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Texas Industries swings to profit

TEXAS INDUSTRIES HAS returned to full-year profit with turnover increasing 4.1 per cent to US$647m in the financial year to the end of May, and EBITDA up from US$13.2m to US$33.6m.

After an interest charge 26.8 per cent lower at US$34.4m, the running loss dropped from US$34.4m to US$1.2m and a pretax profit of US$8.5m was achieved, compared with a US$106.8m loss in the previous accounting year. Net debt at the end of May was 6.4 per cent higher at US$570.1m giving a gearing level six per cent higher at 81.7 per cent .

Cement shipments increased 8.5 per cent to 3.25Mt (3.58Mst) as turnover from the cement division rose 9.8 per cent to US$315.3m. The US$20.5m trading profit compares with a US$10.2m loss in the previous trading period. The Texas share of cement sales was reduced from 71 per cent to 68 per cent as Californian cement deliveries advanced by 21 per cent compared with a three per cent rise in Texas.

The average cement price for the year was a marginal 0.1 per cent ahead at US$85.7/t (US$77.75/st), with a one per cent increase in Texas comparing with a two per cent decline in California. Prices in the final quarter showed an average reduction of 1.3 per cent, with volumes improving by four and seven per cent in Texas and California, respectively.

Turnover from the aggregates division improved by 1.2 per cent to US$174.6m and the underlying trading profit increased 9.3 per cent to US$24.8m. Aggregates shipments declined 1.9 per cent to 10.94Mt (11.84Mst), with the average price down by two per cent to US$7.97/t (US$7.23/st).

In the final quarter, prices were 0.4 per cent higher. The ready-mixed concrete and other operations reported a turnover 1.2 per cent lower at USS231.7m and a US$14.2m trading loss, which became a divisional profit of US$25m, after taking into account the gain on the sale of the packaged products operation to CRH in April. The ready-mixed concrete operation sold 0.7 per cent less volume with 1.83Mm^3, but prices recovered by 1.6 per cent to US$99.48/m^3.

On its outlook CEO Mel Brekhus stated: "Our focus continues to be on doing everything we can to ensure we have the assets and cost profile to maximise our profitabilty in any market condition. Toward that end, I am excited to be nearing the completion of construction and beginning of the commissioning this fall of our cement capacity expansion in central Texas."

Euro construction output edges ahead

CONSTRUCTION SECTOR OUTPUT rose by 0.1 per cent in the euro area (EA17) and by 1.6 per cent in the EU27 in May 2012, compared with the previous month, data from Eurostat showed. In April 2012, production decreased by 3.7 per cent and 6.9 per cent respectively.

May 2012 production dropped by 8.4 per cent in the euro area and by 6.9 per cent in the EU27 compared with May 2011.

In terms of monthly comparison, among the Member States for which data are available for May 2012, production in construction rose in eight, fell in six and remained stable in the Czech Republic. The highest increases were registered in the United Kingdom (+6.3 per cent), Romania (+5 per cent) and Portugal (+3.6 per cent), and the largest decreases in Slovenia (-17.5 per cent), Hungary (-4.1 per cent) and Spain (-3.3 per cent).

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Old King's Head Court, 15 High Street,
Dorking, Surrey,
RH4 1AR, UK.
Tel: +44 (0) 1306 740363/383
Fax: +44 (0) 1306 740660
Email: info@CemNet.com
www.CemNet.com

USG Corporation in Oman partnership

USG Corporation has entered into a strategic partnership with the Zawawi Group of Oman to meet the growing demand for its building products in the Middle East and India. The investment by USG opens up new opportunities for the company in the rapidly-growing Indian wallboard market, and will provide commercial construction projects in the region better access to USG's industry leading wallboard products. USG expects the investment of approximately US$60m to be incurred over two years, with the majority in 2012.

USG's partnership with the Zawawi Group will be multifaceted. The first phase will be establishment of a mining joint venture through which USG will acquire 55 per cent of Zawawi Gypsum, which holds the mining rights to a gypsum quarry in Salalah, Oman. The joint venture will develop infrastructure and operate the quarry. Salalah has shipping access to many ports on the Indian coast and will be an ideal location for providing gypsum to future USG wallboard plants, as well as to cement manufacturers in the region. Quarry mining operations are targeted for start-up in the third quarter of 2013.

The second phase of the partnership will be a 50/50 manufacturing joint venture with Zawawi Minerals to build and operate a new low cost wallboard plant in the Salalah Free Zone, Oman. The Free Zone in Oman is an enterprise zone that has been operational for three years and has attracted in excess of US$4bn in investments from international companies. The plant site is in close proximity to the gypsum quarry and port facilities, facilitating efficient access into markets in India and the Middle East. The target for commencement of wallboard production operations is 4Q13.

