DANGOTE GROUP

CEMENT & OIL REFINERY

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RESEARCH QUESTION

How can Dangote Group remain sustainable in Nigeria’s volatile political and economic environment?

BRIEF HISTORICAL OVERVIEW

PRE-COLONIAL ERA
Before colonization, Nigeria consisted of diverse independent kingdoms and empires

BEFORE 1861

1861

BRITISH INVASION
Britain annexed Lagos in 1861 and gradually expanded control across other regions

AMALGAMATION
Lord Lugard amalgamated the Northern and Southern Protectorates

1914

Amalgamation : process of combining two or more entities into a single new entity

BRIEF HISTORICAL OVERVIEW

1960

INDEPENDENCE

Nigeria gained independence from Britain on October 1st, 1960

1966

MILITARY REGIME

The first military coup occurred on January 15th, 1966, leading to decades of military dominance, interrupted only briefly (1979–1983)

1999

DEMOCRACY RESTORED

In 1999, Nigeria returned to democratic governance after decades of military rule, marking the beginning of the Fourth Republic

1966 – 1999

ERA OF INSTABILITY MILITARY REGIMES

IMPACT OF MILITARY REGIME

- Lasted for 33 years with 10 Heads of State
- Frequent coups and abrupt leadership turnover
- Political assassinations and violent transitions
- Civil war (1967–1970)
- Constitutional suspension and human rights abuses
- Unstable economic policies
- Widespread corruption and diversion of public funds

This era created deep political and economic instability that still shapes Nigeria's volatile business environment. Its long-term effects, including weak governance, corruption, and persistent mismanagement of public resources continue to challenge the country's efforts toward sustainable reform

STRUCTURAL ADJUSTMENT PROGRAM (SAP)

WHY WAS SAP INTRODUCED?

- Nigeria discovered oil in 1956 and became heavily dependent on oil
- Nigeria experienced an oil boom through the 1970s
- The 1981–1983 global oil price crash reduced government income
- Inflation spiked to over 23%, with rising living costs and foreign debt
- State-owned enterprises became inefficient and heavily loss-making

WHAT ARE ITS GOALS?

- IMF proposed strict reforms and privatization
- SAP was adopted in 1986 with these goals:
  - Diversify the economy away from oil
  - Removal of fuel subsidies
  - Privatize failing public enterprises and boost private investment
  - Stabilize prices and strengthen the currency

WHAT SECTORS WERE PRIVATIZED?

- **Telecommunications**: today accounts for over 16% (₦14.1T) of Nigeria's GDP
- **Cement** : acquired by Dangote group in 2000, reduced import and localized the production of cement
- **Power:** sold in parts to generation and distribution companies in 2013; there is still work to be done
- **Port Terminals**: privatized operations while the government still owns the infrastructure

SAP marked Nigeria's shift from state control to private-sector leadership, creating the environment that allowed companies like Dangote Group to grow and dominate key industries while the government passes favorable laws to protect them

NIGERIA'S BRAIN DRAIN CRISIS AND WORKFORCE IMPLICATIONS

HUMAN CAPITAL ADVANTAGE

- Population : 237 million people
- Median Age : 18 years
- 123M people of working age

REFERENCE

- According to book, "10 rules of successful nations", countries with young, expanding populations are more likely to experience strong economic growth
- Nigeria is losing this advantage because its young people are emigrating in record numbers

A NATION LOSING ITS BEST TALENT

- In 2020, the End Sars protest led to the killing & maiming of young Nigerians who wanted a better country
- This was a catalyst for mass emigration in 2021
- 3.6M Nigerians between 18 - 35 years left from 2021 through 2024
- Top destinations: US, UK, Canada, Germany, Ireland

MAJOR INDUSTRIES AFFECTED

Healthcare : Doctors, Nurses, Opticians

Technology : Engineers, Cyber security, Software Development, Data Analysts

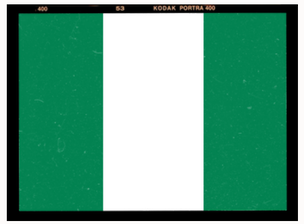
Finance : Accountants, Finance Managers, Actuaries, Insurance specialists

Education : Professors, Researchers

Brain Drain : The large-scale emigration of skilled and educated professionals from a country in search of better opportunities abroad

POLITICS & ECONOMICS

PROFILE



GDP	
GDP	$285 Billion
GDP PER CAPITA	$1,200
GROWTH IN 2025	3.9%
POPULATION	237Million, 46%-62% live under the poverty line.
UNEMPLOYEMNT RATE	4.8%
RANKED	145/180 CPI

INFLATION	
INFLATION	16.84% ↓ from 18.02% (Sept 2025)
FOOD INFLATION	14.43% ↓ from 16.87% (Sept 2025)
FUEL SUBSIDY EFFECTS	Removal in May 2023 → increased transport & food costs.
FUEL COST	High (₦800–₦1200/litre) ($0.56-$0.83)→ govt reintroducing partial subsidies.
LIVING COST RISING	Transport, food, utilities, rent & school fees.
MAIN DRIVERS	Subsidy removal, naira devaluation, security issues

CURRENCY INSTABILITY
Sharp fluctuations of the naira against the USD
Caused by: low dollar inflows, weak FDI, reduced oil revenue, high import dependence
Post-2023 FX reforms → rapid depreciation
Purchases the time management application.
Effects on business: higher import costs, unpredictable pricing, planning difficulty

POLITICS & ECONOMICS

INSECURITY

- Banditry, kidnapping, Boko Haram/ISWAP insurgency, and separatist tensions continue to affect investment across the country.
- There is also a problem of Religious and ethnic disputes, which increase displacement and uncertainty in the country.

