

HIGH COST AND SHORTAGE OF CEMENT AND STEEL

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REINFORCEMENT STEEL

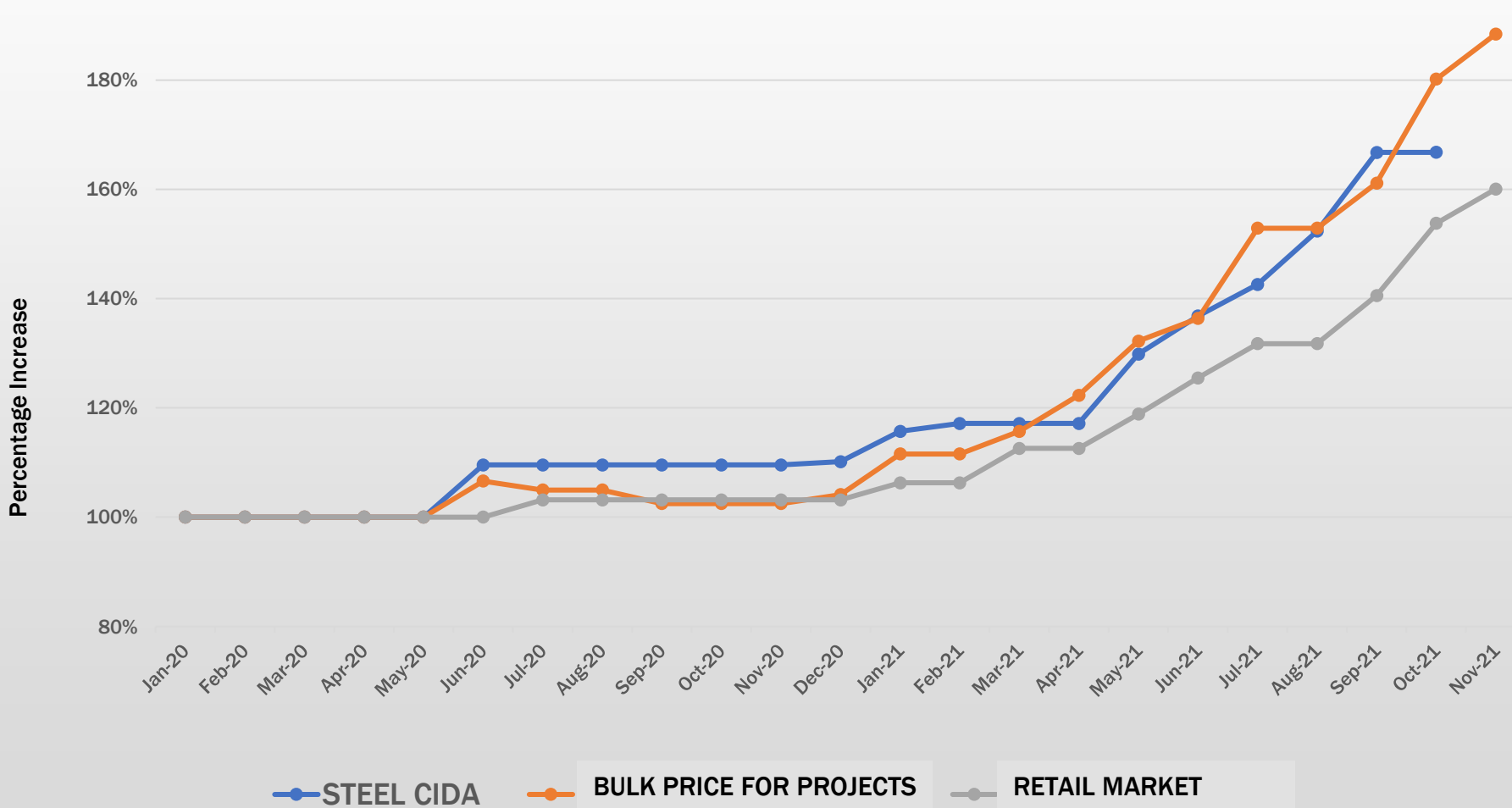
REINFORCEMENT STEEL AND STRUCURAL STEEL

- SIGNIFICANCE OF REINFORCEMENT STEEL AS MATERIAL FOR CONSTRUCTION
- MATERIAL PRICE FLUCTUATION
- TAX ON IMPORTS
- GLOBAL & LOCAL TRENDS
- MATERIAL SUPPLY TO LOCAL MARKET & SHORTAGE

SIGNIFICANCE OF REINFORCEMENT STEEL AS MATERIAL FOR CONSTRUCTION

SUPER HIGH RISE	HIGH RISE	MEDIUM RISE	RESIDENTIAL BUILDING	ROAD REHABILITATION	BRIDGE	WATER TREATMENT PLANT
20%	18%%	14%	8%	4%	18%	22%

