Uzbekistan: running on empty

Uzbekistan's cement industry has expanded at a rapid rate and production has grown significantly at a time when domestic demand remains tepid and exports are few. The sector has seen falling capacity utilisation rates and key structural shifts as new entrants pressure less efficient incumbents, taking market share and eroding industry profitability.

■ *by **Avesta Investment Group**, Uzbekistan*



Uzbekistan's cement demand has seen only moderate growth since 2021

In an industry that employs more than 13,000 people, Uzbekistan's cement producers operate a total of 40 cement plants with a production capacity of 39.7Mta, according to the country's Construction Materials Association. The geographical spread of capacity in each region of the country is shown in Table 1.

In the last five years, the industry has seen significant expansion with capacity increasing more than three-fold in the 2019-25 period. In 2024 seven investment projects were implemented in the sector, leading to the introduction of new capacity and increasing cement output by 7Mta. One of the largest projects to be commissioned was Andijan WCC Cement's new plant in the Andijan region with cement and clinker capacities of 2.5Mta and 1.8Mta, respectively. The US$220m project was implemented by West China Cement (WCC) as part of the One Belt, One Road initiative.

This rapid industry expansion has not only surpassed the growth rate of production volumes but also market growth. Output grew 62.8 per cent from 10.99Mt in 2019 to 17.89Mt in 2024 and by a further 5.4 per cent in the first five months of 2025. Cement consumption increased 27.9 per cent from 14.43Mt in 2019 to 18.45Mt in 2024.

This growth was made possible by large-scale investments in the construction of new production facilities, and the active entry of new domestic and foreign players into the market, with China leading the pack.

However, the rapid industry expansion has led to a systemic drop in the capacity utilisation rate from 92 per cent in 2019 to just 45 per cent in 2024. Some of the country's plants are operating below 30 per cent capacity utilisation. Moreover, according to a non-confirmed market reports, between six and eight new plants introduced in the last five years were shut down due to a lack of sales, driven by problems in financing the working capital or the quality of production due to a lack of technical expertise. According to some mainstream media, only 24 plants actually produced cement in 2024.

As a result of the sharp increase in cement capacity that is outpacing demand, the government began reassessing its development strategy for the sector in 2024. With total production capacity exceeding domestic demand more than two-fold and plans for the launch of 22 more plants, President Shavkat Mirziyoyev criticised the unchecked expansion and called for a focus on modernisation and environmental sustainability. The Ministry of Ecology proposed a moratorium on new cement plant construction due to rising air emissions. As a result, the industry is shifting its emphasis from rapid capacity growth to technological upgrades and sustainable development.



Production capacity has surged as new cement plants were commissioned



Traditional cement producers have seen new entrants entering the market, eroding their market share



Cement plants have undergone significant modernisation projects, ranging from truck loading systems to major capacity upgrades



Changing industry structure

At the same time, in addition to the quantitative growth, market structure has changed significantly: the share of historical leaders, such as Kizilkumcement and Ohangarancement, has decreased, giving way to new and more aggressive producers, including overseas companies such as Huaxin, China Energy, Conch and WCC. This has resulted in increased fragmentation of supply, competition and price pressure in the domestic market – particularly problematic when capacity utilisation rates have been falling to low levels and cement producers see limited sales.

The most striking example of the decline is Kizilkumcement, which remained the largest cement producer but at the same

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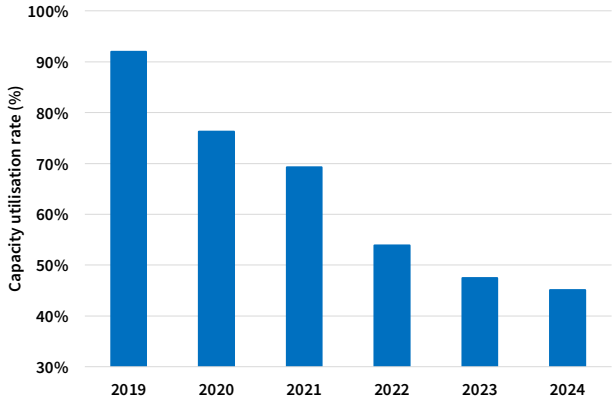
Table 1: Uzbekistan's cement plants and capacity by region, 2024

