MACHINERY AND EQUIPMENT

1990

Dorbyl set for a successful year, says CE

ZILLA EFRAT (189)

DORBYL Limited is well structured for stable growth with its strategic focus on manpower management, overall productivity improvement and the generation of further export business, says CE Dawid Mostert in his annual review

Growth in export sales is expected to outstrip that of the domestic market, the latter being affected by an anticipated slowing of the economy

Chairman Floris Kotzee says the expected economic downturn in general, and motor vehicle sales in particular, are bound to affect the group's results

However, prospects remain positive because of momentum generated by past measures to improve profitability and generate new business

In the year ended September, Dorbyl's attributable earnings jumped 40% to R112m (R80m) in spite of an increased tax rate Mostert expects earnings to show a further improvement this year

He says satisfactory sales and profits were achieved in seven of the group's nine operating divisions The heavy engineering and transport products operations achieved improved operating profits after the previous year's losses

The group has embarked on a programme of modernisation, upgrading and replacement of plant and has also expanded capacity in key areas

Dorbyl declared a a dividend of 100c (77c) for the year to September, up 30% and covered 3,5 (3,3) times, on earnings of 351,4c (251,5c) a share Turnover rose 21% to R2,5bn (R2bn) with operating margins improving to 7,4% (6,2%)

Kotzee says gearing at 21,2% (29,1%) remains satisfactory, notwithstanding the capital expenditure amounting to R83m (R66m) The current ratio remained at 1,5 1 and interest cover rose to 6,2 (5,6) times

BDay 3/1/90

Rembrandt puts steel into Dorbyl

(189) S/Times 7/1/90

By David Carte

DORBYL, reshaped by Rembrandt appointee Dawid Mostert into the model of a heavy engineering company, is looking for increased earnings this year in spite of a gloomy domestic outlook

Chairman Floors Kotzee says in the report for the year to September 1989 "The expected downturn in the economy in general and the motor industry in particular is bound to affect the group's results

"However, because this will be compensated for by the momentum generated by past actions to improve profitability in the group and to generate business, prospects remain positive "

Managing director Dawid Mostert is counting on improved productivity and higher exports to offset the impending domestic slowdown

He says "The group's results are expected to show a further improvement in the current year "

The five-year track record shows the dramatic benefits of the stewardship of Rembrandt Dorbyl's renaissance started under Silver Assassin Keith Jenkins He rationalised Stewarts & Lloyds ruthlessly

Subsequently, there were other triumphs, such as the acquisition of Barlows heavy engineering division, which put Dorbyl in a class of its own in this field

The return to health of the motor and engineering sectors in the past three years enabled margins to swell and put the cherry on top of an outstanding half-decade

Operating income rocketed from R69-million in 1985 to R186-million last year and bottom-line earnings from R16,8-million to R116,4-million Profit before interest and tax last year came to roughly 22% of funds employed That was a respectable return Five years earlier, the return was about 9%

Shareholders' funds in the same time rose from R512-million to R705-million Debt dropped from R227-million to R152-million in spite of heavy capital spending Gearing fell 43 5% to 21,2%

Dorbyl has made tidy profits on land sales for several years Last year was no exception Properties worth R10-million were sold, resulting in an extraordinary profit of R4,1-million That was offset by an extraordinary loss of R4,9-million on the sale of an unnamed business

If there is a depressing statistic in the report it is that the number of persons employed has dropped from 25 309 to 23 371, illustrating a national trend away from people to machinery

Capital spending last year came to R83-million, excluding the Tosa seamless-tube mill being built together with Iscor at a cost of R90-million Dorbyl spent R12-million on modernising and expanding the roll works at heavy engineering A like amount is to be spent on facilities for spincasting rolls

Dorbyl has traded at a discount to net assets for years That was because return on assets was so poor With the share at 2 100c and net assets 2 210c, the discount has nearly been eliminated — a tribute to management

The share is 5 9 times earnings and yields 4 8% Barlows is on a PE of 8 2 and Amic on 8,5, so there looks to be upside in Dorbyl

Call to govt on tax depreciation

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FCI releases shock data on plant imports

B/Day 8/1/90

THE cost of imported plant and machinery makes it 214% more expensive for an SA industrialist to start business than his Japanese counterpart This figure, from a Federated Chamber of Industries (FCI) study, is set to rise if changes to tax depreciation rules proposed by government are promulgated

Comparative premiums over the US, Britain and West Germany are 118%, 139%, and 159% respectively

The figures are based on tax depreciation rules that were changed in favour of the fiscus in December An effect of the changes will be to increase the premiums quoted even further

The study, in response to government's call for comment on an investigation into depreciation policy, is now being used by the FCI to encourage government to reconsider its decision

Government's proposal, from the Department of Finance, is to change the tax write-off of plant and machinery from 50% 30% 20% over three years to 20% a year over five years If promulgated as proposed, the effect will be retroactive

FCI Fiscal Policy Working Group chairman Bob Cole says "The impact of the higher costs on fixed costs will make it all but impossible for SA manufacturers to become internationally competitive Fixed costs represent up-front costs, which are impossible to change, and apply for the duration of the asset's useful life

"Government's only option is to change fixed costs to make them internationally competitive Up to now, the chosen policy option has been a continual depreciation of the currency to boost nominal returns

BARRY SERGEANT

"This is one of the reasons we need a weak rand — government could never afford to subsidise to that extent"

The FCI's econometric model, which uses 18 variables, shows that a piece of plant and machinery costing a Japanese businessman R1m costs R2,1m by the time it is ready for commissioning in SA The difference comprises, among other things, the import surcharge, import duties, GST and RSC levies

The largest single addition is R408 000 — the premium on the purchasing-power parity between the rand and the yen This represents the discount on the purchasing-power ability of SA's currency occasioned by high inflation, political factors and a weak BoP situation

When finance costs over 10 years are added to the equation, the cost is R4,4m, representing a 214% premium on the cost to a Japanese businessman

The FCI model, which estimates averages for changing rates over the 10-year period, shows 16,3% and 4,8% prime and 14% and 1,5% inflation for SA and Japan respectively

Another reason for the 214% premium is that Japanese tax law allows a 10-year tax write-off of the cost of plant and machinery. The FCI model is currently being updated to reflect the proposed SA changeover from 50% 30% 20% over three years to 20% a year over five years

The result will be a premium to the SA businessman even higher than 214% The FCI says this will make it practically impossible for SA industry to become a major contender in the international manufacturing arena

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Brokers give nod to thriving Toco

Star 10/1/90

Diagonal Street

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LYNNE PEACH

Industrial product manufacturer Toco is set to increase earnings for the year to March 1990 by more than 20 percent, brokers say.

They point out all group divisions operated ahead of budget in the first half-year and that, barring unforeseen circumstances, they should continue to perform well

Furthermore, the benefits of the management buy-out last May, which saw 20 members of the executive team and associates gain control, have started flowing.

Although the consolidation of the heat treatment companies on the premises of PH Heat Treatment in Isando is expected to be disruptive in the short term, on-going benfits should include improved service to customers and better operating efficiency

Toco comprises four broad divisions — lifting equipment, special steels and metal treatment, gaskets, and associated companies

Less than 10 percent of Toco products are imported, while a full 80 percent are either manufactured by the group or processed before being marketed in value-added form.

Toco has increased its stake in panel manufacturer Vitrex from 24 percent to 40 percent and upped its interest in Premier Chemical from 14,4 percent to 24 percent.

Both these associates are considered to have good prospects.

At end-June, industrial product manufacturer Brandt Components was sold to its management for R3,1 million.

This had no material effect on the net asset value or earnings of the group

In the six months to September group turnover increased 35 percent from R38,1 million to R51,4 million.

Operating profit climbed a lower 18 percent from R5,5 million to R6,5 million, reflecting faster growth by lower-margin activities

After the interest bill more than doubled from R311 000 to R630 000, pre-tax profit rose 13 percent from R5,2 million to R5,9 million.

Increased stocks contributed to the rise in interest charges. A marginally higher effective tax rate resulted in taxed profit climbing 12 percent from R4 million to R4,4 million.

A positive contribution from associates and no profit attributable to outside shareholders pushed attributable profit up 21 percent from R3,9 million to R4,8 million.

Earnings per share improved from 6,3c to 7,6c. In line with policy, no interim dividend was declared.

The balance sheet was stronger, with gearing down from 35 percent to 32 percent

Current assets amounted to two times current liabilities (1,6 times at end-March).

Net asset value increased 15 percent from 61c a share to 70c.

Toco, priced at 58c, is trading on a P/E earnings ratio of 4,1 and provides a dividend yield of 8,6 percent.

Brokers believe the share to be undervalued and recommend accumulation.

COMMENT: The recent strong rise in Toco's price confirms the start of a long-term bull trend. The high volume of shares traded supports the view that the share price will run up further.

FENNER F|M 12|1|90 (189)

Loading up

Activities: *Manufacturing and distributing conveyor belts, power transmission products, pumps, mechanical control systems, valves and iron castings*
Control: *J H Fenner (Holdings) Plc has 50% of the equity.*
Chairman: *R A Arthur, managing director A S T Clegg*
Capital structure: *15m ords of 10c Market capitalisation R33m*
Share market: *Price 220c Yields 7,5% on dividend, 23,0% on earnings, PE ratio, 4,3, cover, 3,1 12-month high, 225c, low, 140c Trading volume last quarter, 288 000 shares*
Financial: *Year to August 31*

Debt:	'87	'88	'89
Short-term (Rm)	5 6	4,9	10,3
Long-term (Rm)	0,9	3,2	3,2
Debt equity ratio	0,30	0,29	0,30
Shareholders' interest	0,49	0 47	0,45
Int & leasing cover	19 9	14,3	7,8
Debt cover	0,95	1,25	0,94

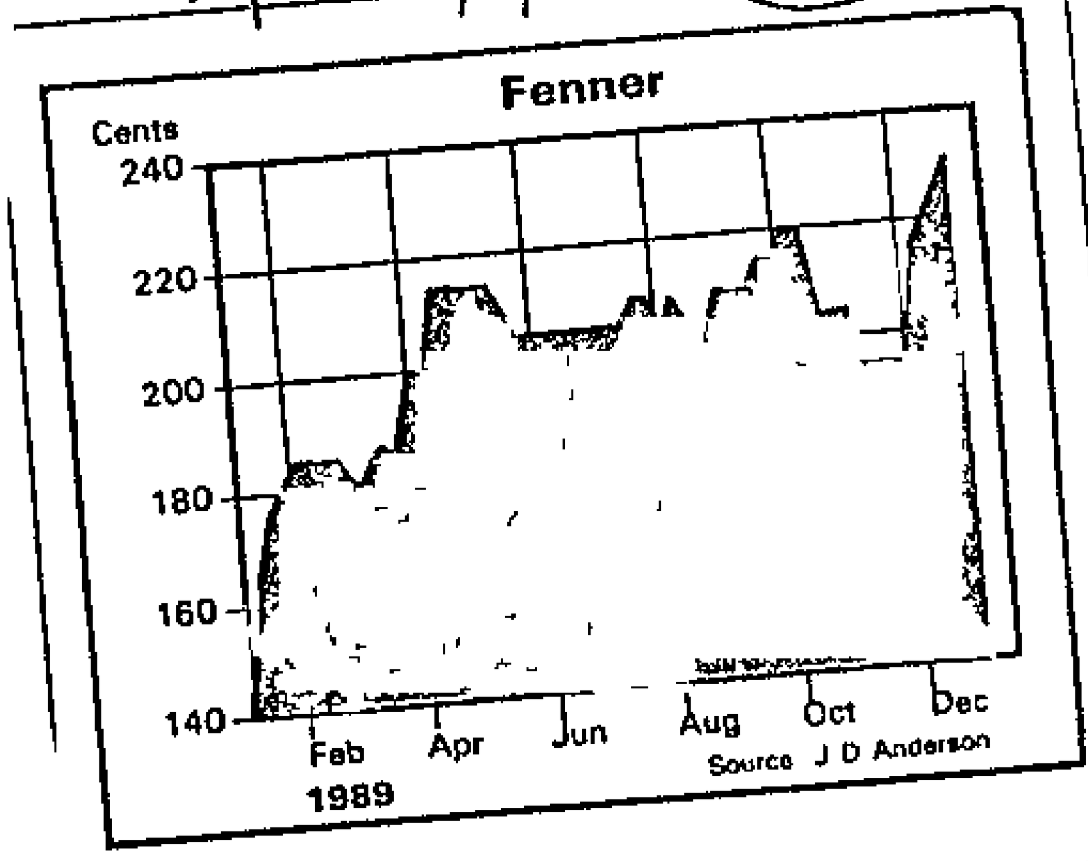
Performance	'87	'88	'89
Return on cap (%)	18 7	21,4	23,6
Turnover (Rm)	105	132	176
Pre-int profit (Rm)	10,7	14,6	20,2
Pre-int margin (%)	10 3	11,1	11,5
Taxed profit (Rm)	5,5	7,0	9,0
Earnings (c)	19,8	37,5	50,7
Dividends (c)	6,5	12,5	16,5
Net worth (c)	157	182	217

Fenner's game plan looks straightforward organic growth is rooted in expanding core operations serving well-defined markets, while acquisition growth will be financed largely from internal resources The expected effect is that the British parent's 50% controlling interest will not be diluted, while financing ratios remain acceptably sound

That is what happened last year Castings company Trek Engineering was bought for cash and is having its production capacity increased by 50%, financed internally. Trek is expected to supply the castings needed elsewhere in the Fenner group, for example, by the pumps division which until now has sourced products abroad

Since year-end, Trellex, which makes wear parts and linings out of rubber, has been acquired and is expected to provide better loadings for Fenner's rubber mixing operations It also rounds out the range of products for the mining industry

F|M 12|1|90 (189)



At present the coal mining industry's demand for conveyor belting is flat, though the directors have restated their confidence in longer-term demand prospects Whether they will be proved to have jumped the gun with plans to update the conveyor manufacturing plant is another matter — the new plant is expected to meet the company's production needs into the next century, but it might be under-utilised in the immediate future while the coal mining industry remains flat

Fenner is a beneficiary of the capital spending, which is driving the economy at present, though chairman Robert Arthur is reluctant to forecast a continuation of the growth of recent years The recent acquisitions should underpin profit growth even if last year's 35% earnings growth is not matched

Jim Jones

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Ozz's management trims Lucem down

BRENT MELVILLE (189)

THE recently installed Ozz management team at Lucem has begun the process of rationalising its new assets

BDay 24/1/90

Lucem announced yesterday it had sold off its motor component dealerships to the Silver group and Curle Acquisitions had concluded the sale of Lucem's 75% stake in Perana Plastics and Talima Plastics

Last September Gary Zulberg led a daring leveraged buyout of Lucem by a consortium composed of Ozz Holdings and First National Corporate and Investment Bank (First Corp)

Before that deal, Ozz, in which the Zulberg interests hold 65%, had 26% of Lucem, which was jointly controlled by themselves and the Krok brothers.

Ozz now holds almost 57% of Lucem, and the restructuring, now under way, will see it increase its stake to 85% of Ozz Industrial, a new company being established to hold Ozz's and Lucem's operating interests. First Corp has bought the remaining 15% in Ozz Industrial.

"We are moving rapidly to concentrate on our key areas, which we have clearly identified as the engineering businesses, the Bruma Lake project and the construction operations," said Zulberg. (189)

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Arban's turnover declines

By Ann Crotty

The sale of two operating subsidiaries, in order to focus on mining supplies, was behind the 16 percent drop in Arban's turnover for the 12 months to end-September.

It was also behind the 23 percent improvement in operating income On a turnover of R20,5 million (R24,2 million), operating income was up to R2 million (R1,6 million)

Earnings rose 7 percent to 4,6c (4,3c) from which a dividend of 1,5c (2c) has been declared

With effect from October 1989 Malbak has acquired 49,6 percent of Arban This was to be settled by the issue of one Malbak share for every 24 Arban shares. A similar offer was made to minority shareholders

In addition Malbak will procure that an alternative cash offer of 35c per Arban share is extended to Arban shareholders

On the basis that the cash proceeds of R5,4 million had been invested at 8,5 percent after tax for the year to end-September, the earnings of Arban would have declined from 4,6c to 3c a share The deal would have increased its net asset value per share from 16c to 35c if it had been effected on September 30

HUDACO FM 26/1/90.

Turning smoothly

Excellent returns, and more expected by MD Kevin Clarke this year, are establishing for Hudaco the kind of smooth growth profile well loved by investors

Turnover and operating profit in the year to end-November were 45% and 56% higher Results of Abrasives Corp, the 50 50 venture with M&R consisting of Norton and Cumar, have been consolidated by the proportionate method

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The bad news is that finance charges more than doubled to R6,9m on borrowings of R30m (R0,9m) at year-end Net operating assets also doubled, though return on them was only marginally lower Clarke expects debt to decline this year The tax rate rose to 32% (28%) and is expected to exceed 40% this year EPS and dividends were 26% higher — Hudaco has decided not to increase its 2,2 cover despite the shift of its business towards manufacturing

Hudaco's three historical divisions — Deutz Dieselpower, bearings and power transmission — contributed 42% (38%), 35% (36%) and 23% (26%) respectively to turnover Clarke expects rationalisation in

FM 26/1/90 (189)

the supply of immigrant engineers started drying up in 1984

"Since then, there has been a net outflow. SA will not become a viable economic entity unless the problem is rectified"

There are other problems Universities and technikons seem unable to attract sufficient qualified teaching staff The obvious inference is that standards will drop, unless something is done quickly to remedy the situation. Low salaries may be at the bottom of this problem

Marcus says there's also a major imbalance between students at technikons and universities In 1986, 69% of white tertiary education students were at universities and only 20% at technikons and technical colleges

"While the number of primary and secondary school pupils increased by 5m between 1960 and 1984, enrolment for technical education increased by a mere 110 000 in that period The scenario gets even worse Of 100 000 black matric students in the education system in 1988, only 500 passed with high enough standards to study engineering at a university" ■

ADE planning a major push into mine market

B/Day 29/1/90

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EDWARD WEST

ATLANTIS Diesel Engines (ADE) is planning a major drive to capture a share of the multi-million rand mining industrial market previously catered for by overseas companies

The plan includes tendering to replace trackless mining equipment previously imported from Germany, the US and Britain for use underground, an ADE spokesman said yesterday

ADE field sales manager Derek Bawman said it was difficult to put figures on the mining industrial market ADE planned to enter because ADE hoped to supply engines within the power ranges of 35kw to 550kw, all of which had different prices

ADE produces around 1 400 industrial units annually, most of which go into the production of generator sets, he said

Bawman said ADE's industrial engines were competitively priced compared with imported engines

Exhaust gas analysing equipment was recently imported from Germany at a cost of R150 000, which would enable ADE to produce the exhaust emission standards for underground use

ADE national sales manager Glynn Whitmore said the emission levels of the engines were well below those required by the Chamber of Mines for safe use and its engineers were also working on designs to make flame-proofing more cost-effective

Replace imports

Whitmore said ADE was aiming at import replacement through close relationships with original equipment manufacturers (OEMs) in the industry

"Together with Propower, an ADE subsidiary, we intend to develop our relationships with OEMs such as E L Bateman, Eimco, Elgin, Entech, Noyes Cocoal, H Davies, Bell and Rightech.