EXPORT

- **Total exports**: ₦20.6trn ($14.30b) (Q1 2025) → ₦22.75trn ($15.79b) (Q2 2025)
- **Oil :** 52.6% of export earnings
- **Non-oil exports :** 47.4% (cocoa, cashew, urea fertilizers leading)
- **Cement exports** : 0.086% but growing due to Dangote's regional expansion

INFRASTRUCTURE

Electricity & Energy
- Nigeria loses US$25bn annually to unreliable power
- Frequent grid collapses → heavy reliance on diesel, gas & solar

Roads & Transport
- Poor road networks, insecurity, and high logistics cost
- Port congestion → long import/export delays

Education & Human Capital
- Weak learning outcomes & skills mismatch
- High number of out-of-school children limiting productivity

***Public Debt:** Nigeria's Public Debt is projected to decline from 42.9% to 39–40% due to subsidy reforms. Senate approved US$21 billion loan for the 2025 budget

POLITICS & ECONOMICS

+ PROS

Sanctions on Imports / Trade Restrictions

- Cement import bans protected Dangote Cement's market share.
- FX restrictions limited foreign competition.
- Integration policies strengthened growth in cement and refining.

Nigeria's Market Conditions

- Large population (237m) increased cement and fuel demand.
- Government policies favoured big local producers.
- Infrastructure and housing needs boosted long-term cement demand.

Fuel Subsidies / Fuel Policy

- Subsidy removal increased demand for local refining.
- Crude supply allowed in naira supports refinery costs.
- Heavy fuel import dependence made Dangote a key national supplier.

− CONS

Sanctions on Imports / Trade Restrictions

- FX and import controls made access to machinery more difficult.
- Import limits increased local production costs.
- Policy changes disrupted supply chains and delayed projects.

Naira Depreciation

- Weak naira raised cost of USD-priced inputs and equipment.
- Higher import costs reduced profit margins.
- Lower consumer affordability reduced cement demand.

Fuel Subsidies / Fuel Policy

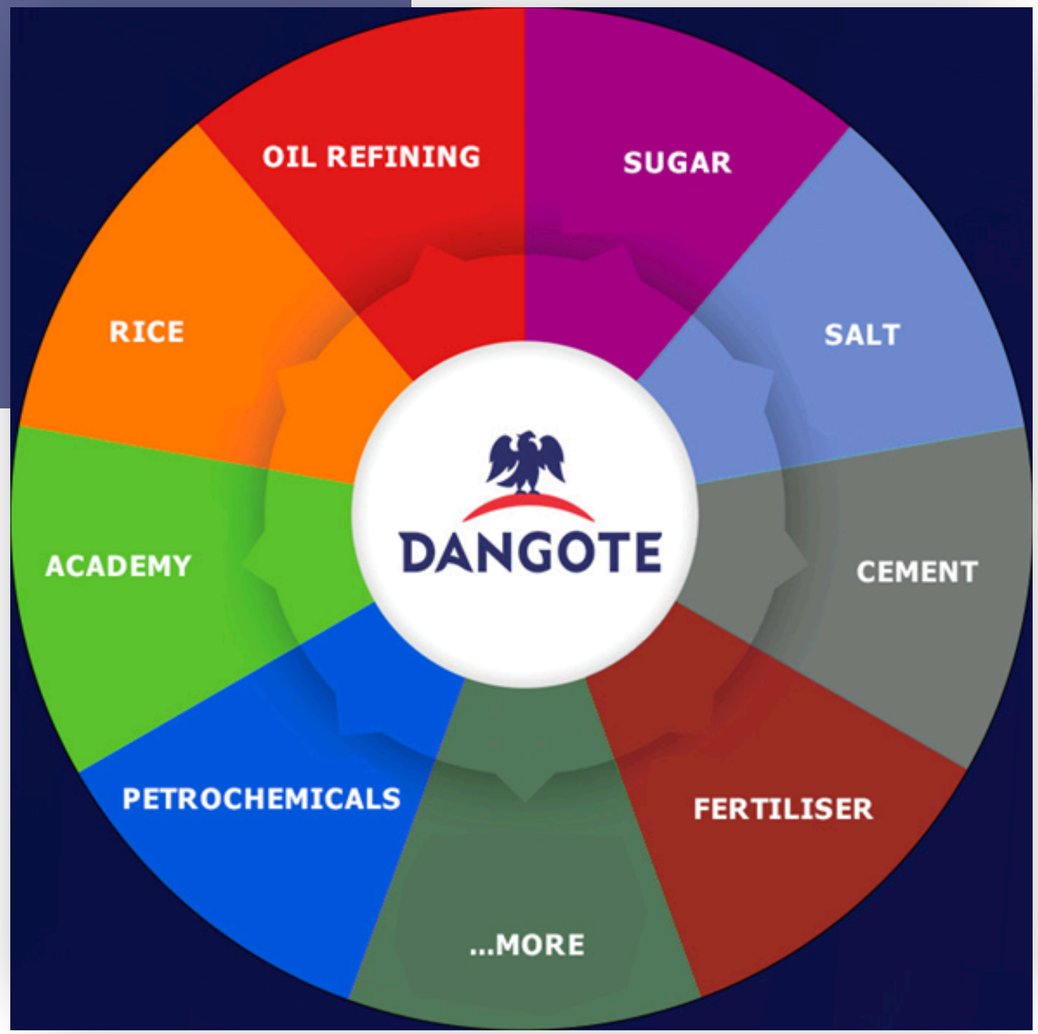
- Subsidy removal increased inflation and transport costs.
- Higher fuel prices raised cement production and distribution costs.
- Falling purchasing power slowed cement sales.