MATERIAL PRICE FLUCTUATION



AVERAGE LOCAL BULK PRICE

@ JAN 2020
@ NOV 2021



88.43 %

CIDA INDICES

@ JAN 2020 -714
@ OCT 2021 -1192



66.77 %

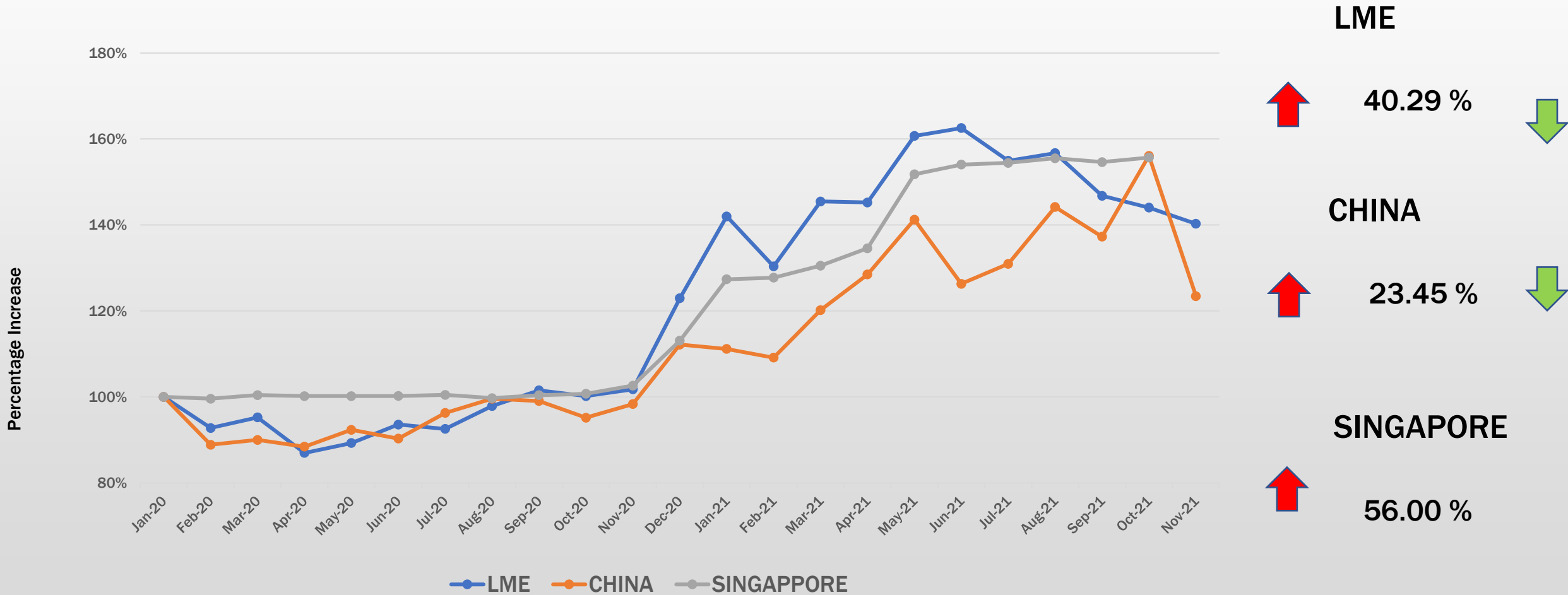
RETAIL MARKET

@ JAN 2020
@ NOV 2021



60.00%

MATERIAL PRICE FLUCTUATION



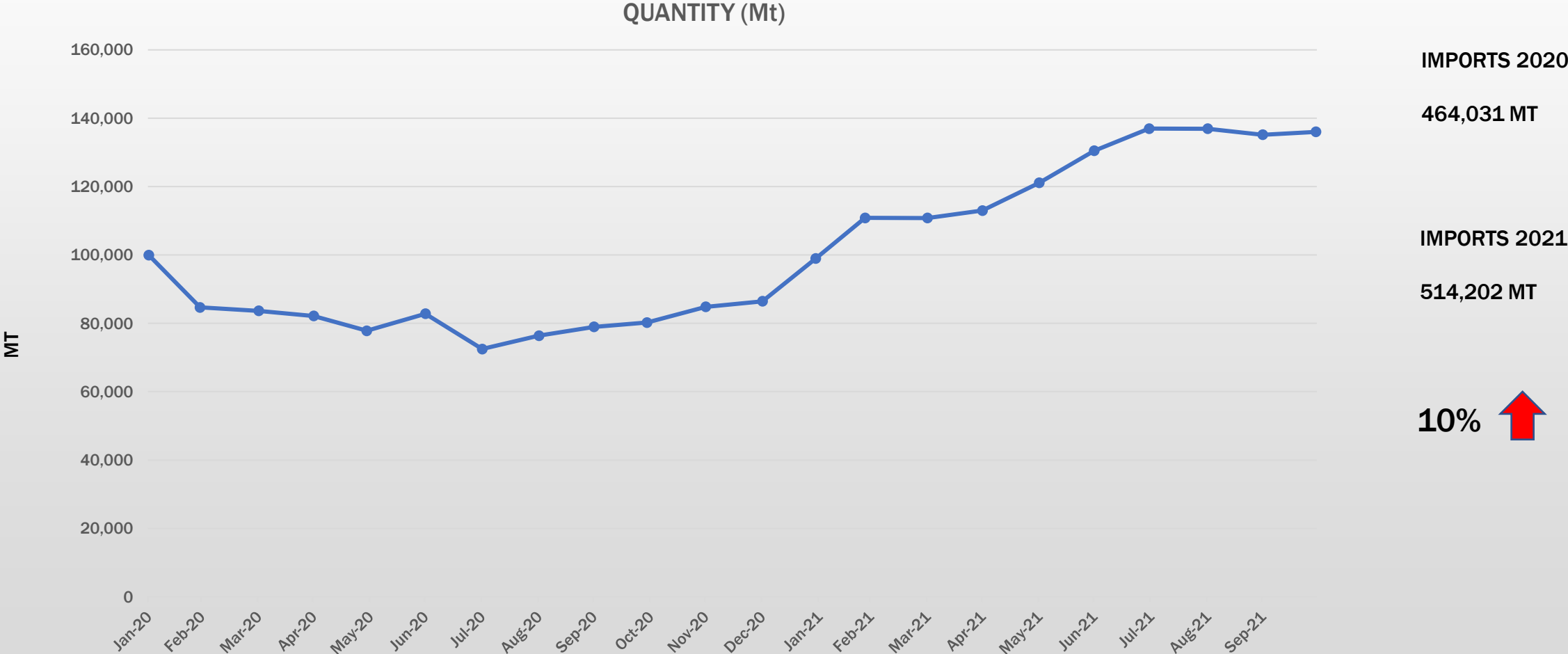
Source: LME Steel Rebar FOB Turkey (Platts) | BCA Singapore