"There is an opportunity for us to replace imports in the region of 1 000 units annually," he said

ADE is a subsidiary of the Industrial Development Corporation (IDC)

The IDC said in its recently released annual report that ADE planned to develop new local and foreign markets as the return on capital for the year to June was unsatisfactory, due to the under-utilisation of facilities

The IDC said it would be a number of years before ADE would reach the stage where the sale of control could be considered

During the year to June 1989, ADE commissioned a new R30m V-engine machining centre There were indications demand for V-engines was exceeding production capacity and attention was being given to further expansion, the IDC report said

ADE expects sales of R300-m

Star 29/11/90 (189)

Over the next five years Atlantis Diesel Engines (ADE) expects to double parts sales to more than R300 million a year, and to increase penetration of markets for new engines

The after-market is becoming increasingly important as the ADE-powered vehicle park grows, says Wally Rautenbach, ADE marketing and public affairs director He expects the current 143 000-strong part market to grow to over 225 000 by 1993

"ADE part net retail sales are thus also expected to increase from over R150 million achieved in 1989 to more than R300 million in 1993"

For ADE's core business — manufacturing quality diesel engines — Mr Rautenbach says the five-year outlook is in line with independent economists' forecasts of an economy which will mainly move horizontally form now until 1994, with the promise of improvement towards the end of this period

"In the medium commercial vehicle (MCV) market, retail sales for 1990 and 1991 are projected at 5 300 units for each year, a substantial increase over the 4 500 of 1989 For 1992, we anticipate sales of 5 500 units, rising to 5 800 units in 1993 "By 1994, retail sales should increase to 6 000 units This will represent an overall increase of 33 percent over 1989 sales

"ADE's penetration of this market sector, where diesel-powered vehicles still compete with petrol-powered units, should also rise steadily from 60 to 63 percent over the next five years"

In the heavy commercial vehicle (HCV) market where ADE has a penetration of 99 percent, Mr Rautenbach sets 1990 and 1991 forecast industry sales at 9 500 units for each year — Sapa

Star 24/1/90

Hotel workers stage protest and refuse to serve rebel cricke

/ar of words on tour prospe

By Michael Shafto

amps on the controversial rebel cricket tour clashed today on whether the tour ceed

rish Naidoo, general secretary National Sports Congress, said ed the rebel tour was already as dead" But South African Union managing director Dr cher countered by saying "All ations are for a good tour"

300 protesters — members of mmercial, Catering and Allied s' Union, including hotel work- demonstrated against the crick- their Sandton hotel yesterday y marched through the Sandton tel and said they refused to the cricketers Security person- aiters, cooks, maids, doormen st other personnel on the morn- ift joined in the demonstration

the rebel cricketers shrugged off otest

ain Mike Gatting said "We are concerned We will always find to sleep in We can get food else- and I'm sure someone will serve beer somewhere"

said there were the "odd few" criticised their presence in South a but "many more" who wel- ed them

the success of the tour, two con- ing views were presented

Naidoo of NSC id

tour is already as good as dead As a direct result I am confident within two years South Africa will more take its rightful place in in- national sport — provided we pro- the goods"

By "the goods", said the anti-tour or- ser, he meant the "acknowledging all reasonable-minded South Afri- cans that we have made mistakes and sit down together and look at things realistically"

Speaking on the eve of the first tour match between Mike Gatting's team and the Combined Bowl XI, starting in Kimberley on Friday, Mr Naidoo said "It is the duty of all sportsmen, admin- istrators and ordinary fans, both black and white, to implement that pro- gramme"

Mr Naidoo said he believed that by August such a sports summit meeting would already have taken place

"Even at this late hour I appeal to Ali Bacher and the SACU authorities to call off this tour — and help us plan for the future"

Dr Bacher of Sacu said

The SACU remains highly optimistic that the tour will be an outstanding success and will not be shipwrecked by the actions of anti-tour demonstrators, Dr Ali Bacher said yesterday

Ticket sales were going briskly, mo- rale among the English players was high and their form was outstanding

"There is a lot of heat in the air at the moment," said Dr Bacher, "but de- spite this the morale of the players re- mains good They are fortunate to have sound and cool leadership in Mike Gat- ting, and their preparation, according to veteran cricket lovers, is the most professional seen in this country for many years

"That's two points in the tour's fa- vour already Thirdly, ticket sales around the country are going briskly In Bloemfontein and Port Elizabeth tickets for the respective one-day Tests there are expected to be sold out by the end of the week In Durban, people were queueing yesterday at 5 am and by the close of business 5 000 tickets had been sold"

Smith Mining reaps rewards of re-organisation

BRENT MELVILLE

MINING equipment distributor Smith Mining has reaped the rewards of a year devoted to consolidation and re-organisation BDay 15/2/90

Earnings a share for the year to end December climbed a healthy 32% to 19,6c (14,9c) a share, with the dividend outlay of 6,5c (5c) keeping pace

Analysts say the results could push the share up slightly.

The current share price of 75c offers a P E rating of 3,8 and a dividend yield of 8,7%

Trading profit for the group increased 19% to R8,0m (R6,7m) on an 18,4% rise in turnover to R45,8m (R38,7m)

After absorbing an interest charge of R219 000 (R27 000) and a foreign exchange loss up 88% to R232 000 (R123 000), pre-tax income was left at R7,6m (R6,6m).

However, a reduced tax rate of 35,4% (44,8%) took R2,7m (R2,9m), resulting in a 34,8% rise in attributable income to R4,9m (R3,6m). 189

Borrowing

On the balance sheet the current ratio increased to 2,3 1 (1,9 1), with cash resources increasing to a much more healthy R2,3m (R183 000)

Long-term borrowing dropped to R629 000 (R1,4m)

Executive chairman David Stevens said all divisions and subsidiaries performed well, with Adamas Diamond Products, Specialised Drilling Equipment and Hotline Equipment showing "outstanding" results

"The results of Specialised Drilling and Hotline are particularly pleasing in view of the fact that the success of these companies, acquired in 1988, reflects well on management and its ability to turn companies around," he said

Stevens said the group would be looking to a dramatic growth in exports this year, after a substantial increase in export sales during 1989. He added that management was now in an excellent position to look for suitable acquisitions

FIM 2/3/90 (189)

DANECH INDUSTRIAL FIM 2/3/90

Still rationalising (189)

The Danech Industrial (Dicor) group must qualify as one of the least informative After a year in which drastic surgery has been needed to haul subsidiaries out of the red, chairman Peter Fatharly tells shareholders little about what has been and what remains to be done. He makes do with highfalutin waffle about the "clay of adversity" and generalisations about SA's political and economic state

Dicor owns 61% of Danglo, an intermediate holding company, and its chairman, Neville Parry, reports that most of the unlisted operating subsidiaries not held by the listed companies have been sold or closed That leaves Danglo with 86% of packaging company Plastall and 56% of Danech Mining Supplies

Plastall claims gains in market share and improved productivity following its restructuring Turnover rose by a comparatively small 13%, which parlayed into a 42% operating profit increase to R4,3m Its earnings rose to 22c from 13,6c, but no dividend has been declared.

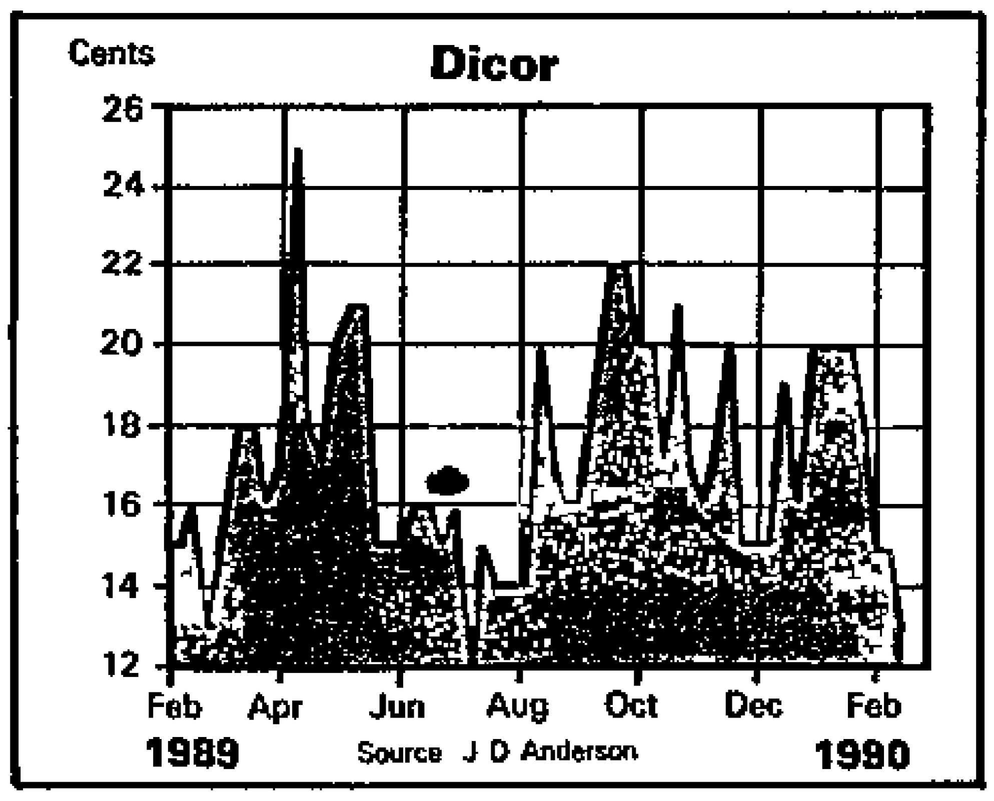
Plastall is already feeling the squeeze affecting others in the packaging sector as consumer spending curbs and some poor agricultural crops cut into the demand for packaging. Margins are likely to be squeezed this year, though there are plans to diversify to reduce the exposure to packaging.

Danech Mining is still troubled by loss-making or underperforming subsidiaries, despite closures and amalgamations The directors provide next to no information about trading conditions, though these look particularly difficult judging from last year's 5,7% turnover increase to R205m. Still, Danech improved its pre-interest margin to 4,9% from 1988's 3,9%, even though mining industry customers continued to count the cents when buying equipment. Fatharly gives no indication of whether dividend payments are expected this year, but while the restructuring continues retentions are likely to be favoured For now, the shares of both the holding companies and subsidiaries are best left to investors gambling on recovery situations

Jim Jones

Activities: *Manufacturing mining equipment and plastic products*
Control: *Directors 44%*
Chairman: *P Fatharly, CEO N G Parry*
Capital structure: *52,11m ords, 6,02m unsec auto conv debs Market capitalisation: R6,8m*
Share market: *Price 13c Yields nil on dividend, 30,5% on earnings, PE ratio, 3,3 12-month high, 25c, low, 12c Trading volume last quarter, 1,4m shares*

Year to Sep 30	'88	'89
ST debt (Rm)	45,5	18,9
LT debt (Rm)	12,0	10,1
Debt equity ratio	1,9	1,0
Shareholders' interest	0,19	0,29
Int & leasing cover	0,52	1,68
Return on capital (%)	1,7	14,4
Turnover (Rm)	326	273
Pre-int profit (Rm)	2,7	14,6
Pre-int margin (%)	0,8	5,4
Earnings (c)	(7,7)	4,0
Dividends (c)	nil	nil
Net worth (c)	10,9	13,3



SPLITTING DICOR

Operating profit contributions

	1988	1989
Danech Mining	69%	68%
Plastall	27%	29%
Unlisted manuf ops	4%	3%

Astas to spend R30m

S/Times 4/3/90

AS TRANSMISSIONS & Steerings (Astas) is going ahead with a R30-million expansion scheme.

Astas is the biggest manufacturer of heavy-vehicle transmissions, axles and steering systems in SA. The project will increase the range of SA-made equipment and reduce dependence on imports.

Ray Couldridge, executive director, marketing, says "The expansion holds advantages for the heavy-vehicle industry, which is facing the demands of the Phase VI local content programme."

It includes the construction of a 10 000m² factory to augment the existing plant, established in 1981, to make gearboxes and steering systems under licence from West Germany's ZF and MAN.

BDay 9/3/90 (189)

Dicor says subsidiaries recovering

BRENT MELVILLE

DANECH Industrial Corporation (Dicor) MD Bob Wenteler said yesterday the group was "taking its medicine" and its struggling subsidiaries Plastall and Danech Mining Supplies were now well on the road to recovery.

He was responding to complaints from shareholders at yesterday's AGM at group companies' health and that the group was struggling under high borrowings and "unacceptable" financing costs

Chairman of Danglo (61% held by Dicor) Neville Parry told shareholders that as part of the group's rationalisation and restructuring last year, most of the operating subsidiaries outside the 36% holding in Plastall or the 51% in Danech Mining Supplies had been sold or discontinued

The sales led to adecrease in turnover for the year of 16% though operating profit improved by 31% to R14,5m (R11,0m) Net financing costs surged by 18% to R7,9m

Danech Mining Supplies, labouring under its loss-making subsidiaries, contributed 69% to group operating profit with Plastall adding 30% (27%)

Wenteler said that Danech Mining Supplies had come under increasing pressure on its margins during the year

Restructured Plastall posted a rise in operating income of 42% to R4,3m

There was pressure on margins over the past several months and profits at the interim stage would be lower than last year

Plastall was still going through with the acquisition of Gundle Plastics from Consol, expected to add R1m to pre-tax profit for the year

Restructuring was designed to improve profits and kick-start the group's recovery He declined to say when there might be dividends

Landlock slips into a decline

189 BRENT MELVILLE

AFTER Landlock's improved first-half performance, when earnings of 2,7c a share (from a loss of 8,6c a share) were achieved, its December year-end accounts show the group has again faltered 010cm 13/3/90

A pre-extraordinary loss of 2,8c a share (5,8c profit) has been recorded, which falls to 4,2c a share (7,8c loss) after the deduction of extraordinary items. This is attributed by MD Richard Newby to the closure of the Automotive Products central distribution warehouse.

In addition, industry sources say it seems likely Landlock's British-based parent, BBA, will bale out of the struggling automotive and engineering products manufacturer.

BBA MD John White last year assured shareholders Landlock would not be sold However, industry sources say "negotiations" aimed at resolving Landlock's high gearing are possibly linked to a pullout Landlock is geared at a far-from-healthy 121% (94%).

Newby refuses comment on the possibility that BBA might sell its 57% holding He says only that the cautionary — published today in tandem with the results — could be linked either to a sale or a recapitalisation.

Sources say BBA will gain nothing by holding on to its controlling interest in Landlock, which declared no dividend for the fifth year in succession and is now R1,3m in arrears on its preferred ordinaries.

Although operating profit was up by 15,3% to R6,2m (R5,4m) on an equal rise in turnover to R118,4m (R115,9m), interest charges of R5,7m (R4,1m) and extraordinary items of R253 000 (R2,5m) converted the bottom-line figure into a loss of R766 000 (R1,4m)

HUDACO FM 23/3/90

Critical mass (189)

Activities: *Makes diesel engines and abrasives, distributes these, bearings, and other engineering consumables*

Control: *Directors hold 16%*

Chairman: *B McInnes, Group CE K Clarke*

Capital structure: *22,7m ords Market capitalisation R250m*

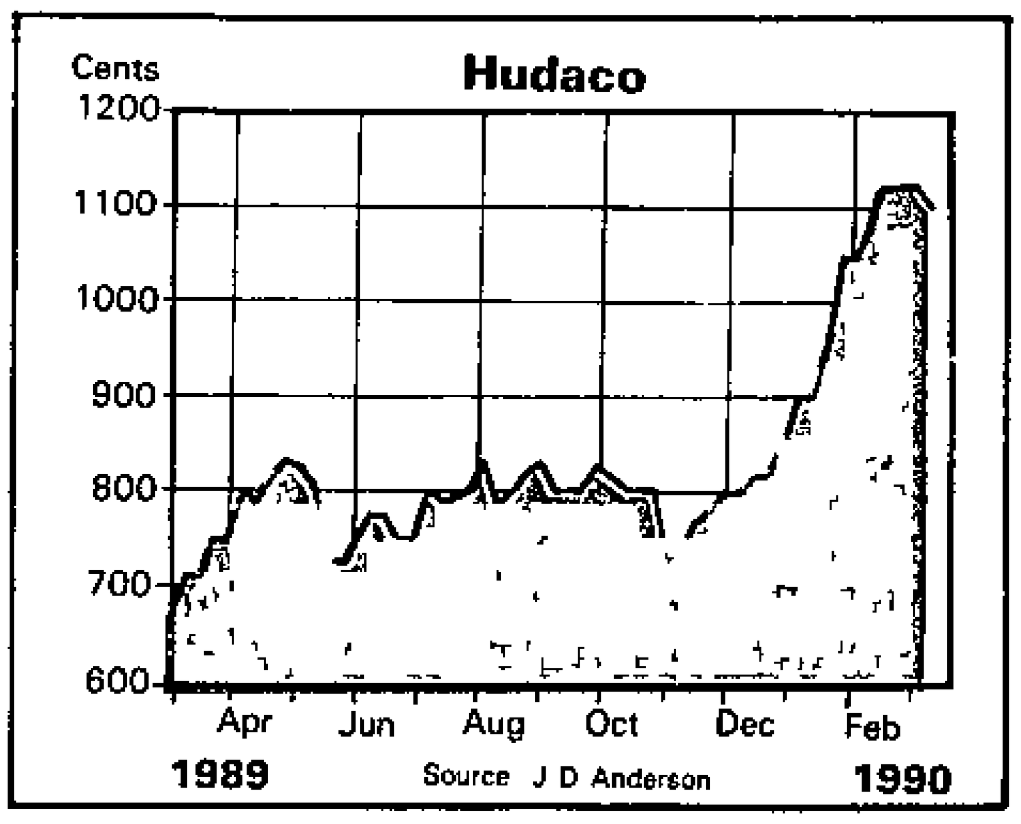
Share market: *Price 1 100c Yields 4,4% on dividend, 9,8% on earnings, PE ratio, 10,3, cover, 2,2 12-month high, 1 125c, low, 650c Trading volume last quarter, 377 000 shares*

Year to Nov 30	'86	'87	*'88	*'89
ST debt (Rm)	—	1,0	11,4	15,3
LT debt (Rm)	4,0	8,4	6	20
Debt equity ratio	—	0 14	0 02	0,43
Shareholders interest	0,40	0,42	0,32	0,32
Int & leasing cover	1,14	20,7	8,7	6 1
Return on cap (%)	18,4	26,0	20,8	20,0
Turnover (Rm)	155	208,4	252,1	364,7
Pre-int profit (Rm)	16,3	22 2	27,8	43,6
Pre-int margin (%)	10,5	9,5	11	11,9
Earnings (c)	44,2	61,7	85,4	107,3
Dividends (c)	20	28	38	48
Net worth (c)	132	150	192	168

* On basis of proportionate consolidation of 50% holdings

Textbook management of Hudaco has prompted analysts to watch it closely — evidenced by a packed audience at a presentation of the annual results by CE Kevin Clarke recently. If Clarke meets his forecast of real earnings growth this year, Hudaco's credibility will be further advanced

Clarke says Hudaco has reached a "critical mass" which should sustain its momentum in 1990. Last year, it acquired Norton Abrasives, merged from July in the 50 50 Abcor venture with M&R; and 66% of Angus Hawken, SA's largest maker of oil seals These cost R30,7m cash and issue of 2m shares for R14,7m The cost is being borne in 1989 and 1990, but some benefits should



begin to flow this year The annual report shows that the acquisitions resulted in only marginally higher EPS last year

Turnover and operating profit rose 45% and 57% respectively, but 136% higher finance costs and tax at 32% (28%) cut back the attributable increase to 31% and the EPS rise was 26% Gearing rose sharply to 0,43 (0,02), though Clarke says it will be lower by year-end The tax rate will exceed 40% this year

Abcor's results are consolidated by the proportionate method Clarke says showing it as an investment would have resulted in a large part of Hudaco's business being dismissed in a few lines.

