



**UNIVERSITI PUTRA MALAYSIA**

**CASE STUDY ON:  
ABC CEMENT CO.LTD  
PROSPECT OF MYANMAR  
AS THE EXPORT DESTINATION**

**CHEE CHEE MENG**

**GSM 1997 26**

***MBA/UPM/YPM***

***Final Project Paper (Final Year 1997 August)***

***Case Study On : ABC Cement Co.Ltd  
Prospect Of Myanmar  
As The Export Destination***

***By : Chee Chee Meng  
45101***



*A CASE STUDY IN*

*ABC CEMENT COMPANY LTD  
PROSPECT OF MYANMAR AS THE  
EXPORT DESTINATION*

*BY*

*CHEE CHEE MENG*

*METRIC NO. 45101*

*This case study is submitted to the Faculty of Economics and Management as the final project paper of the requirements for the Degree in MBA (Master of Business Administration)*



***PENGESAHAN KEASLIAN LAPORAN***

***Dengan ini saya Chee Chee Meng, No.Matrik: 45101 pelajar tahun akhir program Master of Business Administration (MBA) mengaku bahawa projek/kajian kes ini adalah hasil usaha asal saya sendiri.***

***Chee Chee Meng***

***Matrik No. 45101***

***08-08-1997***



*Dedicated To* :

*My dearest wife* : *Peggy Chee*

*(Tiew Chai Hong)*

*My dearestest* : *Chee Ka-Yee (daughter)*

*Chee Ka-Sheng (son)*

*Chee Ka-Shing (son)*

## *Acknowledgement*

*Many people have helped in the successful completion of this case study. Particularly, I would like to record my appreciations to Professor Dr. Mohd Ismail of International Marketing Lecturer and the government bodies from Myanmar Government for their guidances and valuable informations.*

*Also I would like to extend my appreciation to all the staffs of ABC Cement Company for their co-operations and contributions, and to all the lecturers for their guidances during the course of my studies, and many others who have in one or another contributed to the success of this case study. Thank you very much.*

*Chee Chee Meng*

*08-08-1997*



## ***Contents***

### ***Executive Summary***

### ***Part One***

#### ***How the story began.....***

#### ***ABC Cement Manufacture Company Ltd's(ABC Co'Ltd's) Background.***

- ***Production.***
- ***Terminals.***
- ***Sales/Marketing.***
- ***Process Control Automation.***

#### ***Malaysia Cement Market Overview***

- ***The latest issues on the Malaysia Cement Market.***
- ***Statistics and diagraph of the cement industry in Malaysia.***
- ***The cement statistics of Malaysia from: ACPAC***
- ***Statistics on total sales in Malaysia from: C&CA***
- ***Strategies for the development of the cement industry in Malaysia.***

## ***Part One***

### ***Appendix on ABC Cement Co.Ltd***

<b><i>Appendix 1</i></b>	<b><i>List of major plant equipments.</i></b>
<b><i>Appendix 2</i></b>	<b><i>Data Sheet on technical rating on various set-up.</i></b>
<b><i>Appendix 3</i></b>	<b><i>Logistic operation - Quah Plant.</i></b>
<b><i>Appendix 4</i></b>	<b><i>Terminal operation and distribution audit.</i></b>
<b><i>Appendix 5</i></b>	<b><i>Process control automation.</i></b>
<b><i>Appendix 6</i></b>	<b><i>Process control automation.</i></b>
<b><i>Appendix 7</i></b>	<b><i>West Port terminal's automation system layout.</i></b>
<b><i>Appendix 8</i></b>	<b><i>Location of Malaysia cement plants.</i></b>
<b><i>Appendix 9</i></b>	<b><i>Installed capacity of cement plants by company, 1996.</i></b>
<b><i>Appendix 10</i></b>	<b><i>Clinker production capacity by company, 1996.</i></b>
<b><i>Appendix 11</i></b>	<b><i>Clinker and cement production by company,1996.</i></b>
<b><i>Appendix 12</i></b>	<b><i>Bagged and bulk OPC sales, 1996.</i></b>
<b><i>Appendix 13</i></b>	<b><i>GDP,construction growth &amp; cement sales, '92 - 96.</i></b>
<b><i>Appendix 14</i></b>	<b><i>Malaysia cement industry '92 - '96</i></b>
<b><i>Appendix 15</i></b>	<b><i>'96 ASEAN cement industry in brief.</i></b>
<b><i>Appendix 16</i></b>	<b><i>Malaysian standard specifications for cement.</i></b>
<b><i>Table P.3.</i></b>	<b><i>Cement - Quaterly sales analysis '96 - '97</i></b>