REINFORCEMENT STEEL PRICE (TAX STRUCTURE)

TAX STRUCTURE ON REINFORCED STEEL IMPORTS						
	HS CODE	Steel - 7214.20.90 (SLSI)				
	CIF VALUE (USD)					800.00
	EXCHANGE RATE					202.9992
A	CIF VALUE (LKR)					162,399.36
	CIF					
B	DUTY	CIF VALUE	X	15%	=	24,359.90
C	PAL	CIF VALUE	X	10%	=	16,239.94
D	CESS	(1KG)	x	35000	=	35,000.00
E	VAT	$((\text{CIF VALUE} \times 110\% + (\text{DUTY} + \text{PAL} + \text{CESS})) \times 8\%)$	X		=	20,339.13
	TOTAL					258,338.33

TAX & LEVY - 59% on CIF

STEEL BILLET IMPORTS



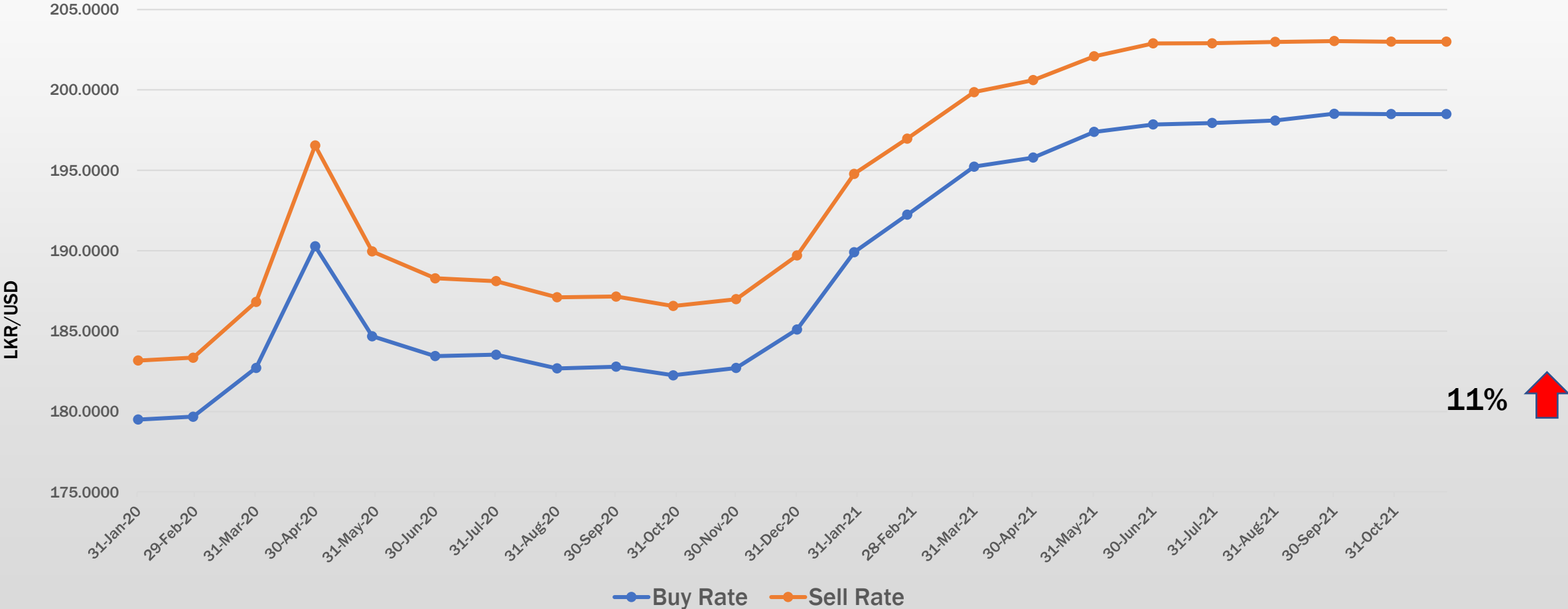
Source: SRI LANKA CUSTOMS

STEEL BILLET IMPORTERS



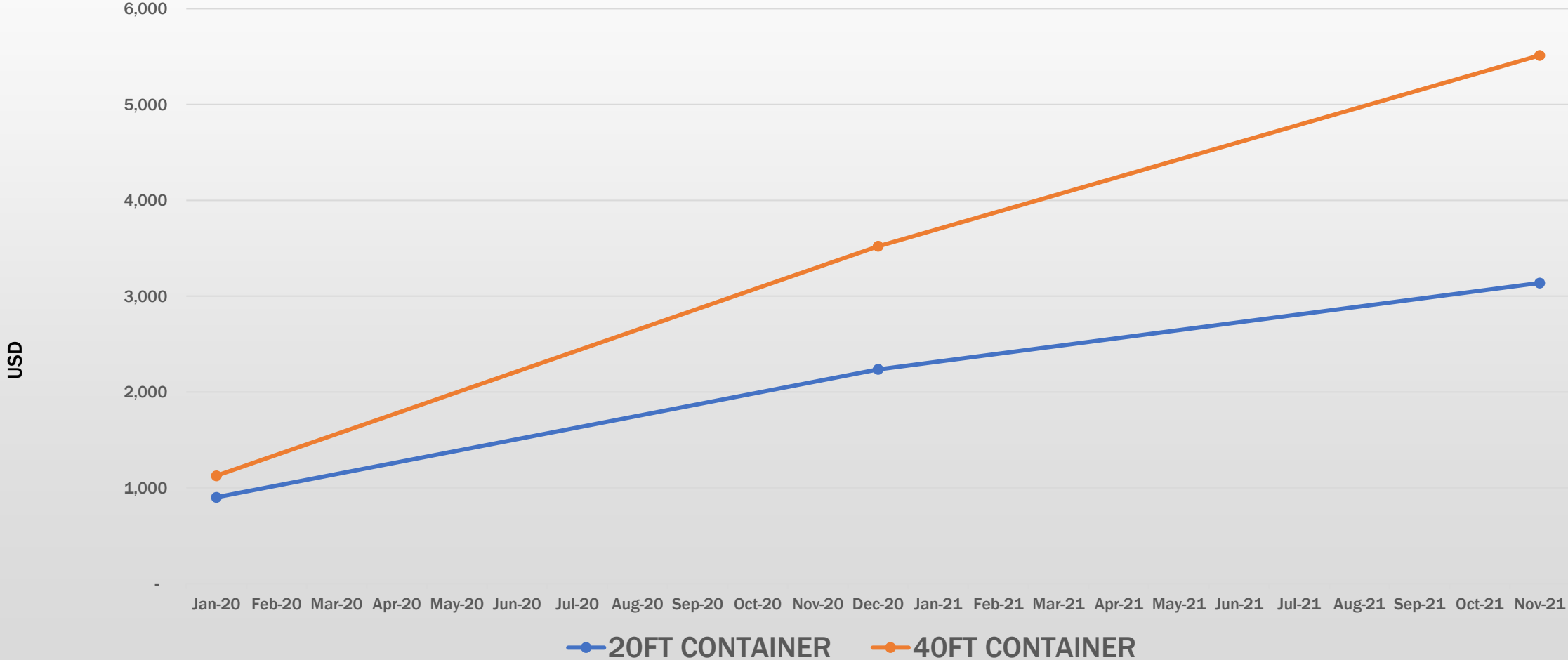
Source: SRI LANKA CUSTOMS

CHANGES IN EXCHANGE RATES



Source: CBSL

SHIPPING CHARGES



Source: From Shanghai to Colombo

REINFORCEMENT STEEL PRICE INCREASE AND SHORTAGE

- Higher Demand In the Local Market
- Unstable Raw Material Cost
- Rupee Devaluation
- Restriction on Opening LC
- Shipping Charges
- Decrease in Market Suppliers
- High Tax Structure