DANGOTE GROUP: EARLY ORIGINS

- **Aliko Dangote** - Born in Kano, Nigeria, in 1957, into the prominent Dantata trading family
- Grandfather Sanusi Dantata was a major trader and early influence
- Received a startup loan in 1977, used to begin small-scale commodity trading
- Founded the Dangote Group in 1981 in Lagos, Nigeria as a trading business
- Imported core staples: sugar, rice, salt, flour, cement, fish, textiles
- **Simple model:** import in bulk → distribute → reinvest → scale
- Built a nationwide logistics network early on
- **Mission**: “To touch the lives of people by providing their basic needs”

DANGOTE GROUP: TRANSFORMATION

- 1990s–2000s shift from trading to large-scale manufacturing
- Nigeria moves toward private-sector leadership after the SAP era
- Early-2000s privatization opened access to former state-owned cement plants
- Rising FX volatility and costly cement imports pushed Nigeria toward local production
- 2007: Obajana Cement Plant launched (largest in Africa)
- Cement became Dangote's flagship business
- Group now spans rice, sugar, salt, fertilizer, petrochemicals, and oil refining



HOW CEMENT IS PRODUCED (SIMPLIFIED PROCESS)

- Quarrying limestone
- Crushing & raw milling (grinding raw materials into fine powder)
- Preheating & kiln operation (heating to ~1,450°C to form clinker)
- Clinker cooling
- Cement milling (grinding clinker with additives)
- Bagging & bulk loading
- Distribution to markets

DANGOTE GROUP: CEMENT TODAY

- **Capacity**: ~55 million tonnes per annum (Mta) across Africa.
- **Nigerian market share**: ~60–65% of the domestic cement market.
- **Africa's total production capacity**: ~386 Mta as of 2020
- **Operational strengths**: Own limestone quarries, make cement from start to finish, generate part of their own power, fleet of 7,000+ trucks
- **Key challenges**: transport infrastructure, supply chain disruptions, unstable energy supply

DANGOTE REFINERY : CAPTURING A $IO BILLION MARKET

- Nigeria exports 500 - 600 million barrels of crude annually, earning $41 - $51 billion depending on global prices
- Despite this, Nigeria spends $10 billion on fuel imports annually because its four state-owned refineries are non-functional
- The Structural Adjustment Program opened the pathway for private-sector leadership in critical industries, creating the environment for the Dangote Refinery to emerge
- Project launched in 2013; construction began 2017; inaugurated 2023; production started 2024
- The refinery is designed to produce 650,000 barrels per day, generating an estimated $7 - $10 billion in annual revenue at full capacity

BENEFITS FOR NIGERIA

- Cuts $10 billion annual fuel import spending
- Supports potential Naira appreciation
- Lowers fuel costs through local refining
- Improves trade balance and energy security

BENEFITS FOR DANGOTE GROUP

- Strengthens margins through full vertical integration
- Captures Nigeria's $7- $10 billion annual fuel import market
- Becomes the price leader in Nigeria's fuel market