Group sales last year were split between Deutz 37%, bearings 31%, power transmission 20% and the half share of abrasives 12%

Deutz's contribution was consolidated by the proportionate method until end-September, when Hudaco's stake was raised from 50% to 70% Deutz increased its turnover 40%, after a 90% increase in the 1988 year and local content rose to 70% Price cutting in bearings subsided, influenced by a world shortage Hudaco says some competitors imported low-quality bearings in response

The acquisitions contributed to a large increase in capital employed and stocks Reflecting an increase in manufacturing activities against distribution, net asset turn declined to 3,4 (3,6)

Chairman Bruce McInnes says Hudaco's strategy is selective backward integration into manufacture of products which Hudaco already distributes But the group remains primarily a distributor and does not plan large acquisitions in manufacture This accords with the strategy of raising the local content of its supplies from about 25% a few years ago to 50% Last year, 35% were from local sources, of which much was made by Hudaco

Hudaco wants to focus this year on organic growth, extending geographical coverage in diesel engines and bearings and further increasing local content

Directors held 25% of Hudaco at the 1988 year-end, but have reduced their holdings to 16% Clarke says most had virtually all their wealth in Hudaco and wanted to pay off related borrowings Liberty Life has the next largest holding at 12% The spread of control might prompt a takeover bid sometime The share now yields well below the average for the engineering sector, which is justified by expectations of growth this year

Teigue Payne

FM 23/3/90 189

OTIS FM 23/3/90

Slow rise

189

Activities: *Sells, manufactures, refurbishes, erects and services elevators and escalators*
Control. *Otis Elevator (US)*
Chairman: *A M D Gnodde, MD P D Bredenkamp*
Capital structure: *17m ords Market capitalisation R57,8m*
Share market: *Price 340c Yields 13,2% on dividend, 15% on earnings, PE ratio, 6,6, cover, 1,1 12-month high, 390c, low, 280c Trading volume last quarter, 227 224 shares*

Year to Nov 30	'86	'87	'88	'89
ST debt (Rm)	—	0,1	—	3,6
LT debt (Rm)	0,08	0,07	0,05	0,06
Debt equity ratio	n/a	n/a	n/a	0,2
Shareholders' interest	0,14	0,48	0,37	0,36
Debt cover	n/a	n/a	n/a	2,9
Return on cap (%)	52	61	51	46
Turnover (Rm)	60,2	63,4	72,0	91,8
Pre-int profit (Rm)	13,8	14,5	16,4	17,2
Pre-int margin (%)	22,9	22,8	22,8	18,7
Taxed profit (Rm) .	7,2	7,3	8,0	8,7
Earnings (c) .	42,2	43,2	47,2	51,0
Dividends (c)	42	—	42	45
Net worth (c)	22,9	66,2	71,4	77,5

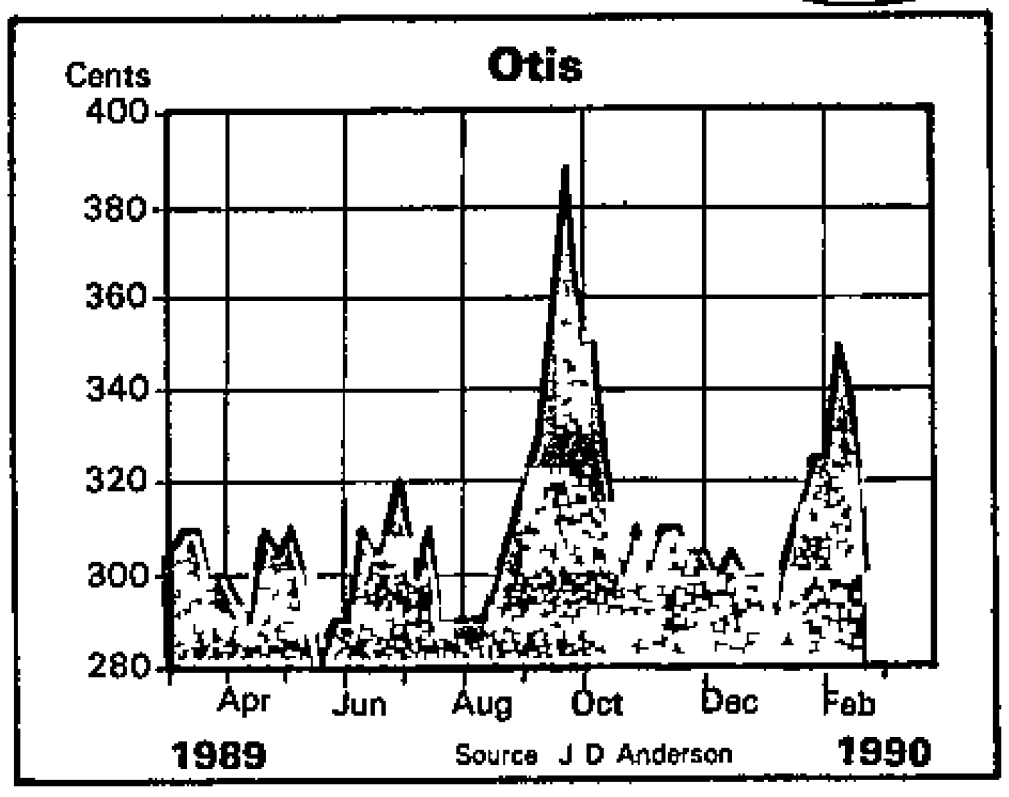
In both 1988 and 1989, Otis exceeded its planned order intake And in both years, according to chairman Drury Gnodde, the company improved its share of the market for new elevator and escalator installations A pity, though, that the trend from high-rise to low-rise buildings in the construction industry has once again seen only a limited advance in the company's bottom line

Intensely competitive

From 1986 to 1989, taxed profits moved from R7,2m to R8,7m, a compound annual growth rate of 6,6% In real terms, therefore, the company has not been growing An industry source confirms that the market is not growing faster than inflation in volume terms, but says that it is doing so in rand terms. According to this source, the number of lifts sold annually over the past three years has been more or less constant.

That means Otis must seek growth from maintenance, repair, refurbishment and servicing activities This business, according to Gnodde, is intensely competitive. Asked why the group's margin slipped below 20% last year, Gnodde says that nearly all business is done under contracts, of which some are long term and do not include escalation rates that match inflation When these contracts fall due for renewal, he says, competition makes satisfactory profit levels difficult to maintain

Return on capital, though high, has dropped for the past two years Also, short-term borrowings have appeared in the form of a R3,6m overdraft It appears the debt was needed to fund the large increase in accounts receivable, which jumped from



R12,2m to R19,9m

On the brighter side, turnover rose a respectable 27,5% No doubt, to attain an increased market share it was necessary to chase sales But that process cannot continue indefinitely at the expense of margins and, ultimately, EPS What management probably needs to do is look more closely at productivity

At 340c, the share stands well above net worth Perhaps investors like the policy of paying out almost all earnings as dividends But even this may have to cease if avoidance of borrowings gives way to a preference for internal funding *Gerald Hirshon*

189

70 striking workers held after city demo

By HENRI DU PLESSIS
Staff Reporter

POLICE arrested about 70 striking workers from an Epping toolmaking company today after a demonstration outside their union offices in Corporation Street, Cape Town.

A union representative said the workers of Neill Tools went on strike when management refused to continue bargaining about working conditions and called for industrial council intervention.

The representative said the workers belonged to the Steel and Engineering Workers' Union

The workers opposed the intervention of the industrial council and went on strike, after which about 100 were dismissed

The union spokesman claimed the workers were on their way to the union office to discuss further action when they were arrested.

But witnesses said the workers held placards, and sang and shouted slogans in the street outside the building.

A number of police vehicles arrived and after warning the demonstrators to disperse, police made the arrests.

Policemen warned Press photographers not to take pictures A policeman told union representatives the workers would be taken to Caledon Square and charged.

A spokesman for the company's head office in Johannesburg was not available for comment.

T & N (UK) bids for US company

B/Day 2/4/90 189

Business Day Reporter

UK AUTOMOTIVE components, engineering and industrial group, T & N plc is to make a $190m cash tender offer for J P Industries (JPI), which is based in the US

JPI manufactures and supplies automotive components to the North American and European markets

The group's annual turnover amounts to $400m, of which 84% is generated in North America JPI's product range consists primarily of plain bearings, gaskets, piston products and camshafts

T & N chairman Colin Hope notes that the world vehicle manufacturing market is becoming increasingly concentrated in the hands of US and Japanese based manufacturers, which continue to establish manufacturing plants in the major vehicle markets

It is expected that these customers will require standardised automotive component manufacturing support from factories close to their own regional manufacturing facilities

Hope says that T & N is well-positioned in Western Europe, and the "acquisition of JPI will enable T & N to supply these customers in North America"

T & N controls SA based T & N Holdings, which is also involved in the automotive components industry

It appears that this acquisition will have little impact on the group's local operations

But it does strongly suggest that overall group strategy, both locally and overseas, will be to remain highly involved in the automotive components business

Unfortunately for JSE listed T & N, that industry is proving very unpopular at the moment judging by the price action of Midas, Spareco and Fleishmans which have all established new yearly lows within the past month

T & N is managing to remain above its December 1989 low of 530c, but the share appears extremely weak

T & N last traded in early March at 620c, but buying interest in the group has been virtually non-existant since

This has resulted in sellers lowering their expectations, and the seller price has been falling

At the close of business on Thursday, T & N was being offered at 575c, or 45c below its last-traded price

Earnings for the year ended December, 1989, declined to 69,3c from 87,7c during the previous 12-month period Although directors anticipate that 1990 will be a difficult trading year, they are confident of producing improved results

Bearing Man's performance has analysts baffled

BD4 2/4/90 (189)

BRENT MELVILLE

THE performance of fast-growing engineering group Bearing Man for the year to February should not disappoint a market grown accustomed to a five-year annual compound growth rate in earnings of 57%

Operating income for the importer and distributor of ball bearings and power transmission products grew by a hefty 80% to R16,4m (R9,1m) on a substantial 66% hike in turnover to R86,4m (R52m).

However, the high cost of growth was reflected in finance costs which leaped by 126% to R3,3m (R1,5m) on borrowings of R26,4m, leaving net operating income at R13,2m (R7,7m)

The still inordinately high effective tax rate of 49% slashed off a further R6,5m (R3,7m)

After accounting for an extraordinary item worth R448 000 relating to a purchase premium on several small retail distribution outlets, attributable income was left a still healthy 69% up at R6,5m (R3,9m)

Performance

Earnings were up to 132c (80c) and a final dividend of 25c (20c) was declared, bringing the year's total outlay to 40c — covered 3,3 (4,0) times

Ahead of, and despite expectations of good results the group's share price dipped 25c last Friday to 475c The performance puts it on a p e of 3,6 times and a dividend yield of 8,4%

Analysts said on Friday that they could not understand the drop "The share is already underrated — especially when compared with Bearing Man's listed competitor Hudaco — currently at 1075c a share," said one

The group's gearing is at a high 140% (80%) with the current ratio down to 1,2 1 (1,4 1) NAV rose to 385c (286c) a share. Chairman Reg Sherrell attributed the increase in debt to working capital and infrastructure requirements

He said, however, that while he was comfortable with the level of gearing he hoped to get it down to under 100% by year-end

"We carry a lot of stock due largely to the fact that virtually all our product is imported — most from Japan," he said

Converting swords into ploughshares

Armscor has possibly amassed the most advanced high technology know-how in the Southern Hemisphere in building an armaments empire Now, with the prospect of peace settling on SA's borders, its operations are being scaled down — and all the high-tech may be a bonanza for manufacturers in the private sector. **MICHAEL CHESTER** reports.

They still make supersonic jet fighters and helicopter gunships at the Atlas Aircraft Corporation at Kempton Park Nowadays, however, there is a new production track in operation — which shows more concern about private motorists than combat commanders

Atlas's neighbouring associate, Telcast, which manufactures jet-engine turbine blades, is using its high-tech prowess to improve passenger car performance on South African roads — better turbo engines and better fuel injection systems

The results of research and development programmes will be handed over to the motor manufacturers themselves once they are perfected

Another Armscor off-shoot, the Institute for Maritime Technology, based at Simon's Town, was originally assigned to develop fool-proof new underwater acoustic/sonar systems to guard South Africa's coastline from intruders.

Treasure chests

The new technology is now being used by trawlers to search for elusive fishing shoals

It is also being used by a private exploration company to search for treasure chests of sea-bed diamonds under the Atlantic off the south-west coast

The boffins at two more Armscor operations, Kentron and Eleptro, developed new weird and wonderful high-tech systems to steer guided missiles with deadly accuracy in bush warfare

Now a hard look is being taken into using the identical high-tech know-how to clear the decks for South Africa to make its debut as a manufacturer of microwave ovens — and in the process save at least R200 million a year in import bills

Kentron and Eleptro also made new scientific breakthroughs with night-vision devices that can multiply the power of moonlight or starlight 40 000 times over to spot night raiders

The system has now been used by a private team of wildlife experts in the Kruger Park to take the first photographs on record of the rare and elusive night-hawk, which has until now tantalised the experts as impossible because the bird takes wing only under the cover of complete darkness

Square-eyed box addicts can thank Armscor technology, cracking the problems of frequency hopping around mysterious wave-bands, for the decoders that bring M-Net programmes to their screens

The precision engineering developed by Armscor is even being used to design and manufacture thinner and better and cheaper beer cans

Armscor is digging into the mountain of high technology it has amassed in becoming the biggest armaments producer on the continent for use in less martial roles

Mr Ron Haywood, deputy director-general of the SA Chamber of Business.

And the potential to boost the high-tech capabilities of the entire industrial sector is seen by economists as tremendous — at a moment of growing nervousness that sanctions, boycotts and disinvestment threaten to leave South African manufacturers trailing further and further behind as giant strides are taken by overseas competitors

Behind the scenes, Armscor has already leaked to the private sector whole chunks of the high-tech know-how that has been built up in years of isolation that forced it to create a sophisticated armaments industry on its own.

This has occurred as no fewer than 975 outside companies have been engaged in the war machine by sub-contracts to manufacture components

"Naturally, SA, like virtually every other country on earth, will continue to maintain an effective defence mechanism and remain an arms producer," says an Armscor insider.

"But recent peace settlements all around our borders are almost certain to reduce the pressure on Armscor production lines — as made obvious in the scaling down of operations that has been started

"Now the high-tech that has been collected and groomed — laser beams and fibre-optics to electronics and metallurgy — can be ploughed into the broader industrial base.