SIGNIFICANCE OF REINFORCEMENT STEEL AS MATERIAL FOR CONSTRUCTION

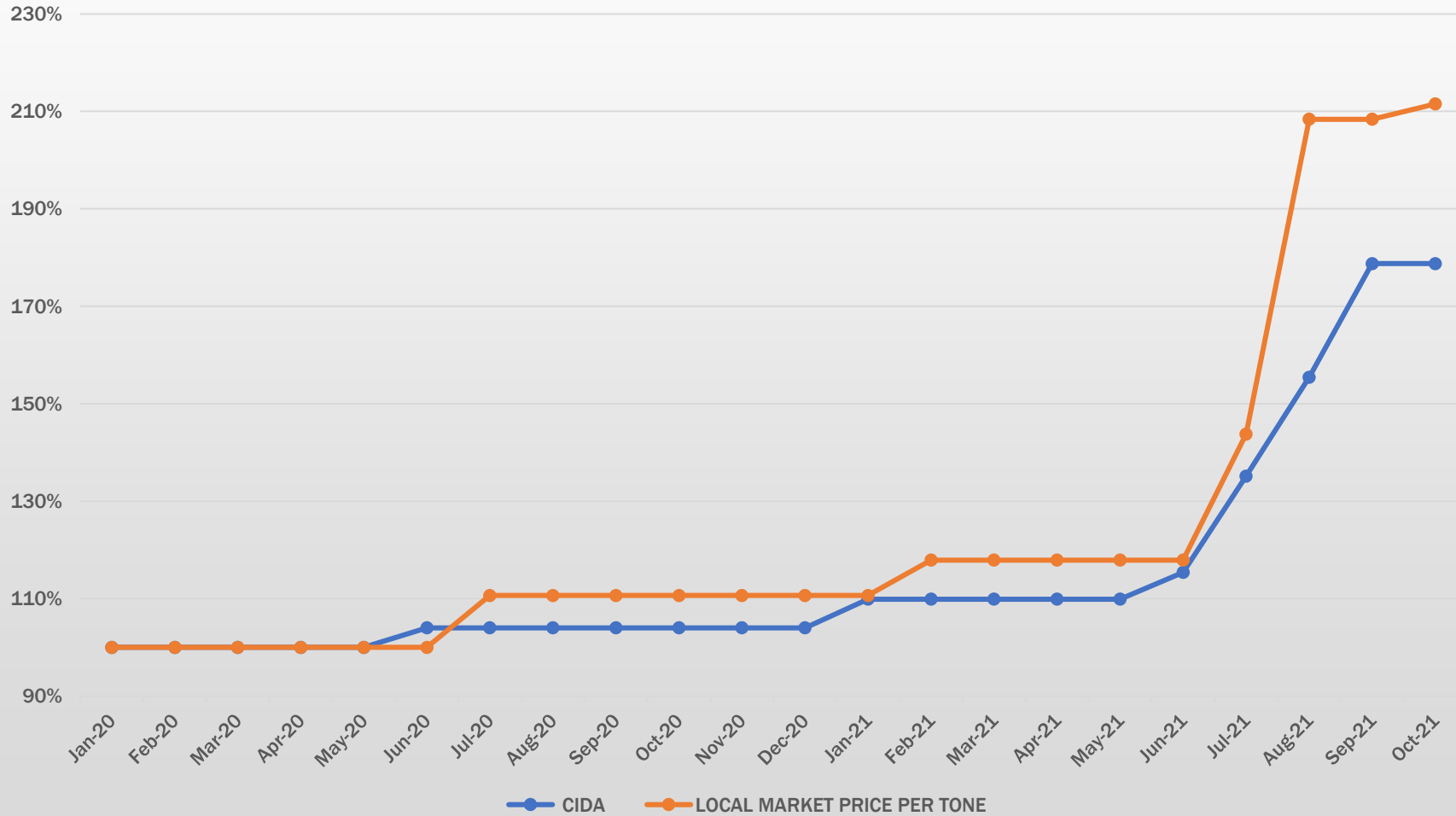
SUPER HIGH RISE	HIGH RISE	MEDIUM RISE	RESIDENTIAL BUILDING	ROAD REHABILITATION	BRIDGE	WATER TREATMENT PLANT
20%	18%%	14%	8%	4%	18%	22%