US spending rises

Construction spending in the US rose 0.9 per cent in May from April, the Commerce Department reported, driven by a surge in homebuilding. May's figures were the second straight monthly increase and the biggest percentage gain since December.

The increase pushed spending to a seasonally-adjusted annual rate of US$830bn, 11.3 per cent above a 12-year low hit in February 2011. However, the level of spending is roughly half what economists consider healthy.

Spending on both residential and non-residential projects rose in May but investments in public projects fell to the lowest level since November 2006. Residential construction rose three per cent to an annual rate of US$261.3bn.

CRH to expand Finnish concrete business

Rudus, one of the Finnish subsidiaries of CRH, has agreed to purchase the concrete operations of Lemminkäinen for €55m, subject to the approval of the Finnish competition authorities. These activities generated a turnover of €84m in 2011 and employ a workforce of around 400.

The operations cover 16 ready-mixed concrete batching plants, five pre-cast concrete facilities and three plants making landscaping concrete products. The pre-cast concrete business trades under the 'Elemento' brand and the landscaping products are marketed under the 'Formento' brand.

Rudus is already the largest ready-mixed concrete producer in Finland by a substantial margin. It currently has around 55 batching plants, well ahead of Ruskon Betoni with 21 and Lujabetoni with 19 plants. Therefore, a requirement to dispose of some of the combined group's batching plants cannot be ruled out.

UltraTech purchase

India's number one cement producer UltraTech Cement announced it has signed an agreement with the shareholders of Gotan Lime Stone Khanij Udyog (GKUPL) to acquire 100 per cent equity shares of the latter. With this acquisition, GKUPL has become a wholly-owned subsidiary of UltraTech, the company said.

Declining MPA figures confirm 'need for urgent treasury action'

Data from the Mineral Product Association (MPA) of the UK on sales volumes of aggregates, asphalt and concrete in the 2Q12 show significant declines in all areas.

In 2Q12 sales of crushed rock and sand and gravel aggregates declined by 10 and 15 per cent, respectively compared with 2Q11. Sales of the value added products of ready-mixed concrete and asphalt fell by 13 and 16 per cent respectively.

These figures indicate that for the first half of 2012 sales of crushed rock, sand and gravel, ready-mixed concrete and asphalt were down 11, 13, 12 and 17 per cent respectively on the first half of 2011.

The aggregates and concrete figures in particular are indicative of a significant decline in construction activity, and particularly new construction projects, during 2012. The rapid fall in asphalt sales reflects a dramatic drop in road construction and road maintenance activity.

The MPA noted that the fundamental problem is that with some exceptions, private sector construction has declined this year and the impacts of the reductions in public investment in construction are now being felt in full. Even infrastructure work is declining due to a collapse in road construction over the past 12 months. Data from the Office of National Statistics (ONS) shows road construction in 1Q12 was over 40 per cent lower than the average level of activity throughout 2010 and 2011.

Commenting on the figures, MPA Director of Economics Jerry McLaughlin said: "The dire results in the 2Q reflect the general market experience that construction activity has declined significantly in 2012. We are extremely concerned that there are few positive indicators in the market and our industry volumes are likely to decline this year below the levels experienced in the depths of the 2009 recession. We are also expecting further declines in construction and mineral products markets in 2013.

"These trends will inevitably cause construction to be a continuing drag on GDP growth throughout the year and into 2013 unless there is a rapid and significant reversal of cuts in public sector investment in construction.

"The announcements made by Government to support and encourage private investment in infrastructure projects are welcome and important, but will not have any significant impact on construction activity before 2014. Urgent action is necessary if we want construction to contribute positively to economic recovery over the next 18 months."

Latest figures from the ONS show that construction activity in the 2Q12 fell 5.2 per cent against an overall 0.7 per cent drop in the UK economy during the period. The Construction Products Association has also stressed that the the government "must act now to stimulate growth and drive recovery."

Saudi to lead MENA's construction boom

According to a new medium-term outlook Bank of America (BofA) Merrill Lynch Global Research Report 'GCC 2020: Time to Shift Gears', Saudi Arabia is set to take the lead in regional infrastructure investment and construction spending.

Over the next 15 years, the MENA construction sector will be a key beneficiary of the implementation of structural reforms to raise productivity of the non-oil sector and the economy's potential output.