## ***Part Two***

### ***Assessment of cement market in Myanmar***

<b><i>Contents</i></b>	<b><i>Page</i></b>
<b><i>Executive Summary</i></b>	<b><i>02</i></b>
<b><i>1. Introduction</i></b>	<b><i>04</i></b>
<b><i>2. Demand for cement</i></b>	<b><i>06</i></b>
<b><i>3. Marketing &amp; Distribution</i></b>	<b><i>11</i></b>
<b><i>4. Importation</i></b>	<b><i>15</i></b>
<b><i>5. Price structures</i></b>	<b><i>20</i></b>
<b><i>6. Marketing strategies</i></b>	<b><i>23</i></b>
<b><i>7. Strategic alliances</i></b>	<b><i>36</i></b>
<b><i>8. Potential buyers</i></b>	<b><i>38</i></b>
<b><i>9. Trial consignment</i></b>	<b><i>39</i></b>

### ***S.W.O.T analysis of ABC Co.Ltd***

#### ***Why Myanmar as the Targeted Market??***

- ***Comparative analysis on exports of cement to Myanmar & Vietnam.***

#### ***Suggestions and recommendations to ABC Co.Ltd.***

#### ***Conclusion***



## ***Executive Summary***

***This paper is one the case study of cement industry in Malaysia - present and future situation, as well as the cement industry in ASEAN.***

***There are a lot of informations required in order to come-up with a near accurate analysis for the readers on the industry's movement in this region. We would like to take this opportunity to thank C & CA (Malaysia Cement Association), ACPAC (Asia Cement Producers Committee), Myanmar Investment Corporation, Myanmar Port Authority, and variuos international consultant's assistant on the datas and information supplied.***

***After the detail analysis, we foresee the cement supply situation in year 1998 will be at the surplus situation; it might be due to more cement plants either a complete plant or grinding plant, cement terminal, cement silos are coming up with the aggressive investment from new comers from year 1997 to 2000.***

***Therefore, we would like to high-light to the readers that the cement manufacturers should look into the possibility of establishing their market overseas. And we have selected Myanmar as the targeted market due to several reasons :-***

- Political stability*** - ***Well control by the military government, socialis country.***
- Laws and orders*** - ***British Systems, which very similar with Malaysia's systems on their Business Law, Contract Law, Arbitration Law, Land Law, Labor Law, etc. (Although there are some places which have to be changed to suit their internal situation.)***

- Culture** - ***Soft-spoken community with strong Buddhism background.***
- Incentives** - ***Good incentives given to foreign investors on industrial and manufacturing sectors.***
- Strong cement demand** - ***The strong demand on cement - 2.0 million metric tonnes imports annually. Very attractive to the cement manufacturers.***
- Local cement manufacturing** - ***Local production of local cement manufacturing amounts to 500 to 600 thousand metric tonnes per annum production.***
- Price** - ***Good margin on cement selling price in Myanmar.***
- Demand of cement** - ***High demand of cement for government projects on infrastructure - ports, airports, high-way, building, housing, etc.***

***International marketing and distribution are also one of the important areas which we would like to high-light in this paper especially in Myanmar market. International Cross Cultural Management , etc, will not be missed out too.***

***At the end of the whole research, the readers can understand better of our Malaysia Cement Market, ASEAN Cement Market, subjects touched on International Marketing, Distribution, International Cross Cultural Management, Myanmar Cement Industry, it's demand and supply situation, and how we propose to ABC Company Ltd to enter into Myanmar Market.***

***If the readers are interested into investing into Myanmar market, this paper can also will give you some guidelines on how to enter the Myanmar market.***

*Last but not least, we would like to thank all the lecturers (Drs), especially to  
Dr.Mohd Ismail as our supervisor on this paper.*



## ***Part One***

***How the story began.....***

***ABC Cement Manufacture Company Ltd's(ABC Co'Ltd's) Background.***

- ***Production.***
- ***Terminals.***
- ***Sales/Marketing.***
- ***Process Control Automation.***

***Malaysia Cement Market Overview***

- ***The latest issues on the Malaysia Cement Market.***
- ***Statistics and diagraph of the cement industry in Malaysia.***
- ***The cement statistics of Malaysia from: ACPAC***
- ***Statistics on total sales in Malaysia from: C&CA***
- ***Strategies for the development of the cement industry in Malaysia.***

*How the story began.....*

As usual, the management meeting is held in every Monday morning starts from 9:00 a.m. at the Board Meeting Room. The attendance was taken by the secretary of the Managing Director - Ms Lee.