STRUCTURAL STEEL

MATERIAL PRICE FLUCTUATION



Source: CIDA | Local Suppliers Average Price

AVERAGE LOCAL PRICE



112%

CIDA INDICES



79%



CEMENT

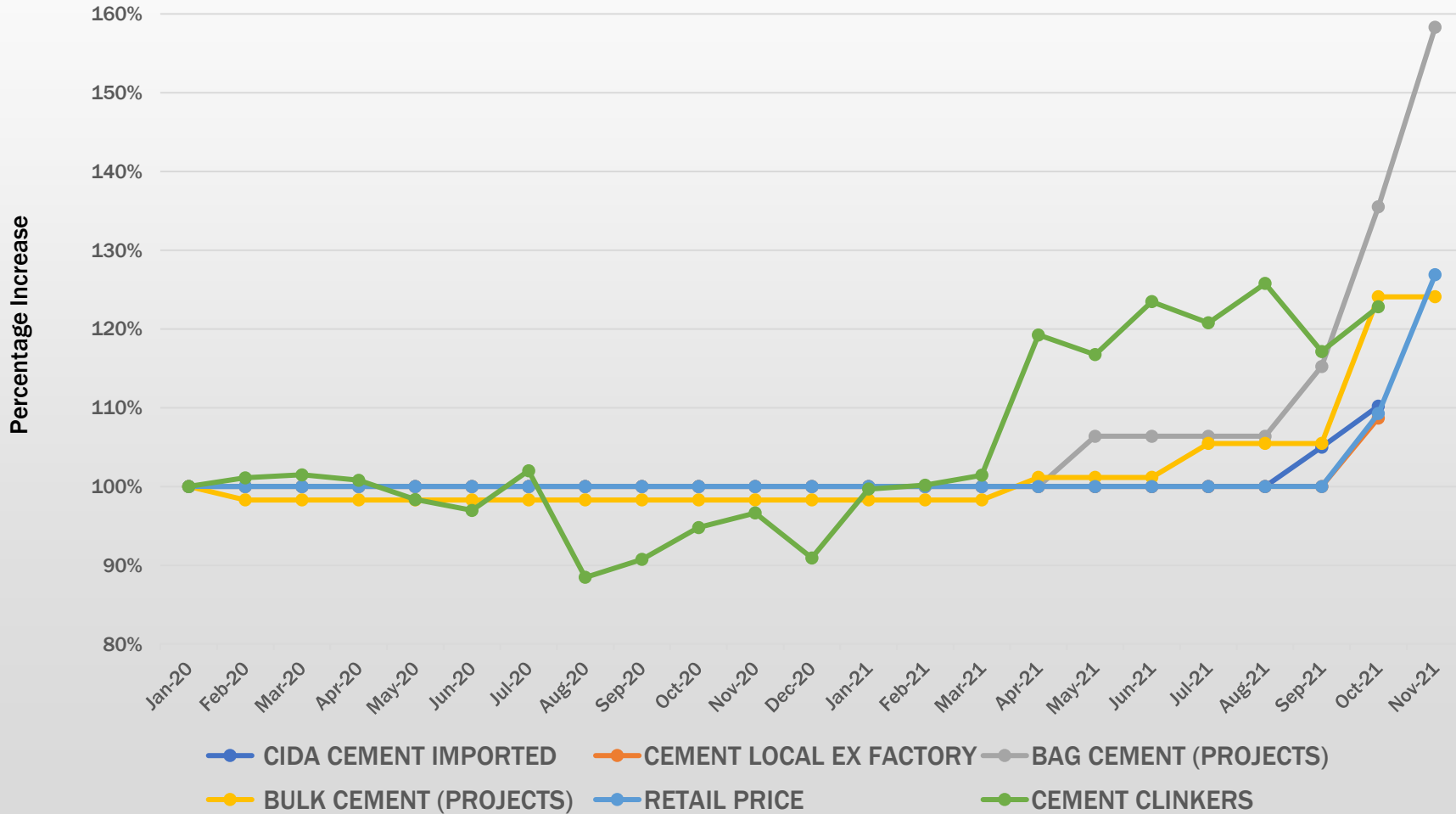
CEMENT

- **SIGNIFICANCE OF CEMENT AS MATERIAL FOR CONSTRUCTION**
- **MATERIAL PRICE FLUCTUATION**
- **TAX ON IMPORTS**