PUBLICALLY TRADED COMPANIES

SUGAR

$1B USD

FOUNDED: 1999 | IPO: 2007

NASCON

$190M USD

FOUNDED: 1973 | IPO: 1991

CEMENT

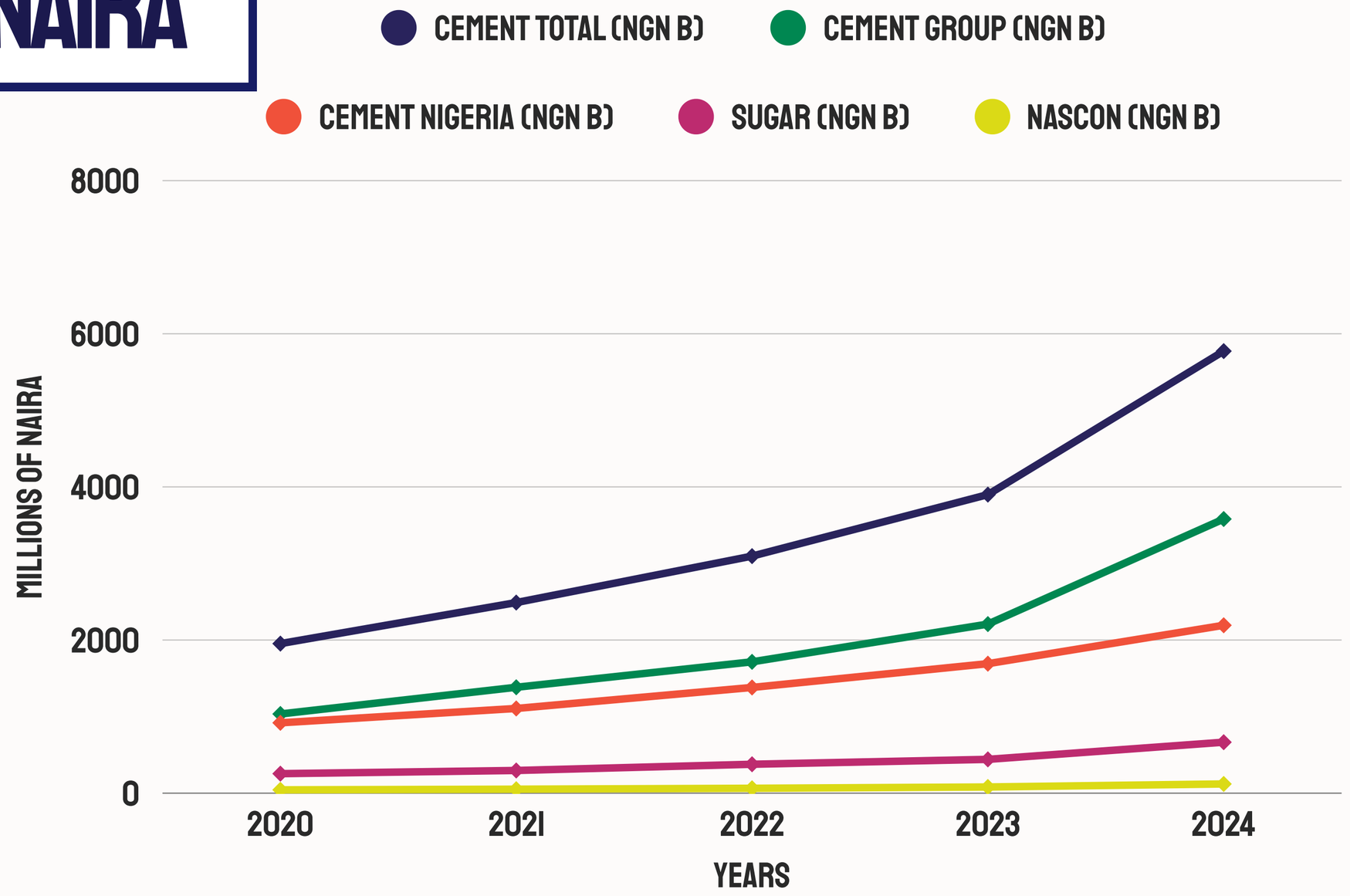