The main topics of the meeting on that day were to discuss on marketing, sales, production, logistics and some other important issues.

All the head of departments have attended and no body was late for the meeting. The meeting was started at about 9:15a.m. and the chairman has gone through the previous minutes of the last meeting and confirmed no changes or mistakes from the minutes. The next matter arising was the marketing and sales, which was asked by the Managing Director - Mr.Lim.

“From the report, there is a drop on sales figure and can someone explain to me what is going on and why there is a drop on sales?” asked by Mr.Lim with his eyes on the Marketing & Logistics General Manager - Mr. Chong.

Mr. Chong brought the issues on there was a break-down on production line on last Friday and it was due to the kiln’s problem and the plant took about three days to repair it.

Mr.Lim was very unhappy about slow repairing from the plant, whereby if there was a break-down on production per line at the plant it will a lost of about RM2.0 million per day. On the other hand, Mr.Lim is quite worry about the future domestic market when there are two other new plants comes into the market, and other new expansion on the capacity of the other competitors.



Mr. Lim is very much quiet and the whole management members are quiet. Nobody dare to make any comment and just wait for Mr.Lim to say something. ....

It took about 6 minutes to make Mr.Lim to give his comment:" Who can help me to look into the analysis and forecast of the future domestic market supply and demand situation and also the possibilities of overcome the surplus situation ?"

Mr.Chong has already thought about this situation and all the while he has someone in his mind who maybe the best person to be assigned to look into what Mr.Lim was asking. At last (since nobody volunteer himself), Mr.Chong recommended Mr. Choo to be the person to look into the matter.

Mr.Lim look at Mr.Choo's face and asked him: " Choo, can you handle this matter? And

you have to look into the present, and the forecast of the future situation of the cement market in Malaysia." " And also ..... please make a study on other possibilities of how to overcome the surplus situation , if there will a surplus situation happened in domestic market, what should we do? And why you suggested that way?" Mr.Lim added.

Mr.Choo was not aware of the assignment before the meeting; and he was really shocked and replied:" Mr.Lim, I..... think this is a very good and diffi....cult assignment, however, I would like to give a try to come-out with the whole study of local market future movements and the ASEAN cement market."

"Since Mr.Lim has mentioned about the possibility of surplus market situation in near future, may I know, what are the measurements to be used to overcome the problem?" added by Mr.Choo.



“This will be very much depends on your feedback ad reports after your study, and you have to come-out with the ways and strategies to be recommended to the board to overcome the surplus situation, and before you passed your reports to me, please ask Mr.Chong to go through and commend by him. I want it (the report )to be ready in one month time from today date.” “ Can you do that?” added by Mr.Lim with his “Salem” in his mouth.

“Ah.....ah, I think I would like to ask for the approval from the management to allow me to go overseas if necessary to collect those informations which I might required during my study.” Said Mr.Choo.

“Okay!” replied by Mr.Lim.

And the meeting continued until 2:30p.m. on other subjects; but Mr.Choo was just remained quiet and start thinking of how to collect the informations and datas.

He started to write down all the relevant points and person to be contacted in his dairy. “ I must prove to the management that I can provide the correct and clear picture of the cement industry in Malaysia and in this region one month later.”

“But how and where should I start the research?” a lot of question marks flying around in his mind.....

*ABC Cement Manufacture Co. Ltd's background.*

The ABC Cement Manufacture Co.Ltd is one of the largest cement producers in the country and is having about 30% of the cement market. The company is only producing OPC (Ordinary Portland Cement) and market has a very high reputation on the product produced by the company.

Because of the good market (demand market) of the cement, the company is enjoying the good margin from the product sales although the cement price is controlled by the government. And because of the shortage of cement in the market; the government prohibited all the local made cement to be exported. Imports cement and clinker are allowed by the government and there is no tariff or taxes imposed on the imported cement.

Due to the location of the plant is at the sea-front, the company has to transport it's product to the market by vessels. And this is the most economical and only way to transport the product into the market.

And the company has 4 terminal at various ports - namely: Prai, North Port, West Port and Pasir Gudang. Once the cement transported to the terminals, the cement was loading to the silos of 20,000mt per one silo, and the cement will be carried by bulk carriers or by trucks if the cement was packed in bag form of 50kgs per bag.