"What now has to be decided is precisely how the future of Armscor should be shaped and where new lines should be drawn between Armscor and the private sector"

The conversion of swords into ploughshares gives the South African industrial sector a brand-new view about the economic outlook

"Until lately, there may have been worries that South Africa was going to be left behind in the world-wide race in high technology," says Mr Ron Haywood, deputy director-general of the SA Chamber of Business

"Because of a blanket of security, most South Africans were largely unaware of what was going on behind the scenes Now everyone is learning that Armscor has stayed in pace — if not by choice then by sheer necessity"

Major priority

"Naturally, South Africa, like any other nation on earth, must maintain a sound defence system and one expects Armscor to stick with armaments as a No 1 priority

" The value the high technology and research and developed it has accumulated in the process can now begin to be counted in millions and perhaps billions of rands a year — a superb launch pad for a new South Africa

There may also be valuable lessons that can be passed on to exporters

Armscor, running the gauntlet of the worst of all the political flak, now counts sales successes in no fewer than 25 overseas markets, against some of the sharpest competition that can be imagined

Despite the odds, it now stands as No 1 earner of foreign exchange among all South Africa's exporters of manufactured goods

Mr Helmoed-Roemer Heitman, a defence analyst and SA correspondent of the authoritative Jane's Defence Weekly, said "The process of building up an arms industry brought South Africa an impressive research and development infrastructure

"That must now be harnessed to drive technology in civilian applications

"And that can be done without damaging the country's ability to provide for South Africa's defence — it will only take some imagination"

FIM 6/4/90

AVIATION INDUSTRY FIM 6/4/90

Growing wings (189)

Major strides in local aircraft manufacture, avionics and design, development and production of aircraft parts and accessories were highlighted at this week's biennial Aviation Africa show at Rand Airport in Germiston

With 55 companies exhibiting, the four-day, 30-aircraft show particularly underlined developments in avionics (aircraft electronics) and aircraft manufacturing and maintenance

Peace in southern Africa is not only opening up export markets for locally developed aircraft technology, designed for African conditions It is also making the expertise SA developed to circumvent the arms boycott available for civilian applications

"A major upswing for the aviation industry is expected in southern Africa as a result of SA's improving relations with countries to the north and its more liberal air service policy," says Cor Beek, executive director of the Commercial Aviation Association of Southern Africa

Unveiled at the show was a prototype of the first composite material, six-seater, utility aircraft, the "Eagle," produced by Ermelo-based Celair Designed, built and tested locally in conjunction with the Council for Scientific and Industrial Research's division of Aeronautical Systems Technology division (Aerotak), the Eagle sells for about R400 000 and is suited for African conditions

"Certification with the US Federal Aviation Administration and SA's Division of Civil Aviation should take about 18 months, after which we can go into commercial production," says Celair MD Peter Celliers "The Eagle's composite material design follows the process successfully tried in the Celstar GA-1 aerobatic glider built last year "

Dubbed the "flying bakkie" by Beek, the Eagle should meet demanding African requirements by being able to land and take off on short, rough bush airstrips It also performs well at high altitudes, at speeds ranging from 72 km/h to 290 km/h According to Celliers, the operating flying distance is about 1 400 km

Assisting in the testing and development stages, Aerotek offered its sophisticated wind tunnel and other facilities previously used to help Armscor break some aspects of the arms boycott against SA

"We have been promoting the local aeronautical industry for the past 18 years, but now things are really starting to move," says Aerotek marketing manager George van der Merwe (189)

Aerotek already handles more than 300 contracts a year and is active in the electronics, theoretical dynamics and the mechanical fields Last year, a carbon-composite aircraft wing for a propeller-driven aircraft was completed "We are looking for partners to industrialise the ready technology in this field," Van der Merwe says

The division has also developed an expertise in the turbine field, though Van der Merwe does not see local manufacturing soon But in related fields, such as radars, laser technology and electro-optics, he says SA could soon start moving into niche markets

For example, Barcom Electronics is now targeting the export market with its new R10 000 light aircraft transceiver Performance Aviation's new 50-watt aeronautical base station — used by air traffic controllers — could also make inroads into markets in South America and eastern and western Europe

Decca, Aerial Support, Aero Services, Aircraft Parts Manufacturing and Design, Associated Industrial Suppliers, Crusader Aerospace and Field Aviation are some of the other local names that could make an impact on this industry overseas in the years ahead ■

Star 10/4/90

189

Flemingo forms Jarocom

Flemingo group chairman Keith Fleming ~~has~~ announced the formation of Jarocom by combining two subsidiaries, Jarman Mining & Construction Supplies and Clover Compress Air Services.

Brian Jarman and Mervyn van-Reenen have been appointed joint managing directors of Boksburg-based Jarocom, which will sell Airman mobile and stationary compressors as well as crawler drill rigs and allied equipment.

Jarocom is looking at an eight to 10 percent share of the R80 million a year compressor market.

T&N FM 13/4/90

Good swap

189

Activities: *Manufactures and distributes industrial and mining products, chemicals and plastics and automotive components*

Control: *T&N Plc 51%*

Chairman: *C F N Hope, CE M C Pretorius*

Capital structure: *23,1m ords Market capitalisation R139m*

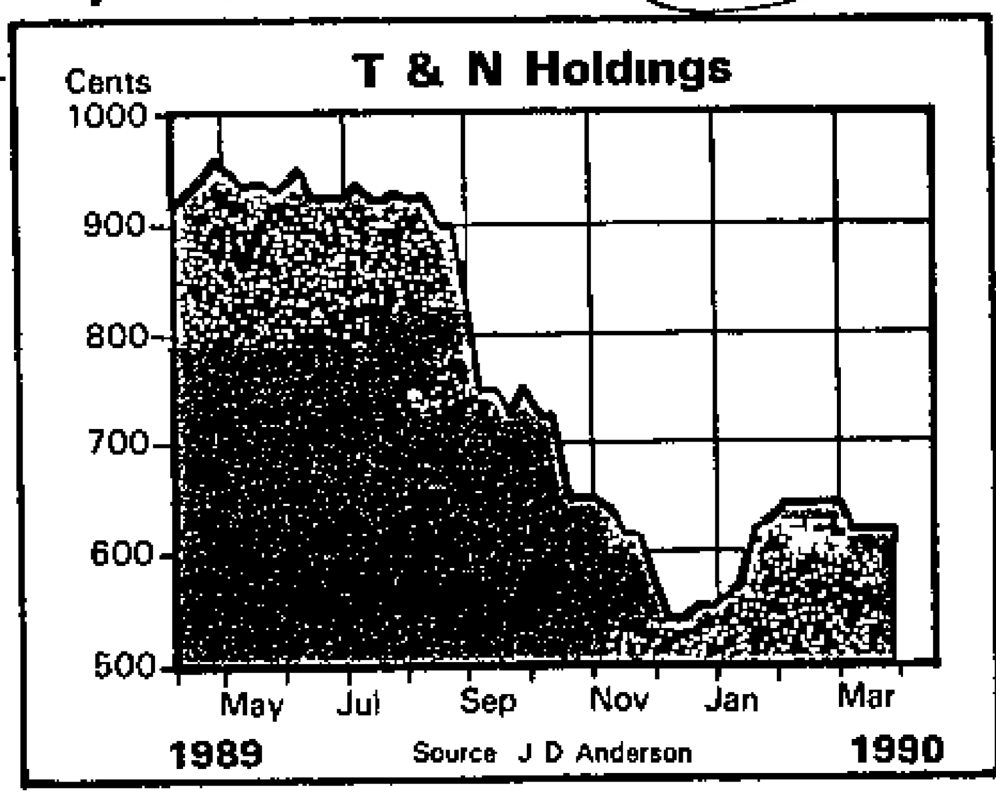
Share market: *Price 600c Yields 5,2% on dividend, 11,6% on earnings, PE ratio, 8,7, cover, 2,2 12-month high, 960c, low, 530c Trading volume last quarter, 338 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	13,9	12,7	30,4	60,6
LT debt (Rm)	7,8	17,5	16	35
Debt equity ratio	0,34	0,27	0,38	0,77
Shareholders' interest	0,60	0,16	0,53	0,40
Int & leasing cover	6,3	8,4	4,5	2,3
Return on cap (%)	15,5	2,5	13,9	14,3
Turnover (Rm)	130	145,5	235	391
Pre-int profit (Rm)	16,3	20,6	26,2	36,8
Pre-int margin (%)	15,4	14,2	11,2	9,4
Earnings (c)	39,1	67,8	87,7	69,3
Dividends (c)	19,6	34,5	44	31
Net worth (c)	271	435	433	389

Despite the economic squeeze and difficult conditions in the automotive parts market last year, T&N's swap of Everite for Asseng shares has been advantageous Everite's earnings slumped last year while those of Asseng were much higher.

The directors say the R54m purchase price for the Asseng holding was fair consid-

FM 13/4/90 189



ering Asseng's results Asseng's income attributable to T&N was about R10m, so the p e was 5,4 Still, T&N's balance sheet took a knock The sale of the 25% stake in Everite resulted in a loss of R15,1m, which was written off in 1988 The proceeds were used to acquire the 76% holding in Asseng from parent company, T&N Plc, but the price included goodwill of R19m

A big dividend paid in commercial rand by Asseng to T&N Plc in 1987 ensured that its reserves were plundered in the best colonial style

T&N's directors say there are now insufficient non-distributable reserves to write the R19m off So, in line with the group's normal policy, goodwill is simply being held unamortised on the balance sheet and will be written off after asset revaluations in 1991 and 1992 If goodwill is excluded, net worth fell 10% to 389c, where it is 35% below the share's current price

T&N's low dividend cover, historically 2, has been criticised on the belief that the British parent's milking exercise continues T&N also makes no provision for deferred tax or inflation The ill effects of low cover is seen in the doubling of gearing last year, though it was also raised by R34m in capex, doubled stocks and 55% higher accounts receivable Figures are not truly comparable because Asseng was not part of the group in

FM 13/4/90 189

Now, cover has been increased, but only slightly to 2,25 Earnings, which were helped slightly by a pension contribution holiday, were 21% lower Turnover and trading profit were 70% and 40% higher, but finance charges increased 173%

Operating profit of T&N's own automotive components declined 22%, but that of Asseng increased 25% Demand still exceeded supply for most of Asseng's products, but most of T&N's component markets were highly competitive

The industrial and mining division almost doubled operating profit, but chemicals and plastics went into loss because of dramatic increases in some raw materials prices

Automotive components, including Asseng, accounted for over 80% of T&N's profit After minorities, Asseng alone accounted for about 28% of T&N's turnover and 32% of its capital employed, but 56% of its operating profit

Chairman Colin Hope says with high interest rates and inflation, 1990 is likely to be another tough year, though the group will take advantage of increased capacity T&N management is expecting real earnings growth this year, especially with the chemicals and plastics division returning to profit

An upturn in the SA automotive components market is not expected much before end-1990 but the share should improve before that

Teigue Payne

5/Times 22/4/90

Weighty air order

ONE of the world's largest air separation units, destined for the Mossgas project, is under construction at Steinmuller's SA subsidiary SA Linde in Vanderbijlpark.

The plant, designed by Linde TVT in West Germany, costs about R17,5-million and consists of 18 vessels. It includes 22m by 5,5m spray coolers weighing 116 tons each (189)

To complete construction, the factory has been divided into two sections — one for the manufacture of carbon and stainless-steel vessels and the other for aluminium.

US company to enlarge operation in Boksburg

US-BASED Baker Hughes Inc said it would increase its SA operation, with an eye on export markets, by producing a new range of products at its factory in Boksburg

BDay 24/4/91

John Alich, president of the company's mining tools subsidiary, said the new range would help keep production costs to the mining industry down

"The skills and expertise are available in this country to do a first-class job

"The local company has even been engaged in significant export contracts for not only countries in Africa but other parts of the world," he said

Alich gave no details of the size of the increased investment in the SA operation

"With the positive political moves in the region we see the SA company becoming even more involved in the manufacture and export of high quality products," he added

Visit

Alich said that Baker Hughes had increased the local content of its components to surmount the anti-aparheid sanctions that were aimed at strangling foreign involvement in the SA economy

Alich made the announcement during his current two-week visit to SA from Dallas, Texas, where Baker Hughes's headquarters is based

Baker Hughes is one of a dwindling number of foreign companies which have spurned international pressures to disinvest in SA

A total of 201 US companies have disinvested since 1984

This leaves 123 firms with direct investment or employees in SA, according to recent figures released by a US-based research institute — Reuter

Refractories take the h

Star 27/4/90 (189)

If it's too hot to handle, refractories may be the answer.

Refractories are used for any process in industry which requires excessive heat namely where the temperatures are more than 1 000 centigrade to 1 900 centigrade such as for furnace linings. They come in many shapes and sizes from bricks to specially designed and shaped products

Cullinan Refractories chief executive Mr Ed Harbuz says the steel industry is the greatest user of refractories, taking some 60 percent of production

Demand declined

Refractories are also used to produce aluminium, platinum, copper, ferro-alloys, bricks, glass and fine ceramics They are used in the metallurgical industry in general, the cement and lime industry and in power stations

In South Africa the industry is worth an estimated R400 million to R500 million a year

Mr Harbuz says demand for refractories declined from the mid-seventies to the early eighties.

"Around the world, the steel industry became more efficient and started using less refractories.

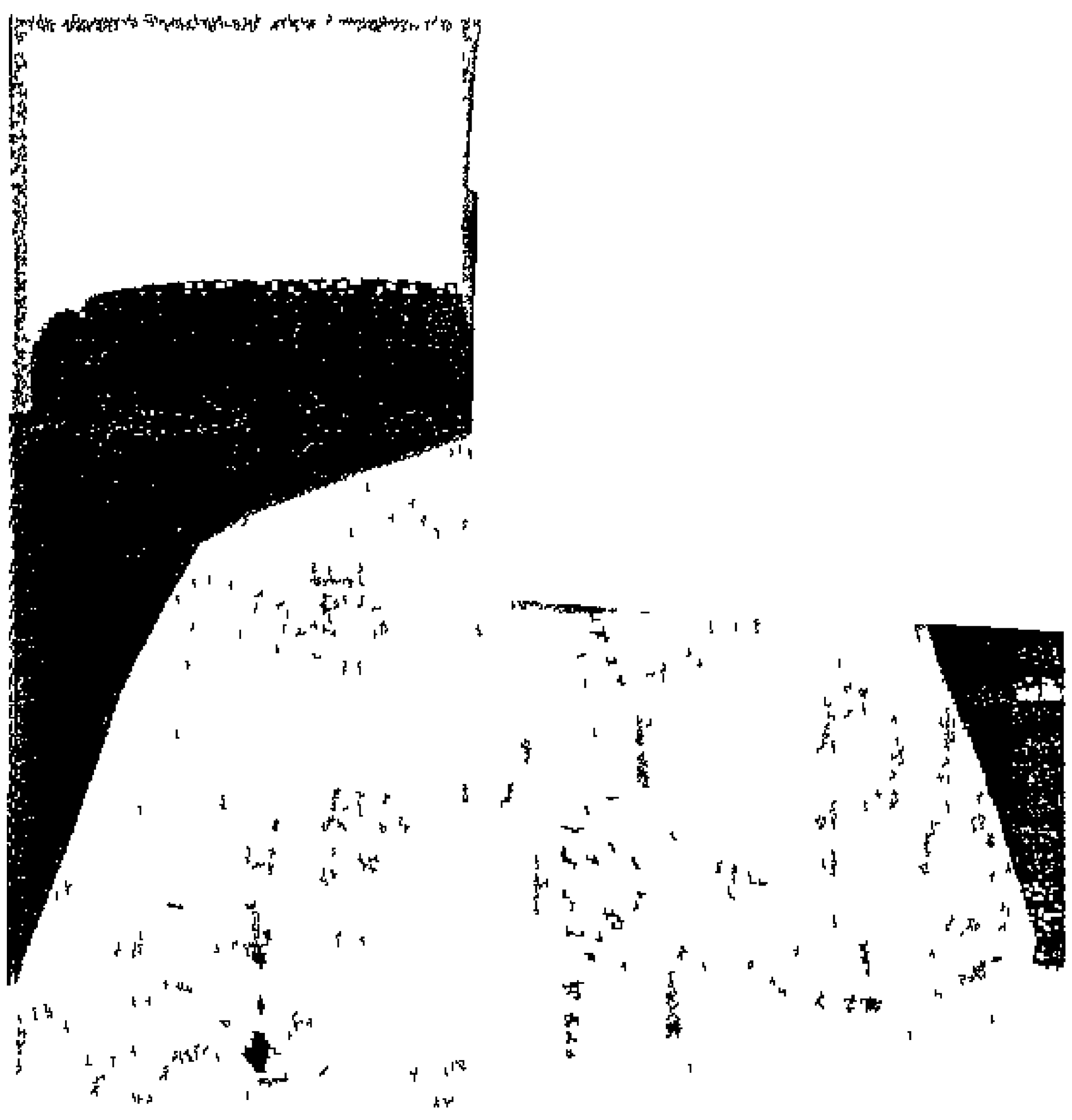
"As a result the refractories industry took a beating.

"However, in the past few years, since about 1986, demand has incresed steadily.

"South Africa has followed the world pattern and because of the stable local steel industry we have experienced a steady growth and expect this to continue in the future," he says.

The industry has a large research-and-development function as it is constantly required to develop new materials to support technology changes in its client industries.

"Even a slight alteration in a client's process requires changes to be made to the refractories being used.



Mr Ed Harbuz, chief executive of Cullinan Refractories.

"The industry co-operates on a worldwide basis. We manufacture a number of products under licence and, in turn, others manufacture products under licence from us.

Complex

"It is a complex industry with hundreds of different raw materials and thousands of products.

"This coupled with the large amount of research and development required makes it a fascinating industry," says Mr Harbuz

Industry's problem is lack of skills

Sdcer 27/11/90

(189)

The shortage of skills is a problem which seems to beset all industries in South Africa, and ceramics is no exception.

This survey was written and compiled by Charles Louis

Cullinan Refractories chief executive Mr Ed Harbuz says there is a shortage of skills worldwide in the refractories industry.

Mr Harbuz says "The raw materials we use are dug from the earth and either modified or used in the raw state. We control the process which produces the end product and various industries use the products under a variety of conditions slowly destroying the product and returning it to the earth

"Producing our products requires a complex range of skills and while there are B Sc degrees in subjects such as physics and chemistry, there is none in refractories

"This means we have to take a graduate with a basic degree in one of the sciences and train them in the range of different disciplines required to function in our industry.

"It takes about three years for the graduates to build up the necessary pool of experience and become productive.

"The refractories industry is a challenging career with lots of research and development involved

"This would suggest that there is little trouble attracting the right people to the industry. However, in the past the industry has kept a low profile and people have not known about the opportunities

"This will have to change as I estimate there is a need for hundreds of graduates. Joining the industry is not something they are likely to regret, most of the people stay with it throughout their lives"

Johnson Tiles managing director Mr Keith Dixon says there is a very small pool of skills available in South Africa

"Skilled ceramic technicians are like hens' teeth Even fitters and turners who are used to working with ceramics are rare

"We have picked up a number of the people we needed from the UK and we are always on the look out for people from overseas.

"The company also has a training programme to upgrade the skills of our black staff

"This has proved successful and we now have a number of skilled people such as fitters who have been developed in-house," he says

Ferro Industrial Products group divisional manager Mr George Duncan says the shortage of qualified ceramic personnel has only really developed as a major problem in recent times.

"In the past, glaze manufacturers were able to import skills from the UK or Europe. Recently it has become more difficult to recruit staff from the overseas market

"However, the Pretoria Technikon has, for some time, been trying to bridge the gap by offering a three-year ceramics course," says Mr Duncan

Continental China Holdings group managing director Mr Bill Paverd says one of the problems behind the shortage of necessary skills is the diversified nature of the industry.

"It is made up of a number of small sectors each with different skills demands

"Consequently there is not a very large skilled and trained labour pool, both at operational and managerial levels," says Mr Paverd.