- **GLOBAL & LOCAL TRENDS**
- **MATERIAL SUPPLY TO LOCAL MARKET & SHORTAGE**

SIGNIFICANCE OF CEMENT AS MATERIAL FOR CONSTRUCTION

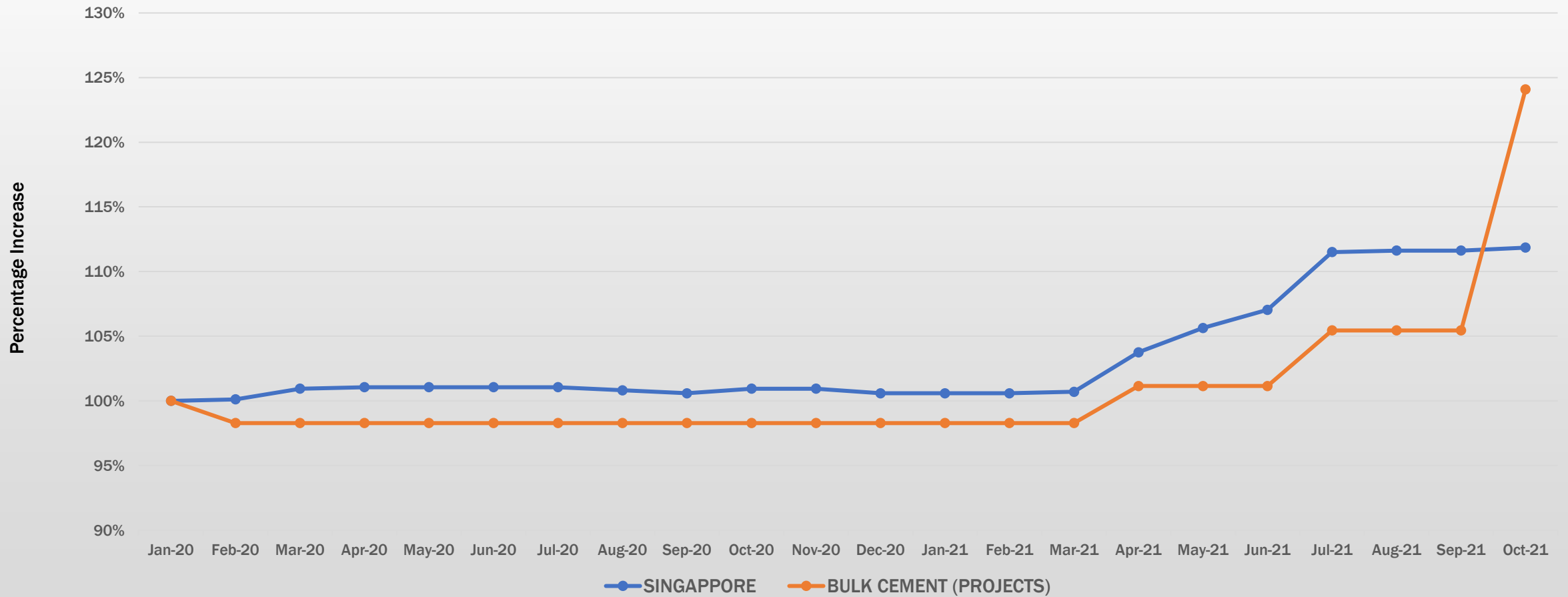
SUPER HIGH RISE	HIGH RISE	MEDIUM RISE	RESIDENTIAL BUILDING	ROAD REHABILITATION	BRIDGE	WATER TREATMENT PLANT
5%	6%	7%	8%	5%	6%	10%