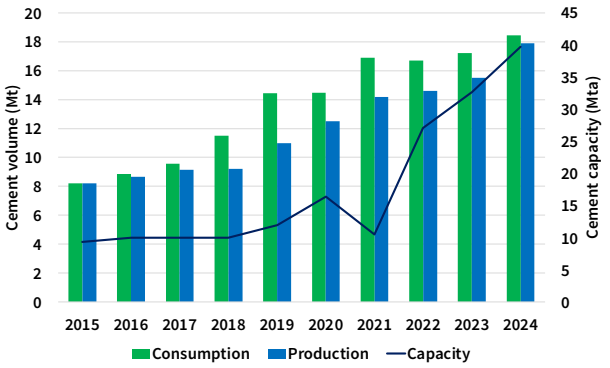
Region	No of plants	Cement capacity (Mta)
Andijan	7	7.02
Tashkent	4	6.50
Navoi	1	5.70
Fergana	10	5.04
Jizzakh	4	4.70
Samarkand	5	3.65
Namangan	4	2.05
Surkhandarya	2	1.86
Karakalpakstan	2	1.60
Kashkadarya	1	1.60

Figure 1: capacity utilisation in the Uzbek cement industry, 2019-24



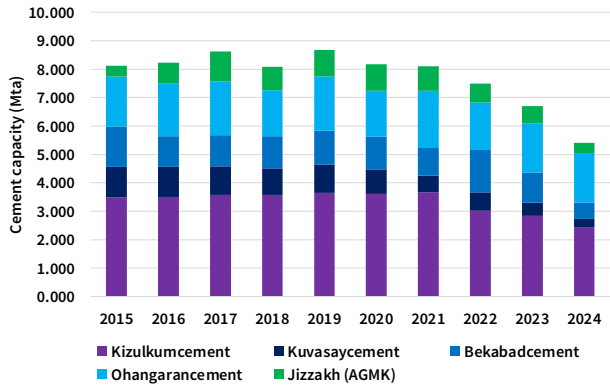
Source: Avesta Investment Group

Figure 2: cement consumption, production and capacity in Uzbekistan, 2015-24



Source: industry and media sources, Avesta Investment Group

Figure 3: cement production by listed producer in Uzbekistan, 2015-24



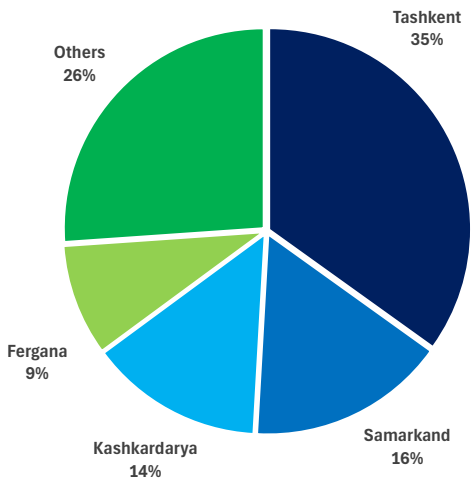
Source: industry and media sources, Avesta Investment Group

time reduced its production from 3.64Mt in 2019 to estimated 2.45Mt in 2024. A similar trend is observed at companies such as Kuvasaicement and Bekabadcement, where production has decreased by over a half. This is mainly due to increased competition from new players.

Against the backdrop of the declining performance of established companies, new producers have rapidly entered the market. This includes Huaxin Cement in Zafarobod, Namangan Cement and Fergana Yasin, which each have outputs over 1Mt, according to their company results in 2024. New enterprises in Andijan, Samarkand and Karakalpakstan – such as Andijan WCC Cement, Toshkent Konch Cement and China Energy JV in Samarkand – also made a significant contribution to the expansion of the industry. New players accounted for a total of ~30 per cent of the total production volume in 2024, providing most of new output. Chinese producers have increased their share of total production by almost half due to significantly lower prices.

Another significant trend is the expansion of the geography of the cement industry. Where previously production was concentrated in the Jizzakh, Navoi and Tashkent regions, in recent years there has been a steady growth of enterprises in Kashkadarya as well as in the geographically isolated Fergana Valley regions of Namangan, Fergana and Andijan. This is expected to help reduce transportation costs, diversify logistics routes and increase the sustainability of the industry as a whole.