Teamcor to shed more activities

(161)

BRENT MELVILLE

AFTER a refocusing of its portfolio last year, FSI subsidiary Teamcor is further evaluating its manufacturing and distribution businesses, Teamcor chairman Terry Rolfe says in his annual review

Using the National Bolts operations as a base, Teamcor has expanded and diversified substantially since 1983

It has taken a base of R39m in total assets to over R600m, and R45m in turnover to over R1bn

In the same period, operating profit has grown from less than R1m to R89m, and total shareholders' interest from R19m to R356m

Rolfe says that after the corporate and financial reorganisation of FSI's interests in 1988, an operational streamlining was undertaken in Teamcor in 1989

The principal effect of the streamlining was that Teamcor acquired a controlling interest in Vektra Corporation from Hunts (Teamcor's immediate holding company) BDay 15/5/90

Interests

Vektra's activities were in two areas, automotive and tools and equipment

As such, Vektra was constituted as the holding company for Teamcor's automotive interests

"A further element of the streamlining was the delisting of group subsidiary FS-Team Distributors, with minority shareholders receiving Teamcor shares in exchange for their holdings in FS-Team," says Rolfe

The transaction also served to increase Teamcor's attributable interest in Elcentre Corporation from 26,5% to 34%

Rolfe says that this year's objective will be to shed the remaining activities which no longer play a strategic role in the future of Teamcor

The manoeuvres are intended to buffer the group against the stop-start pressures of economic stimulation and economic discipline, depending upon the prevailing priorities of government, Rolfe says

"One of the most important challenges ahead to be met is that of remaining internationally competitive in a climate of continuing high inflation and limited productivity gains," Rolfe says.

Pressure on Hunts' margins keeps up

B Day 18/5/90

(189)

LIZ ROUSE

INTENSE competition and the slowing of industrial and consumer demand have resulted in continuing pressure on both turnover and margins, says Hunts chairman Jeff Liebesman in his annual review.

The group's management teams is addressing the situation through a combination of aggressive marketing, asset management and control of expenses

However, a satisfactory performance is expected in the year ending December 1990, provided there is no significant deterioration in economic conditions.

Liebesman says despite the current difficult economic environment, the 1990s hold great promise. Hunts' companies will benefit materially when there is an improvement in the economy, and especially from a return to stable operating conditions in SA

Focus

In particular the group, which is 76% onwed by W & A Investments, is positioned to take advantage of increased consumer spending in the growth sectors of the SA economy

Hunts has a clear focus· manufacture and distribution of basic consumer and industrial goods Liebesman foresees a whole range of opportunities for Hunts, as all South Africans become economically active.

The group will continue to expand geographically and diversify into new market sectors.

The past year was one of challenge and achievement — challenge brought about by the volatile socio-political environment and a dramatic increase in interest rates, achievement through increasing turnover by 23% to R1,6bn and attributable profit by 25% to R60,6m

Organic growth contributed more than 95% in earnings a share, which rose by 25% to 177c after allowing for conversion of the Teamcor preference shares The only acquisition in 1989 involved the further expansion of Vektra Corporation's interests in the distribution of automotive replacement parts

AUTOCATALYSTS FM 18/5/90

The more the merrier

While SA's two major new manufacturers of autocatalysts are coy over the impact of Phase 6 local content benefits on their decisions to invest, the incentives it offers are clearly what attracted Degussa and now Johnson Matthey

Degussa's joint venture with the Industrial Development Corp — Algorax, in Port Elizabeth — will be commissioned early next year with a manufacturing capacity of 1m units a year (189)

Johnson Matthey has gone one better "Our new R35m plant at Wadeville, Germistion, will have a manufacturing capacity of 2m autocatalysts a year and will be aimed at the European market," says executive director Chris Clark "The plant also will produce fabricated metal and chemical products But the autocatalyst manufacturing capacity will provide SA car manufacturers with significant export credits, thereby reducing the foreign exchange required to support the industry's imports"

Also instrumental in Johnson Matthey's decision to invest is SA's role as the world's major supplier of platinum and rhodium, essential ingredients in autocatalysts A shortage of rhodium and refinery problems

FINANCIAL MAIL MAY 18 1990

FM 18/5/90 (189)

at Johnson Matthey's local facility have led to sharp rises in rhodium prices Over the past 10 days alone, the price shot up from US$2 150/ounce to $2 300/ounce The high rhodium price could possibly pressure Algorax into looking for an alternate source of supply, possibly Barlow Rand's new Crocodile River mine

Johnson Matthey, the world's major autocatalyst manufacturer with 40% of the world market, recently opened a large plant in Belgium, with a potential capacity of 5m units a year But, Clark says, with the world rapidly going Green and with EC legislation creating a market for an additional 20m autocatalysts a year beginning in 1993, additional capacity is needed

"Autocatalyst manufacture already consumes about 30% of total global platinum consumption and this percentage is bound to rise as legislation, worldwide, makes the use of autocatalysts compulsory," he says "Eastern Europe is bound to follow suit in the next five to 10 years The potential market is limitless"

Algorax, meanwhile, confirms that work on its R25m autocatalyst plant is proceeding on schedule The first production should be rolling off the lines by December

While Algorax will manufacture only the catalyst units and not the final converter, chairman Danie Vorster estimates the value added locally to the raw materials could vary between 100% and 180% on the exported converter

The converters will sell for about $100 each That means SA can expect about $300m in export revenue should both plants reach full production ■

Toco to pay interims

189

INTERIM dividends will be paid by Toco from November, according to its management

The manufacturer and supplier of industrial products raised turnover above R100-million, and attributable profit grew by 28% to R10,2-million in the year to March

Earnings of 16c a share were 24% up, and the dividend of 6c was 20% higher Toco expects the interims to account for a third of the total payout.

The shares have doubled to 104c since management bought Columbia's stake last year Management holds 52% and institutions 32% S|Times 20|5|90

Toco Holdings enjoys a surge in share price

B/Day 21/5/90

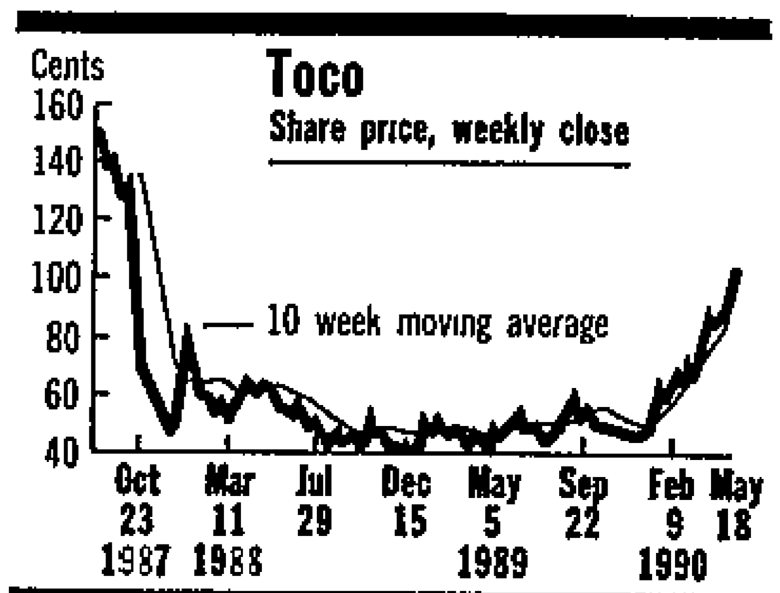
Analysis: STEPHEN RICHTER

(189)

AFTER a long consolidation period at the lower levels, Toco Holdings' share price has been surging and is more than 100% above its October low of 45c. It appears investors have been pushing up the price in anticipation of a satisfactory performance for the year ended March

The group did not disappoint as EPS grew by 24% to 16c, while the annual dividend was raised by 20% to 6c Operating margins in each division were maintained

Turnover rose by 47% to R101,7m, but operating profit advanced by only 26% to R13,3m. This reflects faster growth by lower margin divisions, but the overall margin is considered satisfactory at 13%.



Graphic: FIONA KRISCH Source: JSE

Toco is primarily engaged in the manufacture and distribution of industrial products such as lifting equipment, special steels, engineering components, industrial gaskets and hoists The mining industry is Toco's largest customer while the group is also involved with general commerce and the construction industry

The relatively low gearing on Toco's balance sheet gives the group room to expand its activities, which appears to be happening On April 30, Toco announced it had acquired the business and trade name of Reliable Pressings for a consideration of R5m, which was the net tangible asset value of the business This transaction was effective October 1, 1989, and settlement would be in cash by July 31, 1991, interest free.

Reliable Pressings has traded with Versatile Gaskets, a Toco company, for many years It is management's intention to make Reliable Pressings an autonomous operating unit within Toco's gasket division

Toco has completed streamlining operations, upgrading facilities and strengthening operational management in its existing businesses, and the group appears ready to enter a strong growth phase. With Toco's ungeared balance sheet and strong cash flow, it appears growth will be organic as well as coming from further acquisitions.

That places the group in a strong position to look for companies that are having difficulty in the current economic climate It would be logical to assume Toco could make a few more acquisitions before December.

FM 25/5/90 (189) FM (189) 25/5/90

MINETEC FM 25/5/90

Taxing times

(189)

A buoyant coal sector and the turnaround of Angcon Technologies boosted Minetec's operating profit last year. However, financing

Activities: *Manufactures and distributes mining equipment and manufactures electricity meters*

Control: *Directors 54,6%*

Chairman *A J Hodgson, MD J L Martin*

Capital structure: *11,8m ords Market capitalisation R2,8m*

Share market: *Price 24c Yields n/a on dividend, 10,8% on earnings, PE ratio, 9,2, cover, n/a 12-month high, 39c low, 18c Trading volume last quarter, 274 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	—	0,04	0,87	2,65
LT debt (Rm)	—	0,09	0 14	0,53
Debt equity ratio	—	—	0 34	1,32
Shareholders interest	0,39	0,29	0,26	0,22
Int & leasing cover	7,9	9,3	1,74	2 21
Return on cap (%)	21 4	17 9	5,3	10,8
Turnover (Rm)	8,3	9,9	12 0	22,0
Pre-int profit (Rm)	0 8	1,0	4 0	1,2
Pre-int margin (%)	10,0	10 1	3 3	5 5
Earnings (c)	4,1	5,9	0,5	2,6
Dividends (c)	2,0	2,5	—	—
Net worth (c)	13,5	14,6	14 1	15,6

acquisitions and new operations lifted debt which, in turn, led to some profit erosion ahead of tax

Operating profit rose to R1,2m in 1989 from 1988's R400 000 as turnover grew strongly and margins increased About 80% of Minetec's turnover comes from its mining division which largely serves the flourishing coal sector It now includes newly acquired Hydratech, which manufactures feeder breakers, and two companies formed for the manufacture of roofbolters and blasting bags Minetec also secured the franchise for Fairchild International mining equipment

Subsidiary Angcon, which produces electricity prepayment meters and contributes about 20% of group turnover, turned a 1988 loss of R320 000 into a R140 000 profit in 1989 The market for these meters remained strong but below expectations

The development and securing of these various opportunities and increase in working capital requirements caused debt to skyrocket Interest charges climbed, limiting the rise in attributable income, though it is still well up on the previous year The debt equity ratio stands at a precarious 1,32 and interest and debt cover, though still unacceptably low, have both improved.

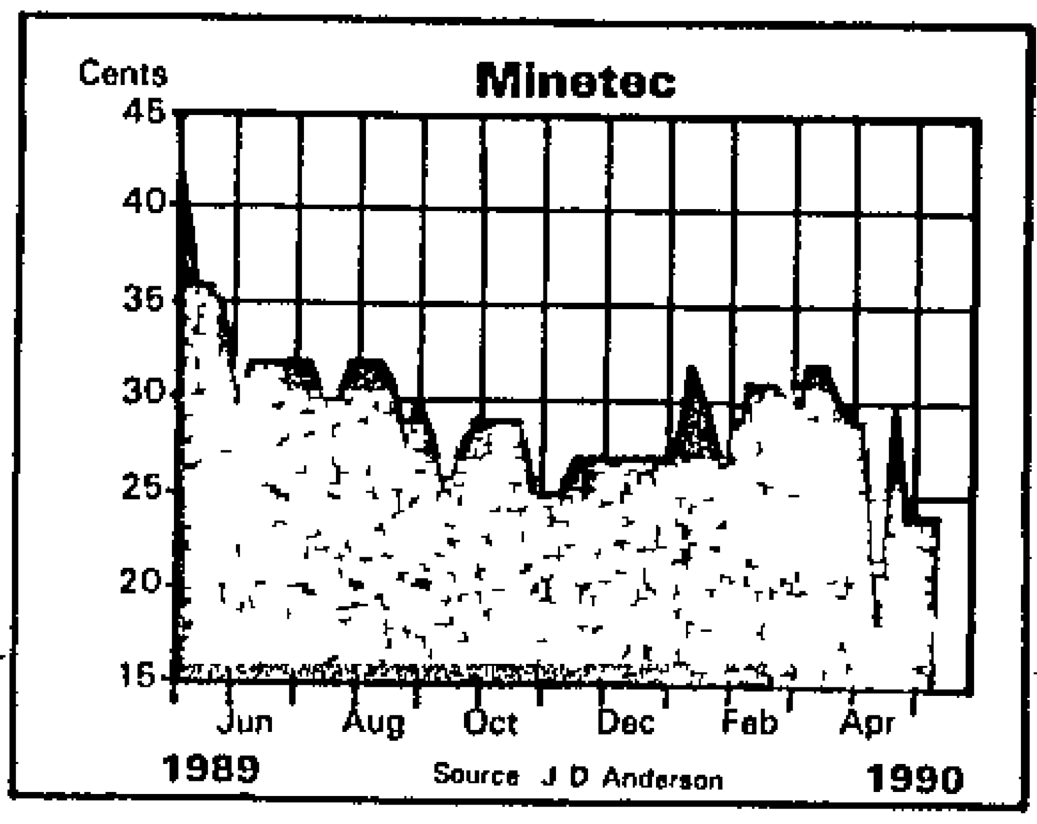
The share issue in part payment for Hydratech diluted earnings per share marginally and no dividend has been declared in an attempt to build cash resources

MD Jimmy Martin is bullish on activity in the coal mining sector this year and expects some early benefits from sales of the Fairchild low-seam continuous miner He is cautious about prospects further down the line but hopes to offset any coal industry difficulties by diversification into products for gold and platinum mines Angcon, he says, is facing increasing competition and, though market share might slip from its present 90%, the market is still growing and margins are not under pressure Angcon's current order book is 50% higher than last year

Martin adds that the company is performing according to budget and if it continues to do so debt will be reduced and dividends restored by the end of 1990 No further acquisitions are envisaged and it seems Martin is expecting a sharp improvement in the company's operating performance

Shareholders seem to share his optimism The share, though off its 12-month high, is trading at 24c, which represents a premium to net worth and an earnings yield of 10,8%

Pam Baskind



FEDERALE VOLKS FM 25/5/90

Debt soars (189)

When the troubled Federale Volksbeleggings announced management changes earlier this year it appeared that some hefty rationalisation moves could lie ahead Results for the year to end-March reinforce that view

Trading margins have buckled, leading to a 9% drop in trading income despite a 13% increase in turnover. More importantly, the interest-bearing debt rose by R190m to R573,6m and finance charges absorbed nearly 40% of operating profit

That left the attributable earnings down by 26% and, with the bottom line dilution after the 1988 rights issue still continuing, EPS collapsed by no less than 35%

As far as the trading performance is concerned, the hardest hit sectors were the consumer and agricultural equipment businesses The attributable profit contribution from motor components and agricultural equipment fell by 28% to R14,5m The domestic consumer goods slithered from a R23,5m profit to a R2m loss Services were 14% higher at R29,9m, pharmaceuticals were 1% down at R27,7m and food was only 4% up at R35,4m

Federale's Van der Walt . . . portfolio changes planned

FM 25 5 90 (187)

MD Peet van der Walt is forecasting an improvement for this year He bases this view on plans to rationalise and strengthen the portfolio and on better results expected from the food and pharmaceutical companies Of the "ailing companies" he says there will be actions and announcements during the course of this year

FVB SLUMPS

Year to Mar 31	1989	1990
Turnover (Rbn)	3,39	3,83
Trading profit (Rm)	321,0	291,0
Pre-interest profit (Rm)	347,0	333,0
Attributable (Rm)	129,5	95,3
Earnings (c)	86,9	56,6
Dividends (c)	21	21

"We envisage a combination of shrinking some operations, mergers and disposals," he says

The rationalisation will also be aimed at reducing the sensitivity of the group's profits to agriculture and consumer spending The divisions concerned are now seen as playing too large a role in the portfolio The effect, he says, will be a narrower focus for Federale, which will concentrate on food, services, pharmaceuticals and core motor component companies

Last year's jump in borrowings, which resulted from overstocking in certain divisions, pushed up the group's gearing to 65% — less than two years since the large rights issue in mid-1988 Van der Walt says the intention is to reduce gearing to below 50%, though it is unclear whether that will be achieved in the current year There are no plans for a refunding

In view of the economic climate, interim figures in the 1991 year will be down on the year-ago level, but some growth in EPS is expected for the full year *Andrew McNulty*

TEAMCOR FM 1/6/90

Motor drive

189

Activities. *Manufactures mining supplies and industrial fasteners, distributes tools, equipment, new and used vehicles, automotive replacement parts and electrical and electronic goods*

Control. *Hunts (FS) 63%*

Chairman· *T Rolfe, MD A Schlesinger*

Capital structure. *48,2m ords Market capitalisation R132,6m*

Share market. *Price 275c Yields 9,6% on dividend, 23,5% on earnings, p e ratio, 4,3, cover, 2,4 12-month high, 460c, low, 275c Trading volume last quarter, 38 455 shares*

Year to Dec 31	'88*	'89
ST debt (Rm)	0,4	6,7
LT debt (Rm)	76 0	144,5
Debt equity ratio	0 63	0 64
Shareholders' interest	0,46	0,48
Int & leasing cover	3,0	2 3
Return on capital (%)	23,3	18 3
Turnover (Rm)	619	1 044
Pre-int profit (Rm)	60,7	89 3
Pre-int margin (%)	9 8	8,6
Earnings (c)	75,0	64 5
Dividends (c)	30,0	26,4
Net worth (c)	2,04	2,86

* 18-month period

The streamlining and broadening of Teamcor's (formerly Natbolt's) activities transformed the group's structure and focus in 1989 Turnover now exceeds R1bn and operating profit R89m

In May last year the transformation got into its stride with the acquisition of 74,9% of Vektra (*Fox* May 18) and the minority interests of FS-Team Distributors, it also combined the Matus industrial distribution division and HSC Hire Services group with the Tarry Group's industrial division Teamcor has a 34% interest in Elcentre which transferred its cable and electrical distribution business into Voltex in exchange for a controlling interest in the group, that provided Teamcor with an attributable capital

FM 1/6/90 189

profit of R33,8m

The transformation resulted in an expanded operating base and considerably enlarged capital structure Turnover rose to R1,044bn from R464m in the previous 12-month period, operating profit and attributable income rose 95% and 84% respectively