MATERIAL PRICE FLUCTUATION



CIDA CEMENT IMPORTED (OCT)	110.20%
CIDA CEMENT LOCAL EX FACTORY	108.69%
BAG CEMENT (PROJECTS) (NOV)	158.30%
BULK CEMENT (PROJECTS) (NOV)	124.09%
RETAIL PRICE (NOV)	126.87%
CEMENT CLINKERS (OCT)	122.80%

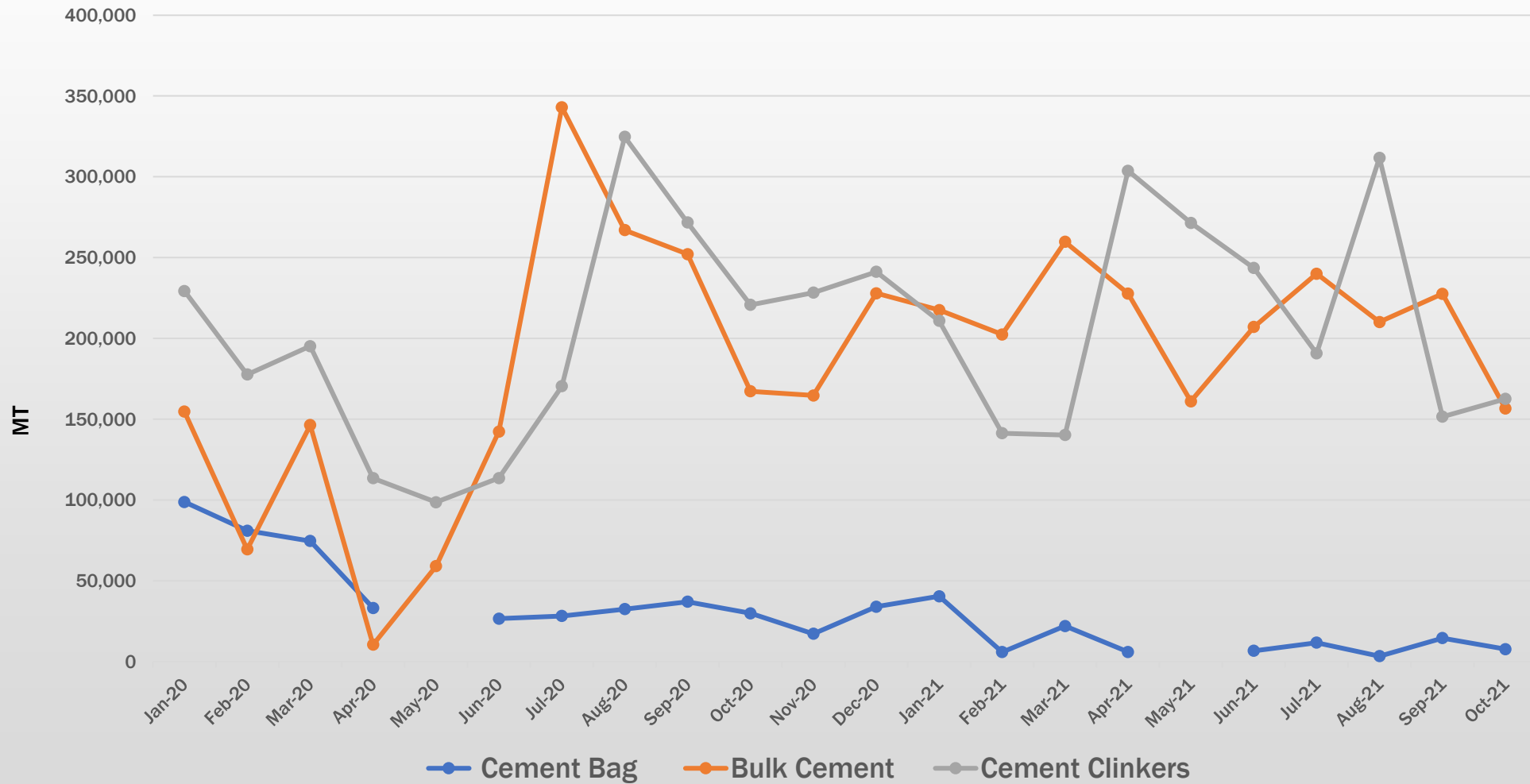
MATERIAL PRICE FLUCTUATION



CEMENT PRICE (TAX STRUCTURE)

TAX STRUCTURE ON CEMENT IMPORTS						
	HS CODE	Cement - Bulk - 2523.29.30 (SLSI)				
	CIF VALUE (USD)/KG					0.0650
	EXCHANGE RATE					202.9992
A	CIF VALUE (LKR)					13.19
	CIF					
B	DUTY	CIF VALUE	X	0%	=	
C	PAL	CIF VALUE	X	10%	=	1.32
D	CESS	(1KG)	x	2	=	2.00
E	VAT	$((\text{CIF VALUE} \times 110\% + (\text{DUTY} + \text{PAL} + \text{CESS})) \times 8\%$	X		=	1.43
						17.94

