the manufacturers can always charge a high price. Moreover, cement is such a material that has hardly any substitute. Consequently, customers can not decide the price that much but has freedom of choice. A moderate bargaining power is there for the customers. Threat of substitutes There is hardly any threat of substitute existing for cement manufacturing industry. Cement is such a necessary item especially for all kind of construction it can hardly be replaced.

Therefore, threat of substitute is very low. However in this ever-growing era of science and technology many improvement and innovation is being put together. The cement as a material might need to improve its quality in a cost effective manner to sustain as a dominated part of construction material. Bargaining power of Suppliers In recent years, supply of limestone from the neighboring countries has decreased significantly, in fact stopped. With the discontinuation of the limestone supply the availability of clinker has reduced also. As a result, the only fully integrated cement factory of Bangladesh, Lafarge Surma Cement Limited, is facing scarcity of raw materials of cement sector.

All other cement manufacturing companies produce cement from the imported clinker, when Lafarge was able to produce clinker it was able to supply clinker to the other factories in Bangladesh. However, because of the unavailability of the limestone, for the time being clinker production of Lafarge is suspended in Bangladesh. In this current situation, Lafarge Surma Cement imports clinker from different countries. In the world market the price of clinker has increased significantly. Moreover, the cement itself is a low valued product. Therefore, the transportation cost to carry the clinker plays a significant role in deciding the country from which the clinker to be imported. Many times Lafarge Surma Cement Limited is bound to choose a country which is near to Bangladesh.

As the spare parts and machineries required by the cement manufacturing plant is highly expensive and there is only a few number of suppliers in the world of those parts and machineries, the bargaining power of the suppliers are very high. In a purchasing deal where the customers usually have the power to bargain for product, its quality and its price; here in this type of case usually the suppliers dominate the buyers. Mainly European companies of heavy industrial product manufacturers are the major machinery suppliers for Lafarge Surma Cement Limited. Because of the nature of the product, cement certainly depends on different types of chemicals and raw materials to manufacture the cement. India has the competitive advantage in producing the chemicals by itself. They produce all of the chemicals by their own in a cheaper cost.

In Bangladesh few extent of chemicals are produced locally. Sufficient chemicals including other raw materials in required time are very important

to continue production of the cement factories. Risk of potential competitors
Until now there is not visible threat of potential competitor in the industry especially for Lafarge Surma Cement Limited. There are more than 70 cement processing factories in Bangladesh and daily production capacity is 16. 687 Million MT. among this only Lafarge has fully integrated dry process cement plant. If the supply of the limestone can come continuously then Lafarge will become the undisputed leader in coming future. There is a little chance that in short term new competitors will come and join in the business. Even, those who are already in the business many of them are staying inactive. Half of them are manufacturing cement and few are being able to compete in the market. However as the country has a growing economy, it is expected the demand for cement and other construction materials will mount in coming future and Bangladesh is a attractive place to invest because of the rate of return in this economy. Intensity of rivalry among the Cement manufacturing industry The rivalry is massive. Only few big companies control the market. Five or Six companies have the maximum share (50%) of the market.

Maximum 20 companies have the (30%), rest of the companies carry out business in moderate way and controls rest of the business. Big companies like Holcim, Heidelberg (Scancem), Shah, Cemex are the leader of the Bangladesh's cement market. Not only in Bangladesh they are also in a search of new market out side of Bangladesh. | 5. 3 Life cycle of cement manufacturing industry | The cement manufacturing industry is in defiantly growth stage. Though the supply of limestone is in scarcity but it is expected that in the upcoming future the supply will increase gradually.

As the construction process in developed countries has slowed down because of their already developed economy, many multinational cement manufacturers are building up their manufacturing unit in developing countries. As cement cannot be shipped through sail because of its low value and huge quantity. In this situation, least developed and developing countries like Bangladesh have an excellent opportunity to grab the share of foreign investment. Bangladesh has also opportunity to shift the main export in different countries which is feasible to transport because of location advantage. Because of the higher value addition in finished stage as mentioned earlier, many countries do not want to export limestone to other countries. Recent issue of limestone shipment embargo with Indian government and Lafarge is the best example of it.

Bangladesh can attain higher return by exporting cement in different countries. Moreover cement is being so demandable that the consumers from developing countries are requiring quality cement products in cheaper price and Bangladesh has the competitive advantage in case of quality cement and location. Mostly in underdeveloped areas of east India Bangladesh can take the advantage of location. Bangladesh has also the opportunity to be in the upper side. In 2007, when Lafarge came to Bangladesh, government facilitated a lot through its support for land acquisition to other things. The industry itself is in growth stage. The demand for cement is growing day by day.

This growth is subject to development work by the government and the economic factors both micro and macro level. The need of the new setup of cement industry came both from the government, producers and demand

condition. So can conclude that our cement industry is in definite growth stage and can move forward if the value addition can be made and we can produce more cement. Our country can earn huge foreign exchange from this if we can keep the trend going. Growth Stage | 5. 4 PEST | Political Analysis • Political stability is required for all industries to develop.

In last five years period was very unstable. That definitely hampers the export-import handling at sea port and other works of the industry. Previously, Bangladesh had very low risk of military intervention in government and that was a good point for the industry. However, because of the reform process the economy is scratched in a new dimension. The consequence of this is yet to be seen. The confidence among the individual level must grow further to ensure the growth of construction industry. If the construction process of the infrastructure cannot move smoothly, then the cement manufacturing industry cannot become effective. As Bangladesh is developing country its laws, rules and regulations are designed in a way the fits best for its economic interest. Although there are environmental issues but those are not that effective or strong. By nature of the industry it does not produces lots of toxic and hazardous wastes that can be seriously harmful for environment. That is why the legal framework does not put any huge impact on them. As a least developed country the Intellectual property right is not that strong as well. However, because of the low value of the goods, none face problem regarding this issue. Trade regulations ; tariffs are positive for the cement manufacturing industry.

There are no pricing regulations for any of the industry players. Taxation is also in favorable condition. Many exporters get rebate for exporting cement

materials. There are incentives from financial institution and subsidies from government to grow the industry. Wage legislation is almost absent and minimum wage rate is very low. More than that because of the capital intensive nature of the business the high labor cost does not also matters that much. Economic Analysis • If we think about the local market condition, in Bangladesh per capita cement consumption is higher than many developing countries in the world. That means one person has consumed a good portion of cement in Bangladesh.

So many people are in Bangladesh is involved in the developing economy. People have money in their hand. They are investing those in the fixed