The operations and management of the company on production, logistics ,etc please kindly refer to the attached sheets (self-explaintory).



## **ABC CEMENT SDN BHD**

### **1. STATUS/ORGANISATION**

**ABC** Cement Sdn Bhd (CSB) is a 100% owned by **ABC** Cement Holdings Bhd (CHB), a public listed company in Malaysia.

**ABC** Cement operates an integrated cement clinker plant in **QUAH**, Kedah and a clinker grinding plant in Batu Caves, Selangor; and distributes cement at various cement terminals in Prai Port, Penang, Port Klang, Selangor and Johor Port, Johor.

### **2. BRIEF HISTORY**

**ABC** Cement's integrated cement clinker plant was first constructed in 1982 and commissioned in 1989 at the annual rated capacity of 1.2 million metric tonnes.

The annual rated capacity of the plant was upgraded in 1991 to 1.5 million metric tonnes.

In 1994, **ABC** Cement embarked on an expansion programme by a new production line at the annual rated capacity of 1.8 million metric tonnes.

With the commissioning of the new line in 1996, **ABC** Cement becomes the largest cement manufacturer in the country with a total annual capacity of 3.3 million metric tonnes.

### 3. BRIEF DESCRIPTION OF MANUFACTURES

The **QUAH** integrated cement plant produces Ordinary Portland Cement conforming to British Standard BS12 and Malaysian Standard MS 522.

The major raw materials such as limestone materials such as iron ore, silica sand and/or bauxite and gypsum are shipped into the island.

The plant uses coal as the main fuel and electricity power is provided by the Tenaga Nasional Berhad submarine cables connected between the Mainland and the island.

The clinker production is by NSF 4/5 - stage preheater kiln systems with 3 stage horizontal grate coolers.

Electrostatic precipitators are used as pollution control equipment for the clinker production.

The cement grinding employs tube mills with pregrinder systems.

The products, both clinker and cement, are transported by belt conveyor systems, normal trough conveyor and pipe conveyor, to the main jetty of Teluk Ewa Port, near to the plant.

The new plant operation control systems are centralised with the latest state-of-the art equipment.

### 4. QUALITY CONTROL

Quality control is done on-line with POLAB automated sampling and testing system to ensure continuous monitoring of raw meal composition and finished product quality.

Quality assurance procedures are strictly followed by a qualified chemist and trained testers to ensure the product conforms to international standard specifications

## 5. PRODUCTS AND BRAND NAMES

*ABC* cement sells 2 types of products namely Ordinary Portland cement and Masonry cement