"Due to many years of underinvestment, we expect Saudi Arabia to take the lead in terms of construction spending in the MENA region as the Kingdom responds positively to pressing social needs such as labor, housing and education," said Philip Southwell, Bank of America Merrill Lynch president and country executive, Middle East and North Africa.

Forecasting figures predict a total of US$4.3trn will be invested in construction projects across the MENA region by 2020, representing an increase of almost 80 per cent from today's spend in the sector. The region is expected to account for 12 per cent of the global emerging markets and 4.4 per cent of the world construction markets within the next decade. Saudi Arabia is expected to continue leading the way.

MENA contract awards have been somewhat disappointing for the period January to May 2012, declining by 41 per cent from a year earlier. However, Mutashar Murshed, Merrill Lynch Kingdom of Saudi Arabia CEO. notes that the construction and infrastructure sub-sectors in Saudi Arabia, remain strong"...growing by 177 per cent over the same period, and currently accounting for 46 per cent of the 2012-2013 MENA project pipeline totaling US$448bn."

Moody's downgrades two US majors

Moody's Investors Service downgraded its ratings on Martin Marietta Materials Inc (MLM) to junk territory, noting the company's willingness to take on greater financial and strategic risk is greater than previously presumed, as indicated by its takeover efforts for Vulcan Materials Co.

Moody's also lowered its ratings on Vulcan one notch further into junk territory. Moody's had placed both companies' ratings on watch for a possible downgrade in December, when Martin Marietta launched a hostile takeover bid for rival Vulcan.

Martin Marietta and Vulcan are the two largest US suppliers of construction materials.

Moody's lowered Martin Marietta's rating by one notch to Ba1, the first level into junk territory, from Baa3. The outlook is negative. Moody's said the company's ratings would be placed under review for a downgrade if it resumes its takeover attempt for Vulcan. The ratings firm said its downgrade results from Martin Marietta's elevated financial leverage, soft interest coverage and liquidity risks.

Moody's also lowered Vulcan Materials' rating one notch to Ba3, placing it three levels into junk territory. The outlook is negative. The firm said Vulcan's downgrade reflects continued weak operating performance, high debt leverage and expectations for weak conditions to persist over the next 12-18 months. Moody's noted Vulcan is not likely to improve its credit metrics significantly until demand and shipment volume improve.

Wolseley eyes closure of French business

British plumbing and building supplies group Wolseley could shut its French business because of the difficult market conditions hitting trade in continental Europe.

Wolseley said it would "explore strategic options" for its operations in France where it intends to start a consultation process with its employees.

"It now looks as if Wolseley is about to grasp the nettle and exit its operations in France," said Seymour Pierce analyst Kevin Lapwood.

Wolseley's French business, which includes do-it-yourself chain Reseau Pro and kitchen retailer Solutions Cuisines, accounts for around 10 per cent of group revenues.

"A sale is unlikely in our view as had it been possible, it would have happened already. We therefore believe the company will opt to close a significant part or all of the French business."

LSR outlook stable

Fitch Ratings has affirmed Russia-based LSR Group's (LSR) long-term foreign currency Issuer Default Rating (IDR) at 'B' with a Stable Outlook and the senior unsecured rating of the outstanding bond issues at 'B'.

The affirmations reflect LSR's sustainably strong position as a developer and construction materials producer in its core region of St Petersburg and Leningrad region, Fitch said. LSR continues to diversify geographically towards the highly-concentrated Moscow and Moscow region residential housing where it has become one of the top-five developers. LSR is also expanding in Urals. LSR's real estate portfolio value is balanced with 45 per cent accounting for the mass-market segment, 30 per cent for the elite and business class segment, 16 per cent held for future development and nine per cent for offices.

Fitch retains its positive medium-term outlook for construction and building materials in Russia, supported by growing real income and salaries and strong mortgage lending growth potential. Large-scale nationwide infrastructure projects and its financing support from Federal Targeted Investment Programme also support the positive outlook for building materials and aggregates. Recent market dynamics are also positive and supported by the seven per cent growth in residential housing in 2011 (3.3 per cent growth in January-May 2012). However, the industry is inherently capital intensive and is exposed to liquidity shocks, Fitch writes.

Eastern Concrete in NY purchase

Eastern Concrete Materials, a wholly-owned subsidiary of US Concrete, has entered into a lease and marketing agreement with Granite Ready Mix, Scara-Mix Inc and related companies located on the southwestern side of Staten Island, NY effective 16 July 2012. The leased assets include a NYSDOT- and NYCDOB-approved batch plant that provides concrete for residential, commercial, and infrastructure projects on Staten Island. The company will also market sand, stone, and recycled aggregates on the island.