Total shareholders' funds more than doubled and a run-up in debt to finance acquisitions and additional working capital requirements boosted captial employed to R488m from R260m A five-for-one share split, the issue of additional shares and inclusion of convertible cumulative preference shares (due for conversion this year) diluted earnings per share

The increased automotive focus is reflected in a fall in margin from 9,8% to 8,6% Vektra now contributes 45% to group turnover and its margin is a comparatively low 7,3% The manufacturing, mining supplies and industrial fasteners division, which includes operating company National Bolts, now weighs in at about 22% of turnover, tools and equipment (Tarry group) at 13%, and the electrical and electronic division — comprising Elcentre and Conpower — at 20%

Until the refocus, operating performance had been tied largely to trends in the electronic, mining and civil engineering fields The change has shifted the bias towards the more-cyclical motor sector Financial director Jon Brett says a slowdown in activity became noticeable in a number of divisions in the first three months of this current year and, in view of current economic conditions, is cautious about achieving growth in operating profit this year Problems experienced in the tools and equipment division, at Gill & Ramsden and GDS Hi-Tensile, should be sorted out

Brett expects little change in the tax rate

FM 1/6/90 189

from the effective 20,5% this year, assessed tax losses of about R12m still remain Interest charges are expected to be slightly up but, despite interest cover standing at a low 2,3, Brett says cash flow is strong and the group has no problem servicing or repaying debt

The market seems uncertain about the group's prospects The share is currently trading at 275c — a small discount to NAV and at a 12-month low *Pam Baskind*

Management team changes at ADE

CAPE TIMES 1/6/90

THE chairman of the board of Atlantis Diesel Engines, P J van Rooy, has announced changes in the company's executive management team, with effect from July 1

Hartmut Beckurst, managing director since the establishment of the company in December, 1979, and largely responsible for the success of the ADE project, will retire at the end of June

He will take up a position as counsellor for the Department of Trade and Industry at the SA Embassy in Bonn in Germany from September 1, where he will continue to play an important role in the promotion of SA industry

Fritz Korte, who has been with ADE since 1985 and currently holds the position of technical director, will assume duties as MD

Trevor Stone, presently GM of GEC Switchgear, has been appointed director of marketing and public affairs, succeeding Wally Rautenbach, who recently retired

Stone, a mechanical engineer by profession and an MBA graduate, has held several seior positions in local industry

Koos Liebenberg, currently senior GM, human resources and administration since August, 1988, has been appointed a director

John Davies, GM of ADE's foundry division, will join ADE's executive management team as senior general manager

B Day 7/6/90

Self-rescue pack plant is on stream

189 RIAAN SMIT

MINING utility company Cementation (Africa) yesterday officially opened a final assembly plant for locally manufactured self-rescue packs which could save SA an estimated R184m in foreign exchange

Self-rescue packs, 2kg canisters worn on belts by miners and which generate oxygen to sustain workers in the event of a fire or explosion, are compulsory on coal mines in terms of legislation and are being phased in on gold and other mines

Until mid-1988 these packs had been manufactured by a French company, Fenzy, which then granted Cementation the right to manufacture the self-rescuers under licence

Seventy-five percent of the content of the rescuers is now being manufactured by Cemtec-Fenzy, a department of Cementation Engineering, and assembled in the facility opened yesterday by deputy minister of mineral and energy affiars Piet Welgemoed

"The cost of self-rescuers will no longer be affected by foreign exchange rates, resulting in a price advantage of between 30% and 40% over imported units," Cemtec-Fenzy marketing director Tony Menego said yesterday

If all self-rescuers used at mines in SA were the Cemtec-Fenzy units, it would save the country an estimated R184m in foreign exchange, he said

About 50 mining industry representatives, including French officials from Fenzy, attended the opening

Otis hit by 63% plunge in earnings

B/Day 19/6/90

PIERRE DU PREEZ

LIFT and escalator manufacturer Otis has seen its interim earnings to end-May lowered by 63% to R1,7m (R4,7m) reflecting earnings per share of 10,2c (27,4c)

An interim dividend of 8c (17c) was declared

The operating profit of R5,9m (R9,4m) of the US-controlled group was 38% down on the 1989 figure.

Directors said trading conditions were adversly affected by the change in the mix of business handled. There was also a fall-off in service sales while the sales of new equipment increased

Dividend

189

However, owing to delays in deliveries and installation, some major contracts faced unexpected cost overruns which negatively affected the new equipment results

Certain contracts under way would also be adversely affected, so the directors had decided to provide an amount of R2,2m to cover foreseen losses

Should this amount be exceeded, the additional amount would be written off during the second half.

Shareholders must also assume the final dividend would be reduced compared to last year, the directors said

Otis posted good results for the year to end-November 1989 Taxed profits increased 8% to R8,7m and the dividend was raised to 45c(42c)

Sharp declines for two Danech firms

B Day 19/6/90 (189)

LIZ ROUSE

DICOR and Danglo, both holding companies in the Danech group, experienced radical declines in their attributable incomes in the six months to March

Danech Mining Supplies, of which Danglo holds 51%, was worst hit with attributable income plunging to only R11 000 after extraordinary items of just over R5m in the previous comparable half-year

The Danech group is also carrying a high debt burden, a problem compounded in the half-yearly results by difficult trading conditions

Although an improvement is expected in the second half of the year, the interim results of Danech Industrial Corporation (Dicor), Danglo and Danech Mining Supplies are disappointing after the recovery following restructuring of the group in the year to September 1989

Danech Mining Supplies was hit by much higher interest charges, and suffered from competitive conditions in the mining division as mines reduced their purchases of consumable goods.

Turnover was up at R96,7m (R92,4m) but interest charges slashed R3,46m (R1,8m) off an operating profit of R3,9m (R4,4m).

Costs have been reduced and certain operations amalgamated so that the mining division can remain competitive in difficult trading conditions

Directors are looking for improved results in the second half of the year.

Danglo (61% held by Dicor) was supported to some extent by the Plastall group (86% held by Danglo), which increased its market share substantially, resulting in a 77% increase in attributable income

The mining supplies division, plus high interest charges of R3,8m (R3,4m) must be blamed for the fall in Danglo's attributable profits to R1,6m (R7,5m) after extraordinary items

The decline in Dicor's attributable income to R826 000 (R2,3m) after extraordinary items is attributable to a minor extent to an 8,5% decline in turnover to R124,3m (R135,9m) as profits on sales slipped only slightly from 5,2% to 5,1%, according to directors

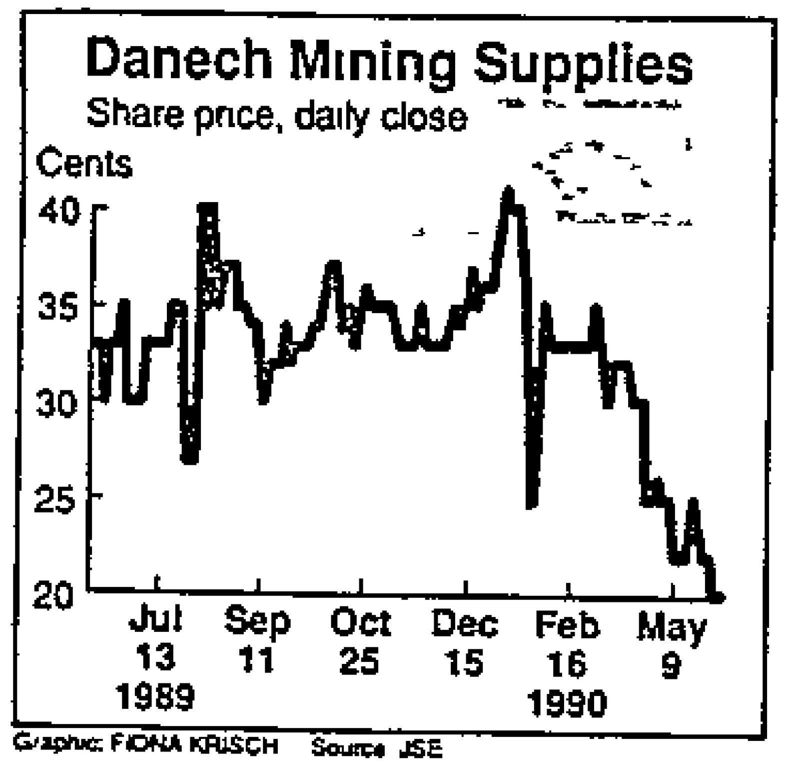
Higher interest payments of R3,9m (R3,5m) took their toll so that income before extraordinary items was eroded by almost 22%

Dicor directors say further cost reductions are in hand in order to reduce borrowings as far as possible

Although the group is budgeting for an improved performance in the second half of the year, trading conditions are unpredictable

Dividends appear a long way off despite valiant efforts to improve the group's performance Debt was reduced to R29,05m at the September 1989 year-end (1988 R57,56m) Accumulated losses were reduced to R19,22m (R20,91m)

B/Day 21/6/90 (189)



Supply firms offset squeeze from cutbacks by gold mines

RIAAN SMIT

MINING supplies companies are feeling the pinch of the spending cutbacks by gold mines, but this is largely offset by supplies to platinum and coal mines and also by exports, senior company officials said yesterday

Share prices of supply companies reflect negative market sentiment Consumables supplier Danech Mining Supplies, which reported a drop in attributable income to R11 000 this week, is trading at a 12-month low of 20c

Cemenco, which has shaft-sinking, tunneling and cementation interests, is trading at 690c a share after recording a 12-month low of 650c in March

Drilling equipment suppliers Smith Mining Equipment (Smithmn) is trading at 10c above its 12-month low of 65c recorded in February

Chairman Neville Parry of Danglo, which owns 60% of Danech, said yesterday gold mines were cutting back on inventory Danech's volumes were not decreasing, but prices dropped about 10% because of competition

"Remember, the gold mines have not stopped mining They have to replace consumables, which means business will come back in the medium term," he said.

Parry was echoed by Valard MD Stephen Connelly, who said supplies to diamond, coal and platinum mines were booming He estimated the decline in spending by gold mines at about 25%.

Executive chairman of Smithmn David Stevens said his company's raise boring at gold mines has dropped "more than 50%", but that exports had been pushed to produce reasonable results

Cemenco chairman Ronny Shaw said financially the problem was not only the postponement of gold mining projects, but also the time lag in awarding contracts when such projects eventually got the go-ahead from mining houses

DANECH INDUSTRIAL (189)

Still cutting

FM 22/6/90

After showing recovery a year ago, the Danech Industrial (Dicor) group is again seeing profits reported by its listed companies sliding Problems lie partly with weaker sales and margins, but rising interest charges are also hurting

Results of holding company Dicor — which holds 61% of Danglo, which in turn has 51% of Danech Mining Supplies (DMS) and 86% of Plastall — reflect deterioration in the operating companies Sales for the six months to end-March fell 8,5%, the margin dipped from 5,4% to 5,1%, attributable earnings were R1,5m lower at R826 000 and EPS dropped from 2,1c to 1,7c

The mining industry remains a particularly tough sector, with no pick up in sight while the gold price keeps sinking DMS thus remains the bugbear, with the interim margin buckling from 4,7% to 4,1% after a R4,3m advance in sales, which edged up to R96,7m

Need for still tighter asset management is plain enough The abridged balance sheets show that in Danglo long-term liabilities have been cut from R11,9m to R10,7m, but in DMS have increased from R7,7m to R9m With higher rates taking effect, the net interest cover in DMS was only 1,1 times Interest cover was only slightly more comfortable in Danglo, at 1,7 times

The rationalisation over the past 18 months continues MD Bob Wenteler says further steps will be taken to further reduce costs in DMS over the next 12 months However, improvement has been seen in Danglo's packaging arm, Plastall, which increased its market share and lifted attributable income by 77%

Wenteler says Plastall is now seeking to expand further, particularly in the flexible plastics field

Andrew McNulty

OTIS F|M 22/6/90 (189)

Between floors

The lift business depends on both the property market and construction industry and, in the six months to the end of May, Otis had problems with both The mix of business between service sales and new equipment sales shifted in favour of the latter While both divisions increased sales the service sales grew noticeably more slowly than new sales

MD Roy Markham, who seems to have been brought in to sort out the company, explains "Though our new equipment business picked up from the end of last year, we were hit by a number of sites being late This, together with other sites being on time, resulted in a concentration of activity Overcoming these problems led to cost overruns

F|M 22/6/90 (189)

which hit the operating results "

Similar conditions are expected for the current six months and R2,2m has been provided against unforeseen losses The directors state that should this amount be exceeded the additional amount will be written off during the second half of the year

"We hope this will be adequate," says Markham, "but we are not confident that the market has bottomed out While we will do everything to avoid it, we must warn shareholders of a possible cut in the final dividend "

Looking to next year, Markham feels Otis could resume a growth trend "Our new order intake is very healthy and we should be able to increase our market share, judging from our knowledge of our customers and the activity level of the industry "

SUDDEN JOLT

Six months to May 31	'89	'90
Operating profit (Rm)	9,4	5,9
Attributable (Rm)	4 7	1 7
Earnings (c)	27,4	10,2
Dividends (c)	17,0	8,0

The service business was clipped by a reduction in modernisation of buildings and hence a reduction in refurbishment of lifts Many of the potential buildings — those which are 20 to 35 years old — are being torn down rather than renovated

Otis is taking the knock sooner rather than later through the provision for construction costs at the interim stage, and the next six months should see an improved performance even though it is unlikely to match that of 1989 Next year everything will depend on how the construction industry weathers the recession

Gillian Findlay

SA pedal power soon for U

C/T Argus 23/6/90

189

By TOM HOOD
Business Editor

THOUSANDS of Britons will soon be riding South African-made bicycles

A multi-million-rand export order for 100 000 bicycles a year has been landed by the new Cape Town-owners of Western Flyer Manufacturing, the country's largest cycle factory

The plant at Dimbaza in the Ciskei was recently taken over by Merchandise Buying Syndicate, a diversified company with head offices in Long Street

The cost of the acquisition has not been disclosed, but the factory has stock worth more than R5 million

Managing director Ellian Perch said this week that when he heard the factory was on the market he visited it and was impressed

Maybe he had a better eye for the potential of the current cycling boom than most businesmen — his father had a cycle shop in Kraaifontein and he was a track racing cyclist in his younger days

The factory started in 1976 and went through a succession of owners until the People's Bank of the Ciskei, a shareholder, took full control after business was hit by increasing imports from the Far East

The British export contract was won by price and quality standards, said Mr Perch, who visited several major British cycle retailers and received positive' acceptance

"The contract represents only 4 percent of the British market, so there is scope for exporting even more"

In getting the order the factory had to overcome the handicap of paying 20 percent more for Iscor steel tubing than Taiwanese cycle manufacturers, who get a 20 percent discount from Iscor, said Mr Perch

The factory is about to start production of a new lightweight ATB (called mountain bike in South Africa) making up 60 percent of the exports

The other 40 percent will be racing bikes The new ATB will be cheaper than imported American and Italian machines, the price of which is inflated by the low rand exchange rate

House labels

Production is also being expanded by a full range of lower-priced bikes under the Western Flyer label or house labels for major retailers

Transport costs from South Africa are half those from Taiwan, the world's major cycle exporter, while the low-rand exchange rate to sterling makes South African bikes a bargain in Britain

Mr Perch said this week he aimed to upgrade standards and let the consumer decide if he wanted to pay cheap for a basic bike or pay a little more for something better and more reliable

"In this business, some people would buy an inferior chain just to save 50c," he said.

Big changes have been made in the few weeks since the new owners took over, with stricter

See page 3

Britons soon to go a-biking SA style

W/C Argus 23/6/90

From page 1

quality control and a big expansion on the cards

The company had a franchise to make Peugeot cycles, the world's largest single brand, he said The French factories made about 350 different kinds of bicycle in five sizes and eight colours

But the Dimbaza plant would concentrate on a few racing models, three sizes of ATBs and children's BMXs

Puegeot closed its South African factory eight years ago and Western Flyer took over the franchise Machines are now made to strict French specifications, with frames and paint being sent regularly to Peugeot for inspection

After battling for years against cheap imports, Westen Flyer has joined other manufacturers in asking the Board of Trade and Industrties to impose dumping duties on low-price BMX imports from Red China

Mr Perch said South Africa had no official safety standards for bicycles and was one of the few countries prepared to accept the Chinese models Britain, Australia and Sweden would have rejected them

"We lack the safety standards of those countries, which include compulsory reflectors front and back and on the pedals, and stress tests on frames

"Sweden insists on reflectors being painted on the tyres Australia has the toughest regulations and sends inspectors to Taiwan to check every single bike before it is exported to Australia "

The company also owns factories in the electronics and furniture industries These are Genvetics at Atlantis, where 100 workers are employed mainly on making music centres

The other factory, Sunscene in Johannesburg, employs 150 making outdoor furniture and cushions

The balance of MBS business is importing electronic and other products for the domestic market

Cycle firm wins big UK order

Star 26/6/90

(187)

By Tom Hood

Thousands of Britons will soon be riding South African-made bicycles

A multi-million-rand export order for 100 000 bicycles a year has been landed by the new Cape Town-owners of Western Flyer Manufacturing, the country's largest cycle factory.

The plant at Dimbaza in the Ciskei was recently taken over by Merchandise Buying Syndicate.

The cost of the acquisition has not been disclosed, but the factory has stock worth more than R5 million.

Managing director Ellian Perch, whose father had a cycle shop in Kraaifontein, won the British export contract "on price and quality standards".

In getting the order the factory had to overcome the handicap of paying 20 percent more for Iscor steel tubing than Taiwanese cycle manufacturers, who get a 20 percent discount from Iscor, said Mr Perch.