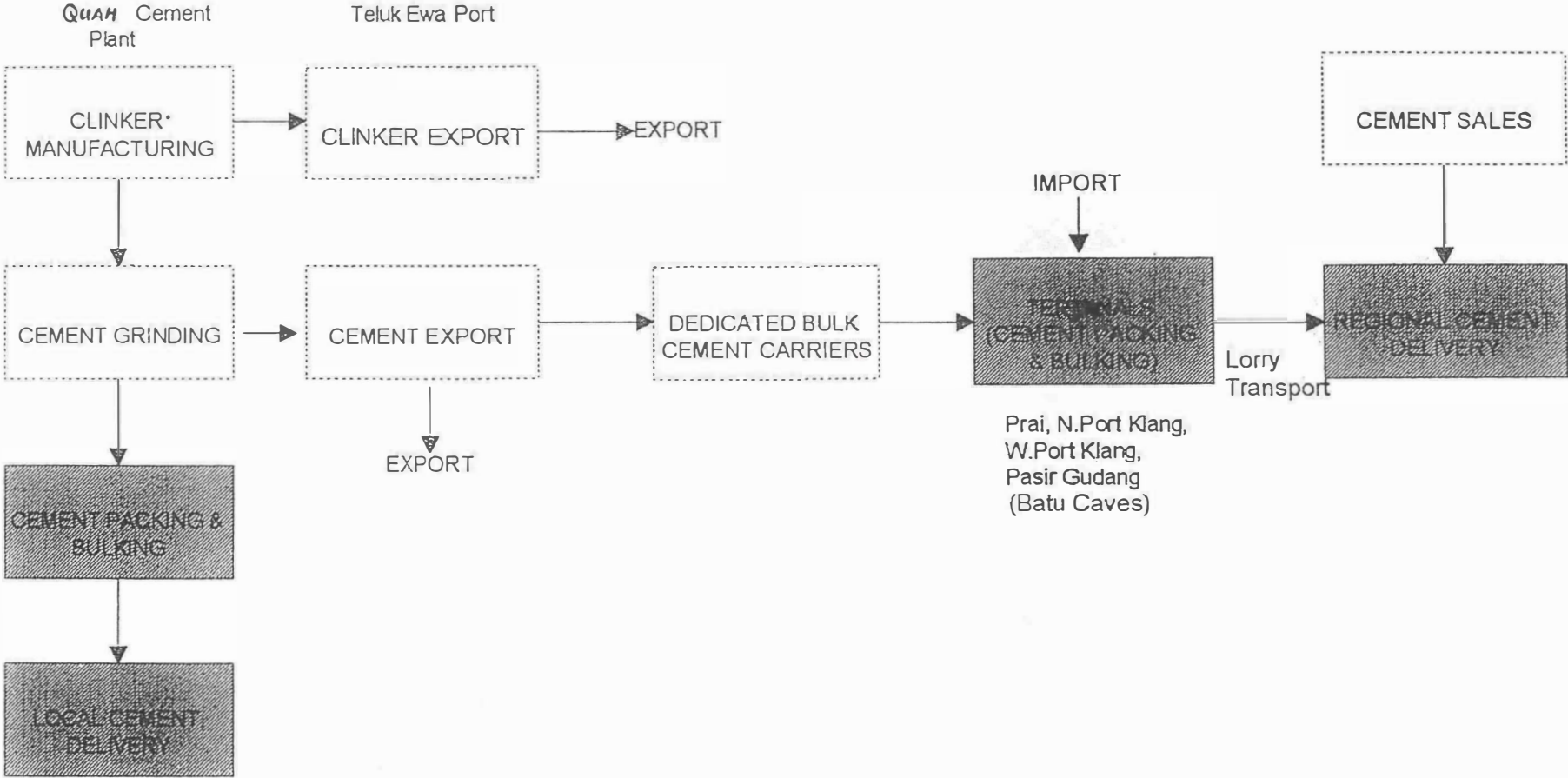
Bagged cement is sold under the *HOUSE BRAND* or CAP *RUMA* trademark.

## 6. DISTRIBUTION

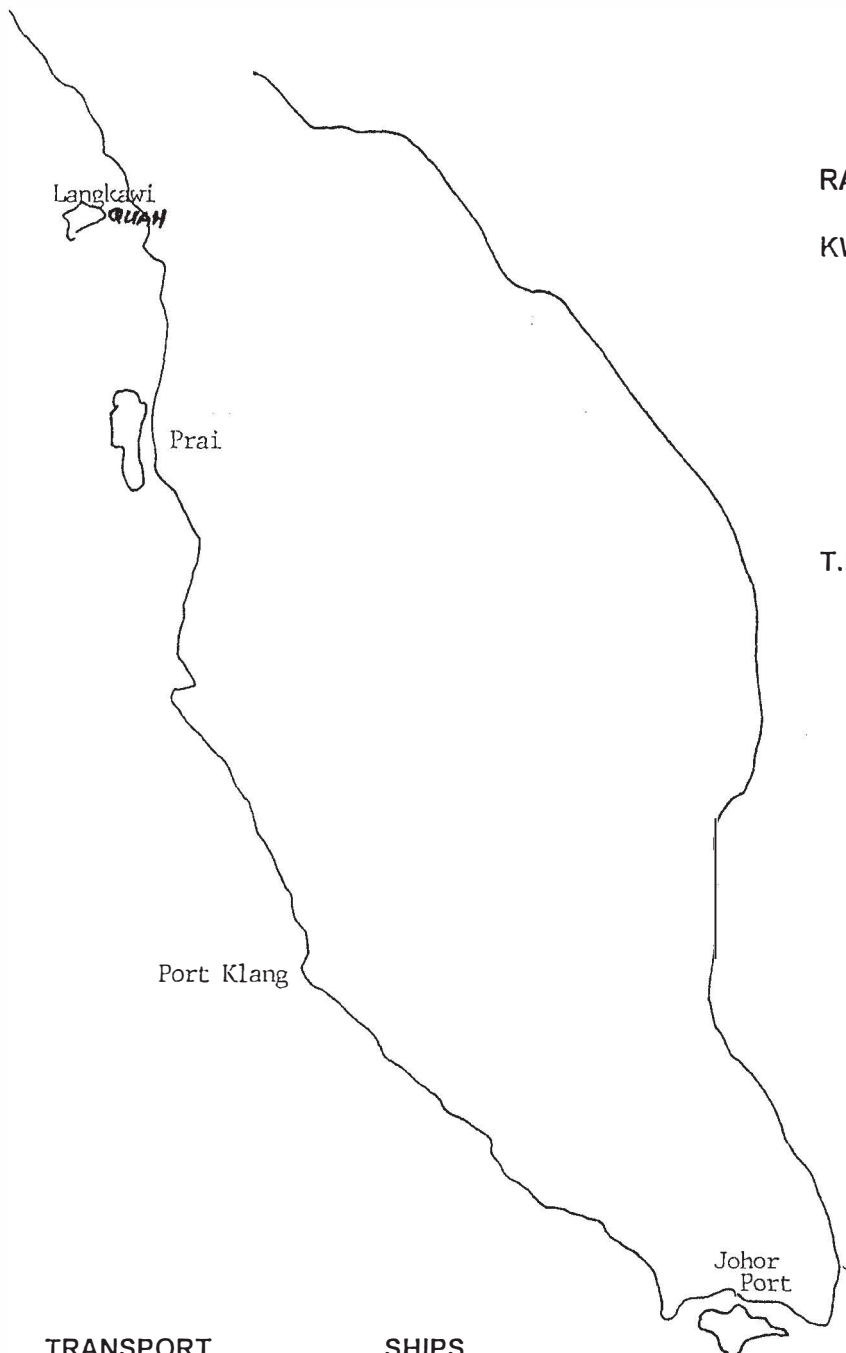
Cement is distributed and sold locally through various regional cement terminals which receives the product by specialised cement carriers.