Figure 4: share of buyers by region, 2024



Source: UzRTSB Commodity Exchange, Avesta Investment Group

Cement prices

According to UZEX exchange data for 2024, the average price of cement ranged between UZS472,000-598,600/t (US$37.27-47.26/t). Prices increased during the period May-September, as construction demand accelerates during this period of the year. In US$ terms, prices in 2024 fell by nearly US$15.30/t, or 26.2 per cent, and by a total of 42 per cent over the past four years.

Profitability and investment

Data on public cement companies in Uzbekistan for 2022-1Q25 shows a rapid deterioration in both the profitability and investability of the industry (see Table 2). If in 2022-23 most issuers maintained positive financial indicators, then by the 9M24 and especially in 1Q25 the situation changed dramatically. The average gross margin in the sector decreased from 39 per cent in 2023 to 10.5 per cent in the 1Q25, and the operating (EBIT) margin went into deep negative territory: from 17.7 per cent to –20.2 per cent. Such dynamics indicate a fall in prices amid stagnation or rising costs, which is typical for industries with oversupply and insufficient capacity utilisation.

Among the largest public players, Kizilkumcement (QZSM) demonstrated the greatest gross margin resilience in 2024, but its operating profitability turned negative in the 1Q25 (-10.6 per cent). Other companies, including Bekabadcement (BECM), Kuvasay Cement (KSCM) and Ohangarancement (OHSM), showed an even more pronounced decline. The situation is especially critical for OHSM, where the EBIT margin fell to -76.3 per cent in 1Q24, indicating significant operating losses. This coincides with a sharp deterioration in multiples: the average price/earnings (P/E) for the sector turned negative from the 9M24 onwards. At the same time, P/B ratios fell to a record low: the average for four companies was just 0.13, which means the market values these companies at more than seven times less than their book value.

Capitalisation per tonne of installed capacity also fell from US$19.7 in 2022 to US$4.6 in the 1Q25. This reflects not only the decline in the value of the shares themselves but also investor doubts about the ability of companies to generate profits in the current market environment. Even historically stable companies such as OHSM lost a significant part of their capitalisation, despite maintaining a relatively high book value.

The dynamics of the price of common shares of KSCM for the period from May 2020 to May 2025 is a typical picture of a speculative surge followed by a protracted decline and stabilisation at extremely low levels. In 2021 there was a sharp increase in quotes: the share price almost tripled and approached the level of UZS1m. This rise probably reflected waves of stock market enthusiasm amid announcements of modernisation, expansion of production and a general increase in industry expectations in the cement sector. However, starting from the 4Q21, a long and, in fact, irreversible decline began. By mid-2022, quotes fell below UZS300,000, and in 2023-24, KSCM shares continued to lose value amid deteriorating financial results.

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2025
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A drop in gross and operating margins, high competition, a sharp decrease in capacity utilisation and a deterioration in the investment attractiveness of the industry put pressure not only on fundamental assessments but also on market expectations.

Since the beginning of 2024, the rate of decline has slowed down and in the 1Q25, a sideways movement in the region of UZS60,000-100,000 has been observed. This may indicate reaching the "bottom" and reassessing the risks, although there are no signs of a sustainable trend reversal. Investors, judging by the market's behaviour, do not expect a quick recovery of Kuvasaycement's profitability – either through domestic demand or through exports.

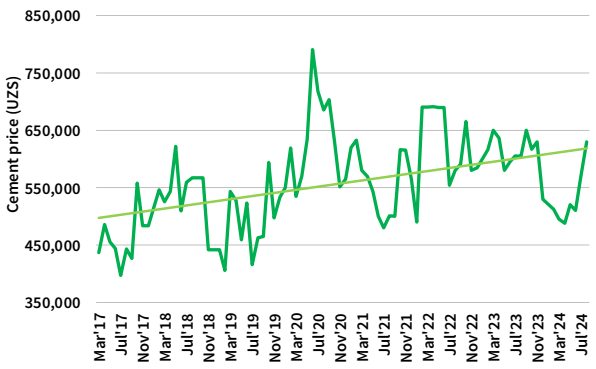
Adding further colour to the story is the fact that Kuvasaycement has returned to the government its share in the glass producer Kvarts JSC, which was announced for privatisation at the beginning of 2023. In April 2025 it was revealed the buyer was now unable to fulfill its obligations on the payment.