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SHE'S NUTS ABOUT BOLTS

HAZEL McGAW . . . the newcomer who quickly fastened on to a way of making a turn from fasteners Picture: GARTH LUMLEY

By CHARMAIN NAIDOO

HAZEL McGAW is into screws But she's also into nuts and bolts In fact, fasteners of any kind excite her

The blonde 48-year-old, who has turned her distribution company UTB Fasteners into a multimillion-rand winner, is happiest taking on her male competitors — and she has earned their respect

Mrs McGaw has been elected chairman of the 50-member Fastener Distributors Association, which recently celebrated its first birthday

She will liaise with manufacturers as well as customs and excise officials on duties and surcharges and make members aware of price increases and trends in the industry

When English-born Hazel came to SA 18 years ago, the nuts and bolts business was the last thing on her mind

"I got a job as a rep selling industrial fasteners, about which I knew nothing I soon learnt"

Seven years ago she took a 5% stake in a new fastener company on the understanding that she would run it

"Three years later my partner wanted to quit I offered to buy his shares I had no capital, and the Small Business Development Corporation told me that I was 'too white' for a loan

St Times 11/7/90 (189)

Gripe

"My bank manager laughed at me, a mere woman asking for a loan of R156 000 I asked my partner if I could pay him out of the profits He agreed"

When Mrs McGaw took full control four years ago, turnover at UTB (short for Ultimately The Best, she says) was R70 000 a month Today it is R250 000 and growing

But she has a gripe: "We import most of our fasteners because they are of far higher quality than SA-made ones We've begged manufacturers to make high-quality products and assured them that nearly all distributors will support them

"Distributors don't want to pay the exorbitant surcharge and duty and would welcome SA products"

Under the umbrella of the FDA, she hopes to persuade manufacturers to "get off their butts"

"We have brass, copper, iron, steel — the material required to make fasteners All we want is a reasonable product"

Mrs McGaw admits that she knows little about finance — "I don't understand my balance sheets My secret is that I do a daily cash flow and once a month I do an acid test — if we paid everyone what they are owed, what would be left? Have we made a profit? Sounds simplistic, but it works."

UTB carries large stocks — at any given time there are goods worth R400 000 in the warehouse

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Sugar's sweet five years

ST Times 1/7/90

By DON ROBERTSON

THE sugar industry is looking better than it has for the past five years

It has ready markets and the world price has risen fivefold

Debts of R327m incurred up to 1985 are expected to fall by R70m by the end of this season to R87m and improved cane transport has saved R118m in two years

Although domestic sales are not expected to rise, the price of sugar will be increased by 13% on August 1 It will rise from R1 094 to R1 236 a ton. A kilogram of white sugar will cost 17c more and 42c extra for 2,5kg

The industry selling price has risen by 11,3% in the past 18 months compared with 24,1% for the consumer price index. By announcing the increase early, the SA Sugar Association is giving industrial users a chance to build up stocks at the lower price.

SA Cane Growers Association chairman Tony Ardington says deregulation will reduce overheads, improve the use of capital and provide new farmers with ready access to mills

FRIDAY, JULY 13 1990

Toyota in R40m boost for Cape suppliers

Cap Times 13/7/90 189

By AUDREY D'ANGELO
Business Editor

DURBAN-based motor manufacturer Toyota (SA) expects to give an additional R40m worth of business to Western Cape suppliers in the coming year — boosting its spending here since early 1989 to about R100m, and creating about 1 200 extra jobs

Its announcement follows one by Wesgro director David Bridgman that investor interest in the Western Cape is growing, with an increased number of inquiries from European and Far Eastern manufacturers.

Toyota's supply director, Ernie Shore, explained yesterday that much of the extra business the company was placing in the greater Cape Town area was due to increased local content requirements

"We have sourced some of our supplies from the Western Cape for years, either because we could only get them from there — like engines from Atlantis Diesel Engines — or because the quality was better

"But, for logistic reasons, we naturally prefer to source our supplies as near to the factory as possible We source more than half of them from Natal and the rest from the Transvaal and have rather neglected the Western Cape because of distance

"But the increased local content requirements mean that we are running out of suppliers within easy reach of Durban and are having to come further afield "

Shore said a contract worth R2,5m a year to supply velour for cloth car seats was given to Court Fabrics of Paarl because, after Toyota had "scoured the country", they were found to offer the best quality.

"We chose them in straight competition with a West German supplier"

Other new suppliers include Gabriel in Retreat, from whom Toyota is currently buying R500 000 worth of gas shock absorbers Shore expects this to increase

"We are getting a highly sophisticated immobiliser for the Toyota Hi-Ace from Centralised Electronics in Cape Town, who will probably also manufacture a similar device now under development by Toyota for the Hilux bakkie This is an additional investment of R2,5m a year and is likely to jump to well in excess of R3m a year "

Atlantis Foundry is supplying Toyota with R3m a year worth of inlet manifold castings

And in 1991 STI in Atlantis will start to supply R6m worth of wing mirrors for passenger and light commercial vehicles

GUD of Atlantis will soon start to supply Corolla and Hi-Ace air cleaners "with an annual value of approximately R1,5m", said Shore

He said that at the beginning of 1989 Toyota had placed R60m worth of business in Cape Town By the end of 1991 "the sum is expected to jump to R100m

"The additional business we shall put in the Western Cape in the next 18 months will be directly responsible for the creation of a further 1 200 new jobs

Bridgman said investors were showing more interest in the Cape than in other parts of SA, although at present they seemed to be waiting for developments following the recent changes

Cap Journal 12/7/90

Numsa strikers in sit-in

Cape Times 14/7/90

189

WORKERS at Gabriel SA, manufacturers of shock absobers, are occupying the company's Retreat canteen as a strike over wage demands continues

The canteen occupation by more than 200 National Union of Metalworkers of South Africa (Numsa) members began on Tuesday after a strike was called in rejection of a wage offer

On Thursday the company served a Supreme Court interdict on the workers to vacate the canteen by 8am yesterday and return to work The strikers were, however, permitted to remain in the canteen

FM 20/7/90

FM 20/7/90

NORTHS INDUSTRIES (189)

Gearing grind

Activities: *Importer and distributor of agricultural machinery*
Control: *Tollgate 70,7%*
Chairman: *J L Claasen, MD G A Hall*
Capital structure: *12,66m ords Market capitalisation R10,1m*
Share market: *Price 80c 12-month high, 210c, low, 60c Trading volume last quarter, 52 000 shares*

Year to Dec 31	***'89**	**'90**
ST debt (Rm)	2,7	49,2
LT debt (Rm)	—	0,3
Debt equity ratio	nil	1,93
Shareholders interest	0,82	0,25
Int & leasing cover	4,5	1,4
Return on capital (%)	35,8	11,6†
Turnover (Rm)	n/a	58,7
Pre-int profit (Rm)	10,7	5,8
Pre-int margin (%)	n/a	9,9
Earnings (c)	60,1	14,5
Dividends (c)	9,0	8,8
Net worth (c)	194	199

* 16 months to June 30
† Annualised

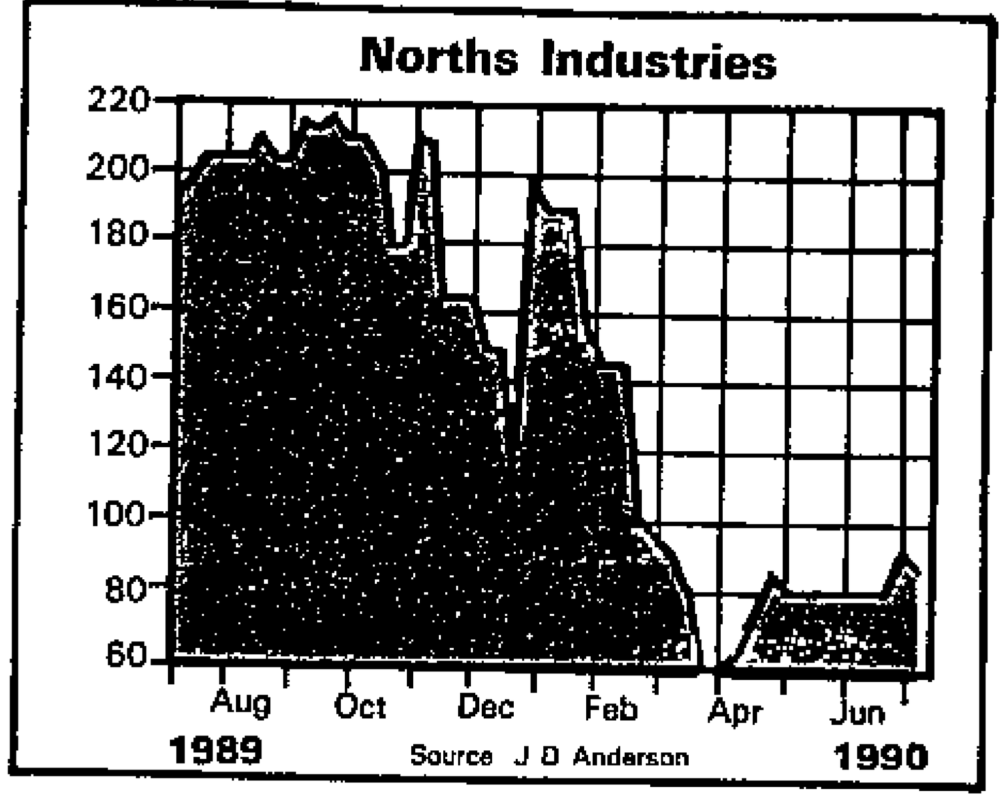
Here is another disturbing testimony to Tollgate Holdings (TGH) old guard's financial management

In the six-month report period, interest paid absorbed 71% of operating profit, because gearing is over the top

The report covers the six months to December with comparative figures for 16 months to June 1989 This hampers evaluation but changes in the balance sheet and ratios are meaningful.

Gearing and the debt burden, as with TGH itself and its to-be-sold Arwa subsidiary, are overwhelmingly large, and shareholders' interest has fallen significantly What caused this situation this time?

Lawrie Mackintosh, a member of the consortium that has acquired control of Duros/TGH, explains gearing went out of kilter when Norths, then a division of Gants, bought the agriculture division of J I Case from the divesting US parent The purchase



was financed with short-term bank borrowings and extended credit, it accounts for the R70m increase in stocks (previously R3m) and corresponding R70m rise in current liabilities (from R4,6m) (189)

MD Gerald Hall comments that since the business is seasonal, stocks are highest at the December year-end A programme to reduce stocks is under way

Stressing seasonality, Hall adds that the maize harvest in July/August will see a big reduction in debtors with a corresponding cut in overdraft finance By end-September, he says, both stocks and debtors should be at "normal" levels and the company "running properly " To reduce overheads, the 17 retail outlets are to be cut to 14

Trading has been below expectations for the first five months this year, due to weak economic conditions Turnover and profit are below budget Nevertheless, Hall reckons sales are well ahead of the industry With spring and the accompanying busy season around the corner, he hopes conditions will improve and permit "respectable" after-tax profits and a "significant" dividend But he is not prepared to forecast EPS

By definition, most agricultural-based businesses are subject to the vagaries of the elements They, therefore, have a high risk factor, in Norths' case worsened by its 1989 year-end financial structure It's a matter of wait and see whether results will be a matter of man's proposal or God's disposal

Gerald Hirshon

Aloe closure hits Macadams profit

SYLVIA DU PLESSIS

BAKERY and catering equipment manufacturer Macadams' closure of its Aloe Catering Equipment division during its financial year to end-February came after a dramatic decline in the demand for mass catering equipment from the SADF, Armscor and the mining industry.

Aloe's marketing operations were sold to Crown Food division Vulcan Food Service Equipment from January 1.

Macadams MD Raimund Pouliart said on Friday the losses attributable to the discontinued Aloe operation were "far in excess" of expectations. (189)

He said the costs of retrenchments, closing branches, bad debt provision, providing for product guarantees and employing installation contractors to complete contracts were greater than anticipated.

"However, I am satisfied all expenses relating to the Aloe operation have been dealt with during the 12 months to February and that we started off the current financial year with a clean slate."

Due to the unforeseen cost of R4m incurred in the Aloe closure, Macadam posted a loss after this extraordinary item of R3,1m in the year to February translating into a loss of 20,1c (5,3c earnings) a share. The dividend — 1,7c in the previous year — was waived. B|Day 30|7|90

While better margins lifted operating profits to R2,4m from R1,6m, interest paid rose sharply to R1,5m (R789 000) due to the costs of financing the Aloe Catering Equipment division and the purchase of its Blackheath headquarters, and eroded growth at the bottom-line.

Directors said they had obtained permission from the JSE and the Registrar of Companies to delay publication of the figures for the period under review in order to complete Aloe's financial statements.

CMT-Times 30/7/90

189

MacAdams back on track for profits

UNFORESEEN costs incurred in closing down its Aloe Catering Equipment division have hit MacAdams' bottom line, causing the company to post a loss of R3,10-million for the 12 months to February 1990.

The directors say, however, that the company has now been refocused and should return to profitability during the current financial year.

The results published today show that while the bakery division's sales exceeded budget, turnover dropped by 10% to R37,66m as a result of the reduced demand for Aloe products

Despite the drop in turnover, however, improved margins saw operating profits climb from R2,34m to R2,67m

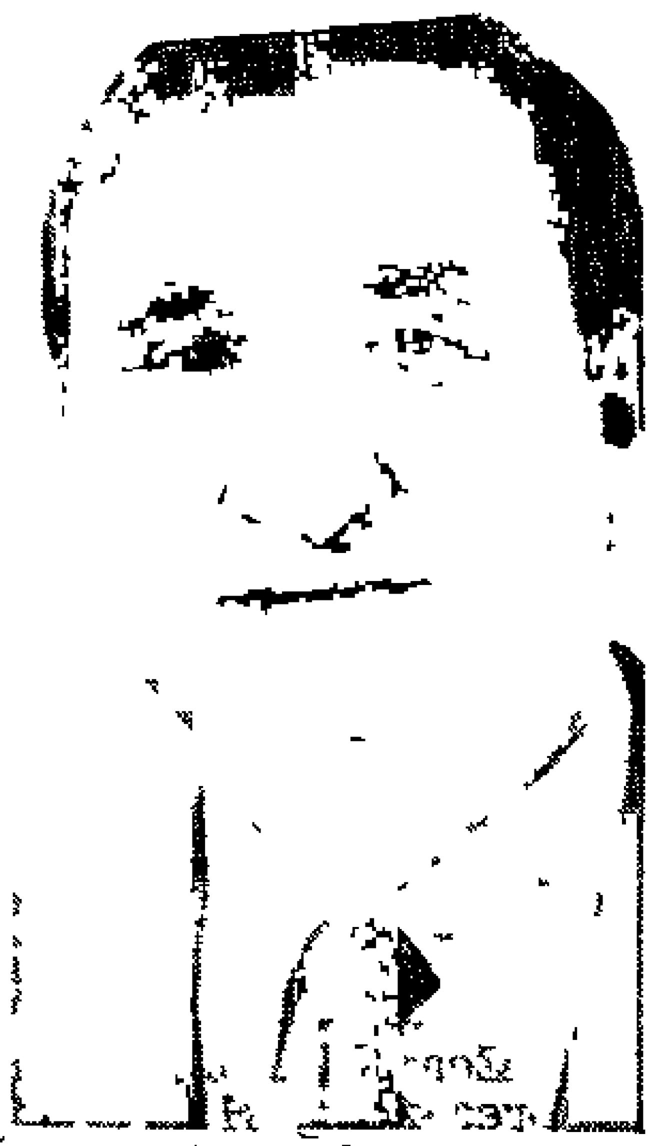
Interest paid was also up sharply — from R1,12m to R1,79m — due to the costs of financing the Aloe Catering Equipment division and the purchase of the Blackheath headquarters

GM Mr Raimund Pouliart said the directors have taken remedial action The building has subsequently been sold on a favourable lease-back basis, at a capital profit of R2,1m

This, together with the sale of the Aloe stock and assets, has reduced interest bearing debt substantially

Pouliart emphasised that MacAdams' focus had now returned to its traditional business — the manufacture and supply of bakery and confectionary equipment

"I am satisfied that all expenses relating to the Aloe operation have been dealt with during the 12 months to February 1990 and that we started off the current financial year with a clean slate"



Mobsters attack civil engineering projects

ANC?? 2/7/90

The Argus Correspondent

DURBAN — Development in Natal's townships is grinding to a halt and already 3 000 jobs in the civil engineering industry are on the line as marauding mobsters make it "virtually impossible" for contractors to work

"Anarchy prevails," the South African Federation of Civil Engineering Contractors (SAFCEC) claimed last week

said no responsible manager a contracting company would expect an employee to work on a construction site where he is open to intimidation and violence, and where his life is in danger

The unrest has already cost civil contractors R15 million, not including the R36 000 or more being paid each month for security on a single site, SAFCEC branch manager Mr Des King said

Already the future of an important arterial link in Umbumbulu, a contract worth R14 million, is in the balance because of security problems

Not surprisingly many contractors are no longer quoting for jobs in unrest areas, but with cuts in budgets there is little other work for them

Some highlights of the seriousness of the situation include

- An attack on a construction site in KwaMashu near Durban recently in which armed men in a minibus opened fire on workers,
- The recent death of a driver of an earth-moving machine instructed at gunpoint by two men to knock down the wall of a bottle store, which was then looted The men cut off the driver's legs and necklaced him The earth-moving machine, worth about R300 000, was set alight, and,
- The inability of a contractor to retrieve plant equipment worth at least R500 000 from near the Nagle Dam area after he was threatened by mobsters

Some contractors have taken on guards armed with short-barrelled, pump-action shotguns and some construction camps are now bordered by electrified fences in a bid to prevent theft and vandalism

But this has not allayed fears among workers in the industry

'50% less to import engines'

CT 11/7/5 2/8/90

By AUDREY D'ANGELO
Business Editor

DELTA MOTOR CORPORATION can import Isuzu engines for 50% less than the price of those produced by Atlantis Diesel Engines (ADE), even allowing for duty.

Explaining this at a media conference yesterday, Delta CE Keith Butler-Wheelhouse said the extent to which vehicle prices would continue to rise would depend partly on how much protection was given to ADE, and whether the 75% local content requirement could be satisfied largely by the production of local components which could also be exported.

He said the number of engines it produced at present made it impossible for ADE to keep unit costs as low as those of the international manufacturers.

Butler-Wheelhouse said the rate at which vehicle prices have risen meant that the motor industry had not yet benefited from increased black spending power to the extent it had hoped. In the 1980s blacks had about 30% of the spending power in SA. By the year 2000 they would have 60% of the disposable income.

"We are about halfway there now, according to statistics."

Because vehicle prices were so high, blacks were spending this money on things like white goods and video machines instead of cars. But this situation would change.

The white vehicle market was close to saturation but there was room for improvement in the black market. "In years to come, independent individual vehicle transport will become more important in black households."

Butler-Wheelhouse said that for vehicles to become affordable to this growing market it was essential to contain the costs of increased local content.

The key was not to make a heavy investment in producing limited volumes for the SA market, but to produce components which were internationally competitive and could be exported. "We must single out products and services which we can produce on an internationally competitive basis at their true prices."

Delta Corporation had identified several such products, without allowing for subsidies.

Butler-Wheelhouse said he did not share the view that SA would become like Brazil with old vehicles on the roads and manufacturers afraid to go to the expense of tooling-up for new models.

The market was too competitive for this and there were too many companies interested in the coming explosion of the black market to risk falling behind with new technology.