DANGOTE
CEMENT

$7.4B USD

FOUNDED: 1981 | IPO: 2010

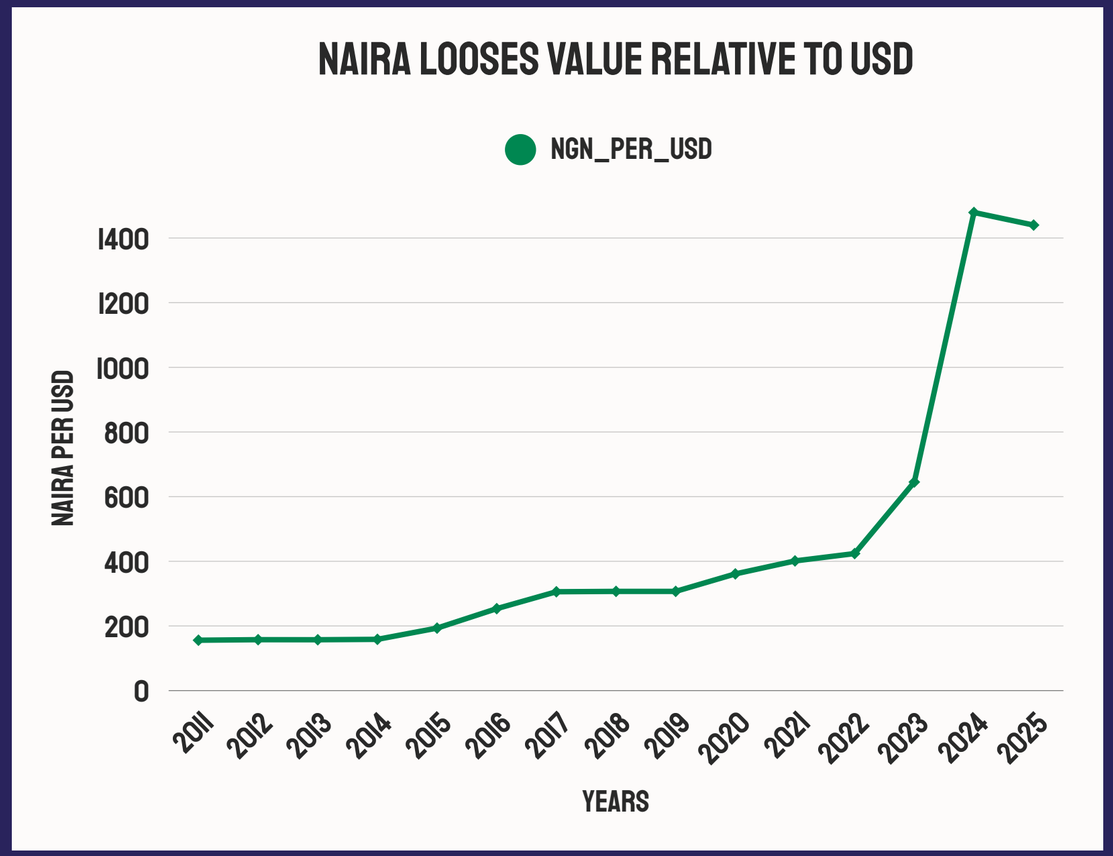
REVENUES IN NAIRA

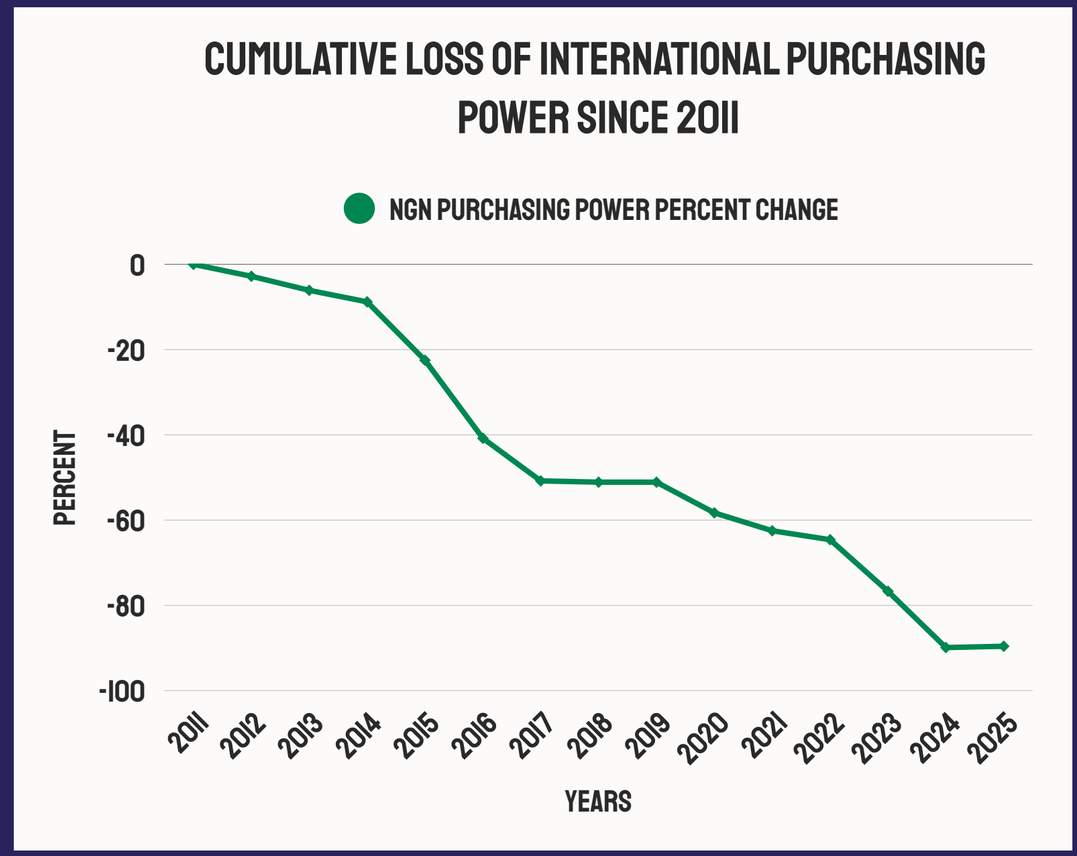