Table 2: key indicators of public cement companies in Uzbekistan, 2022-1Q25

Company	Gross margin (%)					Adjusted EBIT margin (%)					Tax/revenues (%)				
	2022	2023	9M24	1Q24	1Q25	2022	2023	9M24	1Q24	1Q25	2022	2023	9M24	1Q24	1Q25
QZSM	37.0	45.1	29.1	31.2	14.5	21.7	27.3	0.9	-1.3	-10.6	3.5	3.2	0.0	0.3	0.0
BECM	32.6	36,7	-8.7	-14.8	-0.7	18.9	21.2	-33.8	-46.9	-28.3	3.4	3.3	0.0	0.0	0.0
KSCM	28.4	30.0	7.7	8.2	6.5	8.7	5.6	-33.4	-27.2	-41.3	2.3	1.4	0.0	0.0	0.0
OHSM	35.1	33.3	-4.4	-31.5	n/a	12.4	4.0	-33.6	-76.3	n/a	3.2	2.9	0.0	0.0	n/a
Average	**34.8**	**39.0**	**15.0**	**6.9**	**10.5**	**17.7**	**17.7**	**-13.9**	**-29.3**	**-20.2**	**3.3**	**3.0**	**0.0**	**0.2**	**0.0**
Company	**Price/earnings (P/E) ratio**					**Price-to-book (P/B) ratio**					**Market capitalisation/t of capacity (US$)**				
	2022	2023	9M24	1Q24	1Q25	2022	2023	9M24	1Q24	1Q25	2022	2023	9M24	1Q24	1Q25
QZSM	5.23	2.81	-64.31	2.59	neg	0.61	0.44	0.28	0.37	0.21	26.2	20.8	12.5	16.5	8.7
BECM	1.17	1.36	-0.63	1.09	neg	0.31	0.26	0.09	0.16	0.10	8.4	8.0	2.5	4.5	2.5
KSCM	3.11	6.69	-0.71	8.61	neg	0.23	0.19	0.07	0.11	0.08	10.4	7.8	2.6	4.2	2.7
OHSM	14.72	24.22	-6.35	28.11	n/a	1.16	1.12	1.29	1.23	n/a	33.7	31.7	28.7	29.8	n/a
Average	**6.06**	**8.77**	**-18.00**	**10.10**	**-**	**0.58**	**0.50**	**0.43**	**0.47**	**0.13**	**19.7**	**17.1**	**11.5**	**13.8**	**4.6**

**neg = negative* *Source: Single Portal for Corporate Information Disclosure, Avesta Investment Group*

Figure 5: cement prices at commodity exchange trades – Portland cement M-400 D-20 (bulk), UZS/t



Source: UzRTSB Commodity Exchange, Avesta Investment Group

In 2024 the Chinese-Uzbek cement plant Shangfeng, located in the Andijan region, became the subject of an antitrust investigation following complaints from 13 local producers who accused it of dumping and selling cement below cost. The Competition Development Committee confirmed the existence of unfair competition, identifying direct sales of 122,700t of cement bypassing the exchange and pricing regulation violations. The plant was fined UZS4.9bn.

External trade

Despite increased supply, improved logistics and the removal of a number of barriers, exports have remained extremely limited. The peak volume of exports was observed in 2020 at 0.53Mt, but by 2024 they had fallen to ~ 0.164Mt, which indicates that export channels still do not play a systemic role in the industry.

However, the growth of cement production in Uzbekistan has an impact on imports, which decreased almost five-fold from 3.6 to 0.73Mt between 2019-2024. Neighbouring countries have been particularly affected. For example, in 2024 Tajik cement producers saw a two per cent decrease in domestic output and a 30 per cent drop in exports, driven by the growth of supply in Uzbekistan and the introduction in November 2024 of a sharp increase in customs duties on cement, which rose from US$35/t to US$300/t.

Conclusion

As cement capacity and production have rapidly increased while domestic consumption saw an only moderate advance, Uzbekistan's cement producers have faced dwindling capacity utilisation rates, impacting profitability.

In addition, new entrants into the sector have resulted in reduced market share for the country's traditional producers, spurring significant structural changes in plans for industry development. ■