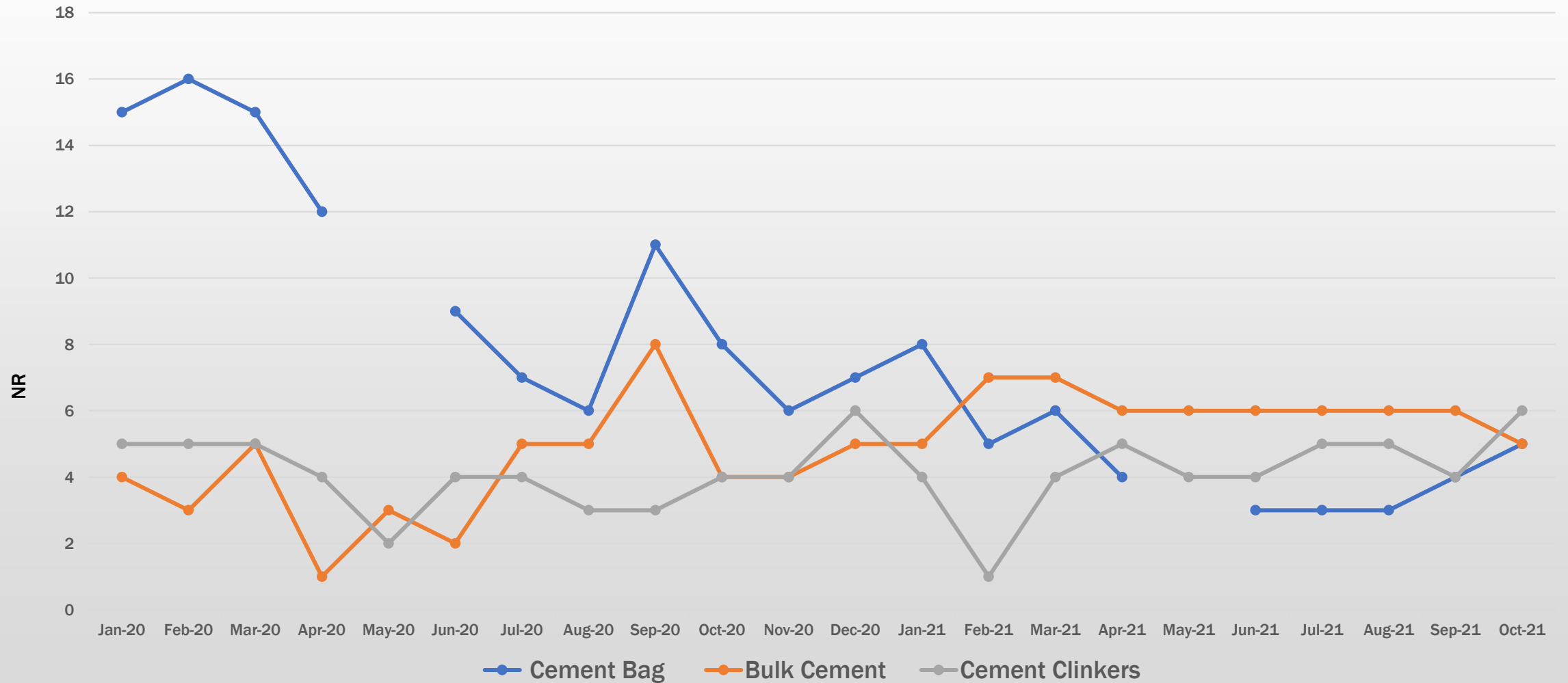
CEMENT IMPORTS



Source: SRI LANKA CUSTOMS

CEMENT BAG	2020	493,159 MT
	2021	118,413 MT
CEMENT BULK	2020	2,004,419 MT
	2021	2,110,174 MT
CEMENT CLINKERS	2020	2,384,898 MT
	2021	2,127,726 MT

NUMBER OF IMPORTERS



CEMENT PRICE INCREASE AND SHORTAGE

- Higher Demand In the Local Market
- Unstable Raw Material Cost
- Rupee Devaluation
- Restriction on Opening LC
- Shipping Charges
- Decrease in Market Suppliers

IMPACT TO CONSTRUCTION INDUSTRY

- Absorbing Continue Escalation which was Unpredicted
- Decrease in Profits Margin
- High Impact on Small Enterprises
- Relief from CIDA formula
- Relief for Contracts not Allowed for Price Fluctuation
- Difficulty in Cost Planning, Tendering
- Contractual Disputes, Termination

IMPACT TO CONSTRUCTION INDUSTRY

- **Increase in Demand for Construction Material with Government Policy**
- **Delay in Project delivery as Steel and Cement used for Activity in Critical Path**

FUTURE

- **Slight Decrease on Raw Material Prices**
- **Rely on USD reserves of the Country**
- **New Cement Suppliers to Local Market**
- **Implementing CIDA formula, Star Rate, Exchange Rate Compensation Method or any other Alternatives**
- **Negative Escalation?**

THANK YOU