Positive Picture



NAIRA INFLATION AND EXCHANGE RATES

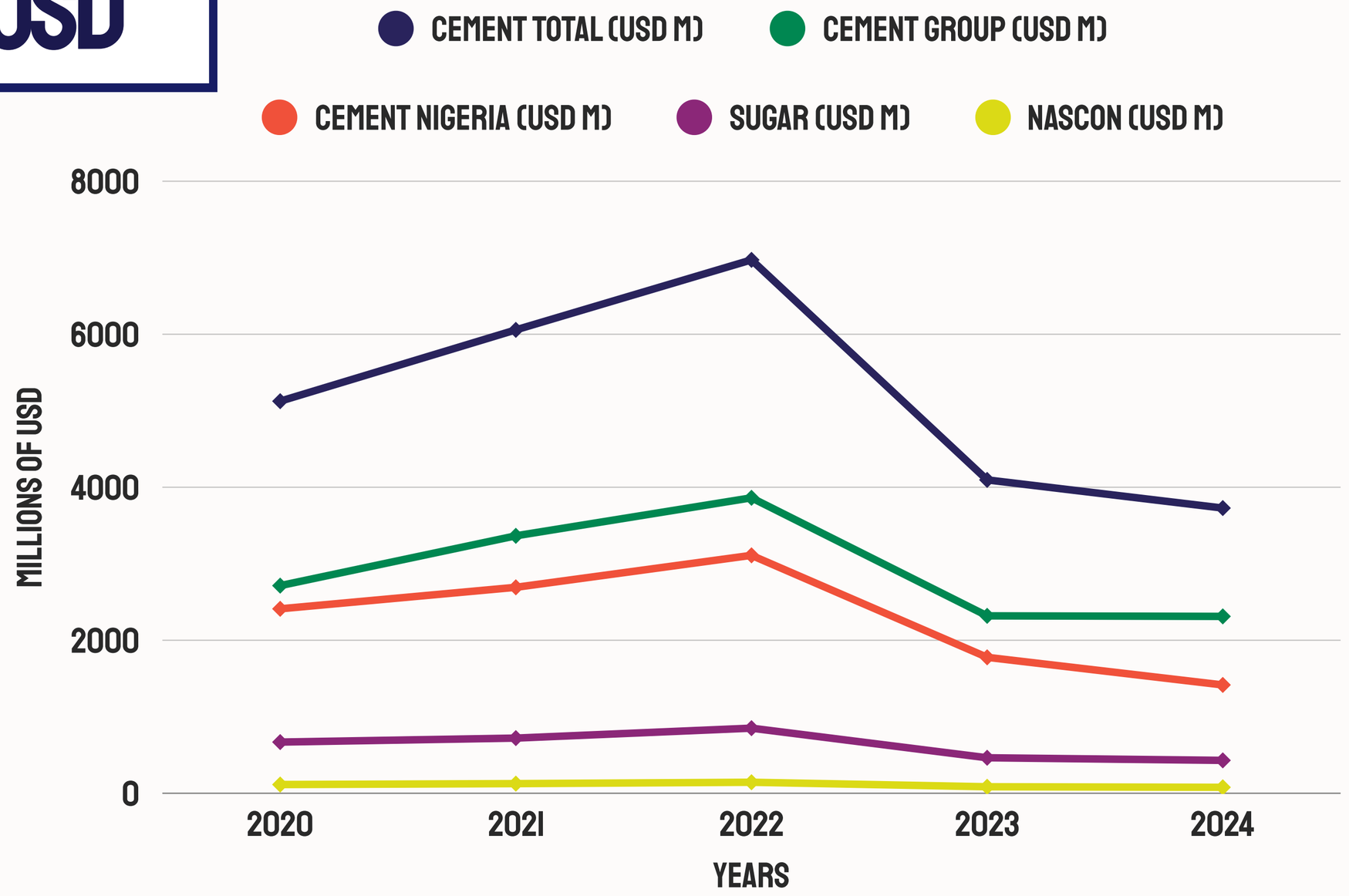
Lost 93% of international (usd) purchasing power since 2011