The expansion is part of Eastern's strategy to increase its presence in the New York City metropolitan area as the construction market rebounds.

Australian construction weakens further

Australia's construction sector contracted for the 25th straight month in June with The Australian Industry Group (AiG) Performance of Construction Index (PCI) remaining flat at 34.8. A reading below 50 indicates a contraction and the distance from that key level indicates the strength of the decrease.

Construction activity fell to its lowest level since 2009, the AiG said, with apartment building the weakest sub-sector (with an index reading of 21.8), followed by commercial construction (26.6) and house building.

"The residential and commercial construction sub-sectors continue to be a drag on overall business activity with lack of demand and access to finance both holding these important sub-sectors back", AiG director of public housing Peter Burn said.

Boral downgrades full-year earnings forecast

Earlier Australia's building materials major, Boral revised down its full fiscal year forecasts as domestic sales volumes in the fourth quarter have been materially affected by adverse weather in June, further delays in major resource sector and road projects, weaker property sales, an earlier than planned maintenance shutdown at Waurn Ponds Cement Works and continued weakness in the residential construction sector.

Boral now expects FY12 net profit after tax before significant items to be within the range of A$100m-110m. Commenting on the trading update, Boral CEO Ross Batstone said: "A number of recent events have come together to weaken Boral's trading performance in the fourth quarter which add to the impact of ongoing weakness in the Australian new housing construction market. March quarterly housing starts in Australia... reported a 25 per cent decline over the prior year.

"Boral's underlying strategy remains sound. We will continue to focus on the reduction in borrowings through the divestment of non-core operations, tight management of capital expenditure and working capital. Capital expenditure for FY12 is now projected to be at the lower end of the A$400m-$450m guidance given at the half year.

Wienerberger product launch, expansion

Wienerberger India, a wholly owned subsidiary of Wienerberger AG, an Austrian Building Materials major, has launched two new lines of products, Thermo Bricks and Dryfix System, to extend solutions beyond bricks for the construction industry.

Speaking at the launch, Heimo Scheuch, CEO of Wienerberger AG, said: "India continues to be a strategically important market for Wienerberger AG and our experience in the last few years have shown the tremendous potential of this market."

The Dryfix system replaces the conventional mortar in masonry, thereby saving on scarce resources such as sand and water. Thermo Bricks are suitable for external walls in India as they provide thermal insulation with a U Value of 0.60W/m^{2}K, the lowest in its class, according to Wienerberger.

The company has also drawn out an investment plan involving a phased expansion of its Kunigal factory, situated in the southwest Indian state of Karnataka, to address its rapidly-growing market.

Breedon makes its first Scottish acquisition

Breedon Aggregates, the UK's largest independent aggregates business, is making its first acquisition in Scotland since it was created in September 2010. Its Dundee-based subsidiary, Breedon Aggregates Scotland Ltd has purchased the trade and assets of Speyside Sand & Gravel Quarries Limited, including its quarry at Rothes Glen near Elgin, which will add approximately 1Mt of sand and gravel reserves to Breedon's existing portfolio.

The acquisition will provide Breedon with its first sand and gravel quarry in the northeast of Scotland. The company already operates a ready-mixed concrete plant in the quarry.

Meanwhile, the company reported underlying EBITDA margins improved by 1.8 points to 11.7 per cent for the six months to 30 June 2012. Commenting on the results, executive chairman Peter Tom said:"Whilst we do not expect any significant recovery in construction output in the short term, the business has performed well in the first six months of 2012 and we are confident of making further progress in the second half."

Saudi Readymix 'A' grade ranking

Saudi Readymix's factories in Riyadh have been classified (A), the highest ranking, by the Municipality of Riyadh.

The Administration of Quality under the Municipality of Riyadh conducts an annual data collection and statistical analysis on operational standards, quality control and quality management of all ready-mixed concrete companies in the Saudi capital. It uses three classification indicators: plant indicator, laboratory index and concrete quality.

All Saudi Readymix's commercial factories in Riyadh were placed in the top percentiles on all three indicators earning them the class (A) ranking.

Mohammed Shaheen, Saudi Readymix's general manager – Central Region, said: "We, at Saudi Readymix, operate our commercial and on-site factories to the highest local and international standards and are proud of receiving the Municipality's highest ranking."

The company produces and supplies nearly 6Mm^3 of ready-mixed concrete per year, making it the country's largest producer and supplie of ready-mix.