Cement and clinker are also exported for sale.

PROPOSED OPERATION FRAMEWORK



# LOGISTIC PATTERN



## RATED CAPACITY:

**KW PLANT-** CL PROD 3.3 mt py  
 CE - PROD 3.5 mt py:  
 L1 5000 t/d  
 L2 6000 t/d  
 M1 3000 t/d  
 M2 3000 t/d  
 M3 5000 t/d  
 (M4 )

**T.E PORT - DWT UP TO 15,000 mt (Main)**  
 DWT UP TO 30,000 mt (Ext Main)  
 LOA up to 150 mL (Main)  
 LOA up to 240 mL (Ext Main)  
 DRAFT up to 10.5m (Main)  
 DRAFT up to 12.5m (Ext. Main)

## LOADING RATE:

5000 - 10,000 TPWWD (Main)  
 10,000 TPWWD (Ext.Main)

## DISCHARGING RATE:

25000 - 35000 TPWWD (Main)  
 1500 - 2000 TPWWD  
 (united, breck bulk at subj. jetty)

**B.C WORKS - 450 T/D**  
 SC Production  
 130,000 tpa

## TRANSPORT

Bulk Tanker  
 83 units

## PORTABLE SILO

150 units  
 (500,100t, 150t sizes)

## SHIPS

(Specialised cement carriers)

1 x 2000 DWT (6 knots)	push tug barge JUTA
1 X 5500 DWT (7 knots)	self propelled baarge P.T.EWA
1 x 5500 DWT (7 knots)	self propelled carrier P.Gelang
1 x 8200 DWT (7 knots)	push tug barge BURAU
3 x 16,000 DWT (13.5 knots)	cement carriers KC I, II & III

## TERMINALS

(throughput handlings)

LKW	120,000 tpa	(0.12)
PRAI	180,000 tpa	(0.18)
NPK	1.2 - 1.6 mtpa	(0.2)
WPK	1.8 mtpa	(1.5)
PG	0.8 mtpa	(0.5)

Daily despatch)  
 PRAI 600t/d - 800 t/d  
 NPK 4000 t/d - 5500 t/d  
 WPK 6000 t/d  
 PG 1500 t/d - 3000 t/d

## *Malaysia Cement Market Overview*



## *Cement Supply and Demand*

*For the first three quarters of 1996, Malaysia's cement production has achieved 9.4 million metric tonnes (mt) and the total production for 1996 is expected to reach 12.7 million mt. Total clinker to be produced for this year is estimated at 9.5 million mt and to optimise local cement production, approximately 2.6 million mt of clinker is expected to be imported.*

*The actual cement demand for the first nine months of 1996 has increased by 26% i.e. 10.77 million mt from 8.52 million mt in the corresponding period of 1995. The overall growth for the country's cement demand in 1996 has been revised from 15% (13.5 million mt) to 20% (14.1 million mt) in view of the high demand in the domestic market.*