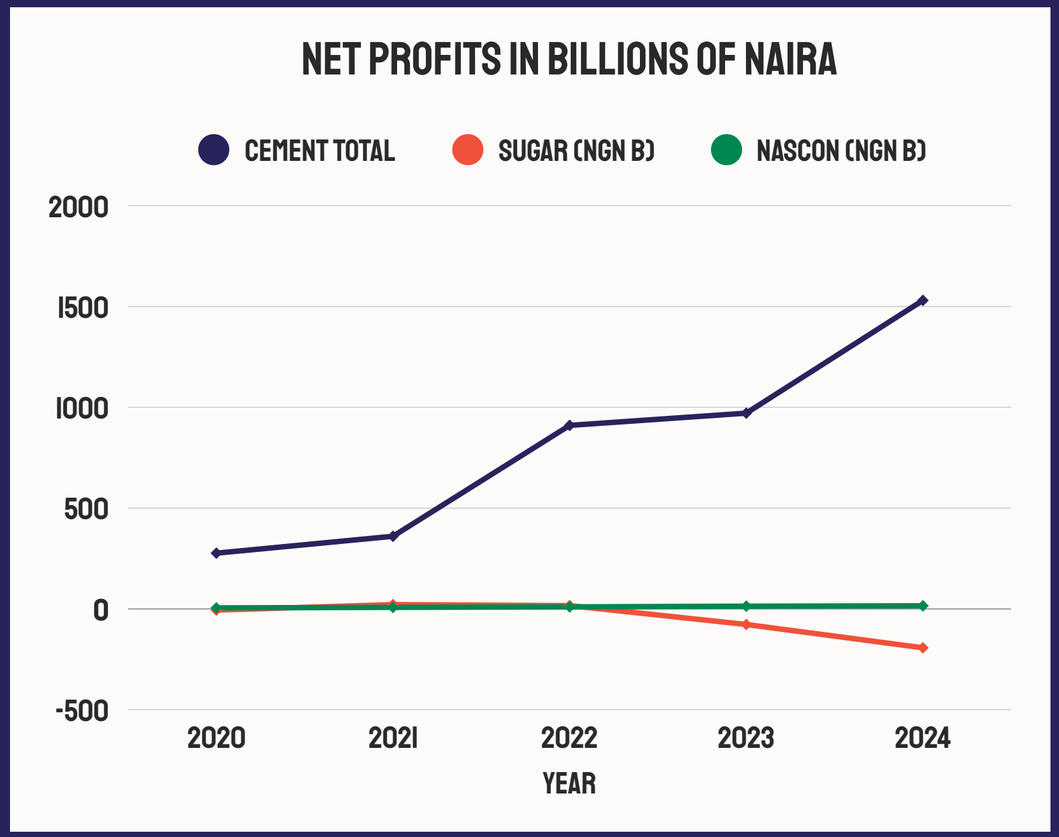
REVENUES IN USD

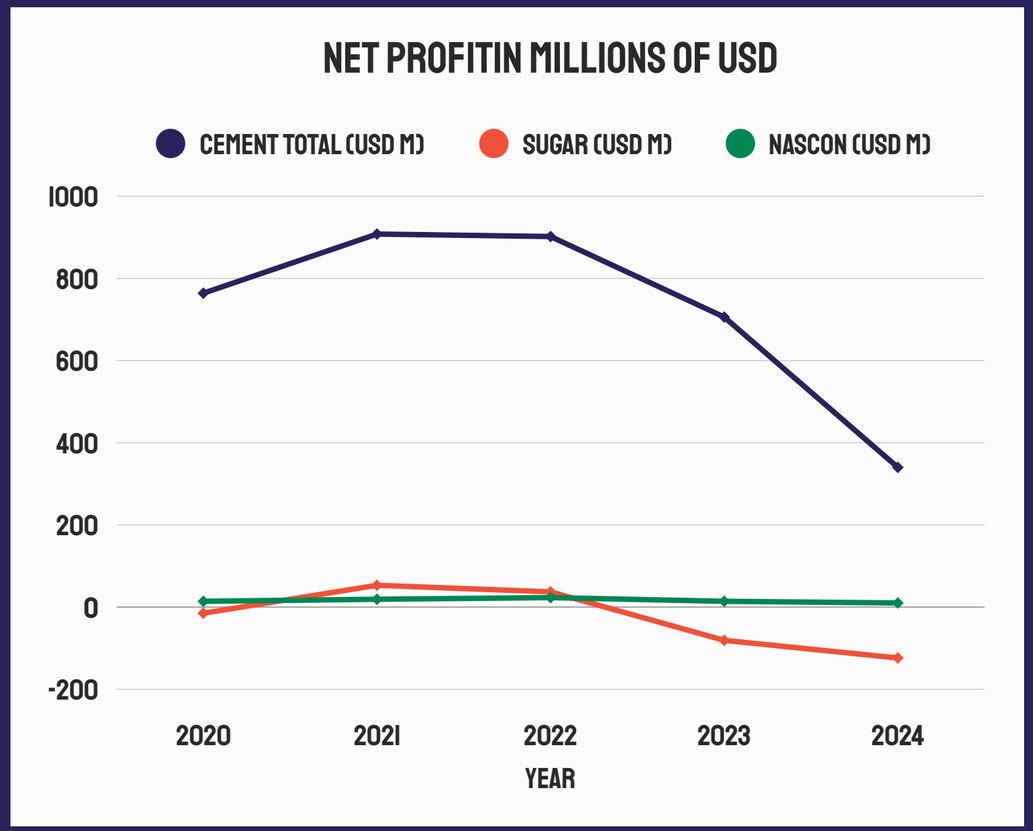
Negative Picture



PROFITS ARE ALSO DECLINING

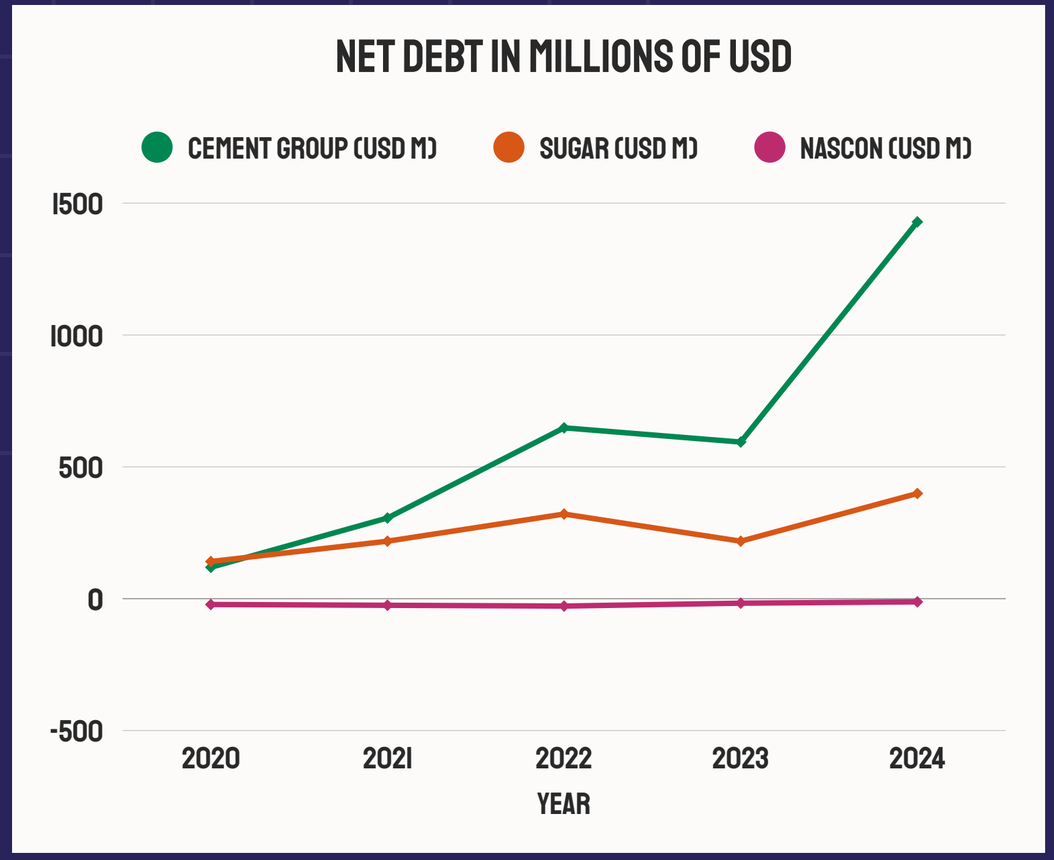
Cement is the only cash cow





LEVERAGING CEMENT FOR SPARE CASH

Taking our debt against Cement Division to fund other projects



2025 LIQUIDITY	
CURRENT RATIO	1.01

NOW IN A DANGEROUS CASH POSITION

Group is in severe financial distress and getting worse

DIVISION	CASH(2024)	DEBT(2024)	NET POSITION	DAY CASH	HEALTH
CEMENT	$290M	$1,720M	-1,430M	46 Days	Stressed
SUGAR	$70M	$469M	-$399M	59 Days	Critical
NASCON	$16M	$4M	+$12M	75 Days	Declining

2020: All **companies** had **healthy cash positions**
2022: **Debt rising** but manageable
2023: Naira crash triggers **debt explosion**
2024: Cash crisis

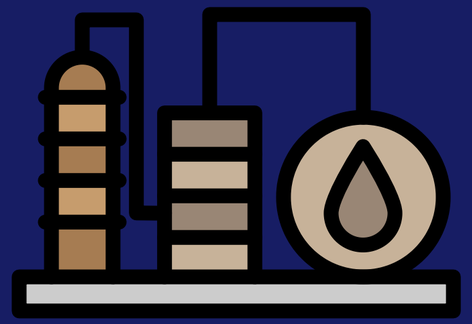
- Cash reserves depleted 30-71%
- Loans take out against cement

2025: Full crisis mode

- Over-levered Cement
- Liquidity dangerously low

PRIORITIES MOVING FORWARD

OIL REFINERY



Stop bleeding cash at the Refinery

CEMENT PRODUCTION

Fatten their cash cow: Cement

SUSTAINABLE OPERATIONS

01

Expansion of cement operations across Africa to strengthen regional market share.

02

Optimizing Dangote Oil Refinery current operations.

CRITCAL REFINERY CHALLENGES

SOURCING CRUDE OIL

Dangote Refinery faces chronic crude supply instability. Forcing costly imports and threatening consistent refinery operations.

TECHNICAL INTEGRITY ISSUE

Dangote Refinery risks costly shutdowns due to equipment complexity and inconsistent crude quality

WORKFORCE DEVELOPMENT

Dangote Refinery faces major operational risk from a severe local skills gap

SOURCING CRUDE OIL

PROBLEM

- Dangote Refinery faces chronic crude supply instability. Forcing costly imports and threatening consistent refinery operations.

KEY EVIDENCE

- Findings show that the Dangote Refinery is projected to import 17.65 million barrels of crude oil between April and July 2025,
  - USA = 1,500 Naira
  - Angola = 1.57 Naira
  - Algeria = 11.04 Naira

RECOMMENDATION

- Vertically Integrate into production of Crude Oil
- Minority Equity in an underperforming oil asset
- Share of the oil that is produced based on your ownership percentage - Equity Crude.

IMPACT

- Secures a stable crude oil supply not necessarily tied to the government
- Able to get a crude supply in Naira currency

*Implemention should be considered after they have stabilized profitability with the NNPC deal

TECHNICAL INTEGRITY ISSUES

PROBLEM

- Dangote Refinery risks leads to costly shutdowns due to equipment complexity

KEY EVIDENCE

- Dangote's group had a catalyst leak leading to Residue Fluidized Catalytic Cracking Unit (petroleum refining) being offline for since August

RECOMMENDATION

- AI Infrastructure Health Monitoring system
- License from **Aspen Mtell** that uses ML to learn how equipment behaves when it's healthy, and monitors sensor data, and identifies early warning signs of mechanical or process failure

IMPACT

- Reduces the risk of major unit failures and prevents small issues from escalating into multi-month shutdowns, ensuring higher refinery uptime, safer operations, and more stable fuel production.

WORKFORCE DEVELOPMENT ISSUES

PROBLEM

- Building and training a skilled workforce capable of operating such a technologically advanced facility required substantial time and resources.
- 6 to 12 months on avg to training Entry-Level Operator: carrying out routine tasks that keep the plant running 24/7

KEY EVIDENCE

- Nigeria's oil & gas industry suffers a skills gap
- The sector remains reliant on foreign technical experts because local capacity is limited by outdated vocational programs

RECOMMENDATION

- AI-driven VR training platform that rapidly builds refinery operator skills by simulating complex environments, enabling safe, repeated practice while reducing training time

IMPACT

- Creates a pipeline of consistently trained operators capable of handling complex refinery systems

THANK YOU

APPENDIX

PROPIERTARY

SENSORS	AMOUNT
WIRELESS VIBRATION SENSOR	400,000
WIRELESS TEMPERATURE SENSOR	75,000
PRESSURE TRANSMITTERS	160,000
TOTAL PROJECT COST	**635,000 (not including ML develoment)**

LICENSE

COMPANY	AMOUNT
ASPEN MTELL	$600K to ~$1.5M

WORKFORCE DEVELOPMENT ESTIMATE

COMPANYY	AMOUNT
EON REALITY	US$124 per user / per month, billed annually, with a minimum of 30 users.