Butler-Wheelhouse warned, however, that SA faced turbulant times in the short term and that inflation was likely to remain higher than that of its main trading partners for about five years.

This would mean a deteriorating currency and rising import costs.

Brown Boveri shuts down loss-maker

(189) ZILLA EFRAT (6)

THE motor control gear distribution operations of Brown Boveri's Standard Products division has been closed

Powertech executive chairman Peter Watt said yesterday that ever since Powertech and Swiss-based Brown Boveri entered a joint venture two-and-a-half years ago, this operation, with an annual turnover of R5m, had never been profitable.

The market for motor control gears, primarily used in manufacturing switchboards, was extremely competitive and overtraded Watt said taking hard business decisions in the current economic environment could not be avoided. Even in the medium term, the operation's prospects were not good. B Day 21/8/90

He said that Powertech's turnover was unlikely to be dented by the move

It was unknown how many of the 100 employees affected would take the retrenchment package offered or be placed elsewhere in the group

Demand for ADE products drop 20%

CT 7/8/90 189

Business Staff

ATLANTIS DIESEI ENGINES (ADE) has suffered a drop of more than 20% in demand for its products as a result of the downturn in the economy — and in the motor industry in particular

Admitting this yesterday, MD Fritz Korte said another 10% drop was expected in the last half of this year and the first half of 1991.

As a result, ADE will offer early retirement or voluntary retrenchment packages to about 20% of salaried staff.

Korte said yesterday that· "In spite of steps taken to obtain additional export business and to reduce operating costs in sympathy with the reduction in local demand, we are now forced to reduce our manpower costs."

Salaried and hourly-paid employees will be given the opportunity to volunteer for retrenchment or early retirement during this month. ADE will also consult in this regard with the relevant trade unions.

Atlantis gears down workforce

By JOHN VILJOEN, Staff Reporter Argus 7/8/90 (189)

ATLANTIS Diesel Engines (Ade) is offering early retirement or voluntary retrenchment to 200 employees, 20 percent of its monthly paid staff, "due to the severe downturn in the economy and the motor industry in particular"

Demand for Ade's products had dropped by 20 percent over the past year, said Ade managing director Mr Fritz Körter

The forecast demand for the rest of this year and the first half of next year predicted a further decline of 10 percent

"Ade will also consult in this regard with the relevant trade unions," the company said in a statement.

A spokesman for the National Union of Metal Workers of South Africa said the union's Atlantis representatives had set up a meeting with Ade management for Friday.

ATLANTIS DIESEL ENGINES (189)

Crunch time FM 10/8/90

The reduction of the Atlantis Diesel Engines (ADE) work force by about 20%, announced this week, is part of a wider strategy to maintain a break-even course for the current year, says MD Fritz Korte

But he acknowledges that it's going to be extremely tough to keep the giant engine manufacturer out of the red in the face of a forecast 25%-30% cutback in demand for truck and tractor engines, compared with last year

To trim overheads, ADE is implementing an early retirement and voluntary redundancy package to reduce staff across the board by about 200 Korte says it's possible the packages will be accepted by more than the target figure

Last month he said he was fairly hopeful that the domestic economic situation would stabilise and that export opportunities would bolster revenue and allow ADE to break even this year (*People* July 27) But the outlook for the heavy truck and tractor markets has become gloomier

"If it was temporary, we wouldn't have too much cause for concern, but the vibes are that the situation will last for quite a while, well into 1991 "

Korte says cutting staff is only one element of a plan that must be implemented quickly to reduce overheads Other aspects include cutting the cost of material, shortening lead times, and increasing inventory turnover ADE still hopes to increase export earnings and it is continuing to explore new market opportunities

The benefit of the salary savings from the staff cuts will not be felt until early next year because of the cost of the redundancy packages

Korte says the turnover forecast of R650m for this year made by predecessor Hartmut Beckurts in March will definitely not be met, turnover will be substantially lower

The current situation will also obviously be a setback for ADE's longer-term plans to seek a JSE listing Korte says that while a listing is something the company is aiming for, it needs a good profit history before it will be attractive to investors ■

Koreans in talks to set up projects in Midrand

BIDay 14/8/90

CHARLOTTE MATHEWS

A BOLT manufacturing pilot project involving a $1m investment has been set up in KwaNdebele by South Korean businessman Jeung Soo Lee

And discussions are under way between South Korean businessmen and the Midrand Town Council for a further 100 import replacement projects to be set up in the area over the next three years, a news conference was told in Midrand last week

Consultant to the South Korean delegation Kurt de Wet said it was impossible to put a figure on the amount of investment this could represent, as there were spin-offs as well

"But it is potentially vast sums of money," he estimated

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Delegation leader Hyuk Bae Kwan said in an interview several projects were being considered, including housing and property development, manufacturing of electronic appliances and a vending machine assembly plant

Heavy duties

Asked whether the new projects would all be situated in the Midrand area, he said each industrialist would be guided by his own idea of where he should go

Kwan himself came to SA two years ago and began to export raw materials to South Korea

"During that operation I felt definitely we should bring the production factory here to eliminate the heavy custom duties, surcharges, and so on," he said

"Pricewise we cannot compete with the Taiwanese, but we can compete with the Germans and Italians Importers here are accustomed to dealing with those countries so we decided to bring a factory here — and sell here — to capture that market"

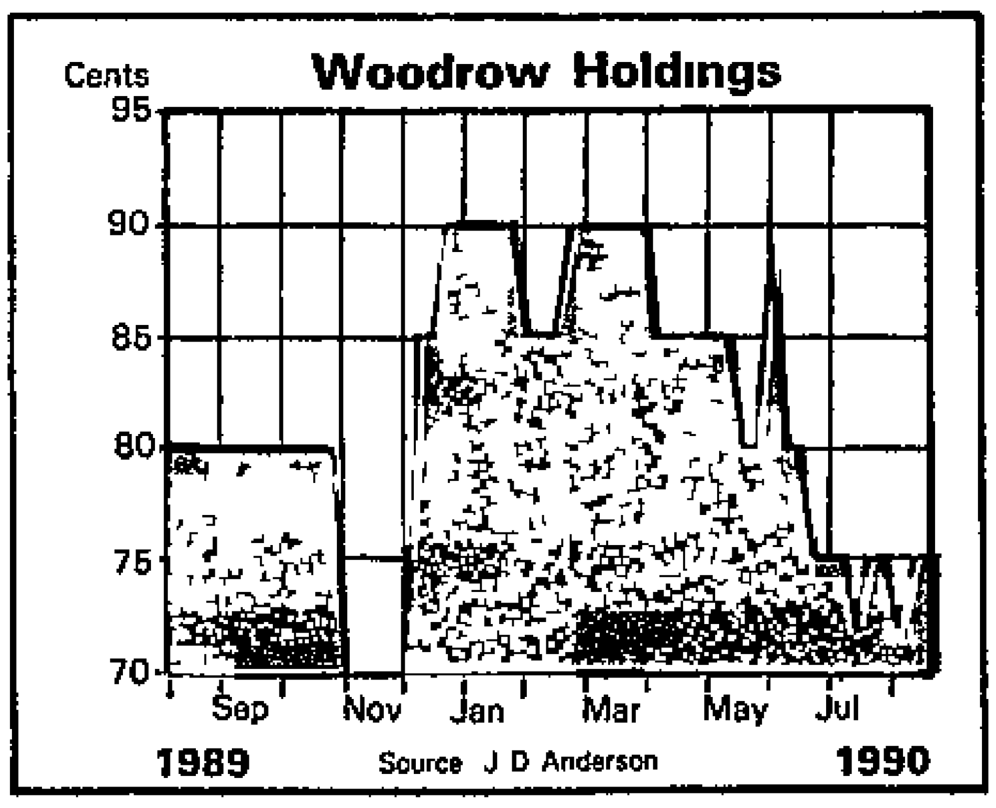
Midrand mayor Alan Dawson said the Midrand Town Council could not offer specific incentives but could facilitate the introduction of South Koreans into the business environment

F/M 24/8/90

WOODROW F/M 24/8/90

Aiming high (189)

Woodrow's recent move to the main board of the JSE follows the rapid growth of two DCM fluid-handling companies, Woodrow and Meter Systems. Woodrow's interests were restructured during the year, with its stake in Meter Systems increased from 65%



Activities: *Manufacture and supply of fluid-handling equipment for petrochemical, mining and general industry* (189)
Control: *Directors*
Chairman: *Howard Sacks, MD Graham Nel*
Capital structure: *14,6m ords Market capitalisation R10,9m*
Share market: *Price 75c Yields: 6,6% on dividend, 17% on earnings; p e ratio, 5,8, cover, 2,5 12-month high, 100c, low, 70c. Trading volume last quarter, 38 000 shares*

Year to Feb 28	*'89	'90
ST debt (Rm)	0,6	4,7
LT debt (Rm)	0,3	0,3
Debt equity ratio	0,27	0,29
Shareholders' interest	0,58	0,45
Int & leasing cover	6,4	2,9
Return on capital (%)	8,3	11,6
Turnover (Rm)	5,1	33,3
Pre-int profit (Rm)	0,6	3,6
Pre-int margin (%)	11,6	10,8
Earnings (c)	6,3	12,8
Dividends (c)	2,0	5,0
Net worth (c)	53	73

* 8-month period

to 100%.

Management's targets remain ambitious, despite deteriorating conditions MD Graham Nel expects turnover to grow by at least 25% this year, to more than R40m, he says he will be "very disappointed" if EPS growth is less than 30% When he took over Meters his objective was to produce earnings growth of at least twice the inflation rate

Nel says Woodrow's major aim now is to reduce excessive stocks — resulting partly from acquisitions — and build up cash which would be available for acquisitions However, Nel says no such deals are on the cards This year's earnings should be boosted by a full contribution from the recently acquired Ascoreg, an assembler and supplier of solenoid valves, pressure and temperature switches to fluid-handling industries Only five months of Ascoreg's earnings were brought to account last year

Meters Systems has developed a new electronic register system which, management claims, is considered the most advanced available anywhere Nel says Woodrow is waiting for tests to be concluded by a European client If these are positive "major" sales opportunities will arise.

Also, Meters recently secured the fuel-loading measurement and control system contract for Mossref at Mossel Bay

Nel expects growth to be both organic and from acquisitions A few companies in the fluid-handling business are struggling now and Nel expects some takeover opportunities in the next six to nine months However, the group has said its acquisition policy is to concentrate on companies with a sound profit history (189)

At 75c, the share yields 6,7% compared with the 5,9% average for the engineering sector

Gerhard Slabber

SONDOR FIM 24/8/90

24/8/90

Tooling up

189

Activities: *Conversion of open and closed cell expanded rubbers, plastics and related activities*

Control: *Directors 54,2%*

Chairman: *S L Goldman, joint MDs R M Marx, B D Tilney*

Capital structure: *24m ords Market capitalisation R16,8m*

Share market: *Price 70c Yields 5,4% on dividend, 19,5% on earnings, p e ratio, 5,1, cover, 3,6 12-month high, 120c, low, 70c Trading volume last quarter, 18 600 shares*

Year to Mar 31	'87‡	'88‡	'89‡	'90*
ST debt (Rm)	0,90	—	0,86	0,28
LT debt (Rm)	—	—	—	—
Debt equity ratio	0,32	nil	0,09	n/a
Shareholders' interest	0,61	0,75	0,75	0,82
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	62	52	51	45,6†
Turnover (Rm)	10,0	12,8	17,7	18,9†
Pre-int profit (Rm)	2,42	3,77	5,57	5 85†
Pre-int margin (%)	24,2	27,5	32,0	31,0
Earnings (c)	4,7	9,3	16,6	18,3†
Dividends (c)	1,9	3,8	5,5	5,0†
Net worth (c)	9,8	22,8	33,9	43,8

‡ Year to June 30 * Nine month trading period
† Annualised

Latest results from Sondor indicate the phase of near-exponential growth has ended

The white goods market crumbled in the face of tighter HP requirements, it improved since these were eased earlier this year but demand remains restricted by high interest rates The motor industry, too, has been anything but buoyant Sondor supplies the bulk of its production to these industries

In the nine months to end-June, annualised turnover and profit were only marginally better than those for the previous full year Chairman Sonny Goldman says the period started well, with buoyant sales in all branches and good profit, but in the second half sales fell sharply, especially in the PWV area — "due to political uncertainty, increased competition and falling business confidence" Branches in the rest of the country, he says, maintained momentum

189

The balance sheet shows little debt, stock has dropped 30%, cash and near cash totals R2,3m; there was strong positive cash flow last year Even so, after the slowdown in the second-half, it was because the effective tax rate fell by 12% that annualised EPS rose by 10,2%

FIM 24/8/90

Goldman refers to a strategic decision to produce certain goods locally Problem is this will involve capital expenditure of R4,5m in plant and machinery, of which R2,5m will be financed by the Industrial Development Corp

This, he says, will hit near-term earnings Longer-term, locally produced goods should enable substantial savings, according to management's projections

189 FIM 24/8/90 189

A year ago, the share was trading at 120c The last transaction was at 70c, placing the share on a 5% yield. Goldman is non-committal about profitability for this year Until the white goods market and motor industry are back on a growth track, Sondor is not going to show the profitability it reported over the previous five years The share looks fully priced

Gerald Hirshon

KLIPTON (189)

Acquisition boost

Klipton's acquisition of Austin Safes and Access & Mobility Group stepped up the group's performance in its 1990 year. But a higher tax rate and increase in the issued share capital diluted the gains at the earnings level. FM 24 8 90

In the year to end-June, operating profit rose 81% on a 56% turnover advance. These figures include the acquisition of Austin Safes for the full year and ladder and castor maker AMG for the second six months.

Chairman Nigel Matthews says Austin Safes, which makes security equipment, was the group's star performer. Though divisional contributions are not revealed, the 1989 annual report states Austin Safes turnover at about R24m for the year This indicates the performance of the group's other divisions was not that impressive.

Matthews says trading at the Gardwel (manufacturers and distributers of personal protective equipment and clothing) and Sapco (manufacturers and distributers of pneumatic tools, lifting and welding equipment) divisions was ahead of budget until about February, but deteriorated thereafter in line with general economic conditions. The decline in demand appears to have bottomed out though.

The sale of the under-performing Harvey & Russell division and contribution of high-margin Austin Safes and AMG helped to boost the operating margin to 10,9% (9,4%). Since listing in 1987, Klipton has consistently increased its operating margin.

The group remains conservatively financed: interest cover was 10 times and debt:equity 34% at year end. A higher tax rate, rather than interest payments, detracted from the operating performance. Matthews says assessed tax losses have been depleted, pushing the effective tax rate up to 42% (34%) which he considers to be close to the norm.

Attributable profit rose by 70% but a 35% increase in the number of shares in issue — a result of the acquisitions — limited EPS growth to a quarter

Matthews is cautious about prospects for this year but the inclusion of AMG for a full year, continuing demand for Austin Safes' products and more stable conditions at Gardwel and Sapco, should bolster Klipton's earnings — though not to the extent seen this year.

Pam Baskind

Vitrex in growth plan

MARIETTE DU PLESSIS

ARCHITECTURAL products producer Vitrex's R500 000 acquisition of Bitcon Industries will add impetus to to its growth programme, says MD, Alan Friedman.

Bitcon Industries, a local manufacturer of fire, security and transformer doors, was established 30 years ago and has supplied safety doors to, among others, Eskom power stations, the Reserve Bank in Pretoria and Iscor.

Initially it produced pressed metal door frames, office partitioning and curtain walling.

But after the sale of the business to James Haslam — who later formed the Unihold Group — management structure changed and the company Tenon Contracts was acquired to reinforce and expand the Bitcon partition side of the operations.

Bitcon Industries soon diversified further and under the leadership of John Ausker developed a range of stainless steel products, fire doors and bullet resistant security doors.

Among recent developments by Bitcon is a new, lightweight and economic fire-resistant core material for fire doors.

Tenon Contracts, which is now also owned by Vitrex, has developed a fire-resistant demountable drywall partition currently awaiting an SABS one-hour fire rating.

Friedman expects the range of products to complement Vitrex's existing lines.

189

Toco to pay out interims

BDay 12/9/90 LIZ ROUSE (189)

TOCO Holdings, the manufacturer and international marketer of industrial products, intends to start paying interim dividends this year, having paid only annual dividends before

Chairman Paul Todd says in his annual review the first interim will be paid in November for the six months ending September About one-third of total dividends for each year will be declared at the interim stage Toco earned 16c a share to March 1990, up 24% on the previous year, and lifted the annual dividend 20% to 6c

Todd says that, subject to there being no signifiant change in the trading environment that existed at the time of writing (July 30), the board expects earnings and dividends will be at least maintained in the current year

He warns, however, that the group is not immune to unpredictable change on the socio-economic front

Todd says Toco will continue to concentrate on organic growth, while being aware of the strategic advantage that its undergeared balance sheet offers for making acquisitions which will be of solid value to shareholders

Attention will continue to be paid to asset management to ensure that interest cover and gearing remain within prudent limits, says Todd The group's gearing was only 25% at the end of March

Sasol expects its profits to improve

BDay 14/9/90

ZILLA EFRAT

SASOL, which posted an 18,3% rise in earnings in the year to June, expects its profits to show an improvement in the current year

Chairman Joe Stegmann says growth will come from strict cost controls, restoring the Secunda plants to optimum production levels and the commissioning of the propylene-/polypropylene project

However, earnings growth could be further boosted if world oil prices remain above $23 a barrel as they have recently

In line with the tariff protection structure for the synfuels industry, Sasol enjoys no protection or benefits once world oil prices go over $23 a barrel

When prices reach $28,70 a barrel, it pays back 25% of the income above that amount a barrel until the accumulated "protection" amount it previously enjoyed has been recovered

Stegmann says this tariff protection framework currently makes a takeover of the outstanding 50% in Sasol 3 economically viable

Negotiations with government for this stake, which will be worth billions of rands, and the means of financing it, are under way

While Sasol has huge capex projects in the pipeline, it has no gearing Thus it could fund the acquisition through increased borrowings or a rights issue

While petrochemical activities are seen as the main growth source of the 1990s synfuels will remain the mainstream of Sasol's business for the foreseeable future, Stegmann says

New projects amounting to R2,6bn are under construction or have been approved and petro-chemical projects worth nearly R2bn are being investigated

Most new projects are based on adding value to existing chemical streams While aimed at import replacement, they have a strong export focus

STEGMANN

Stegmann says Sasol aims to gradually increase dividend cover — 2,2 times in the year to June — if operating results permit it

Sasol also changed its method of accounting for deferred tax from the comprehensive to the partial basis In the year to June, the effect of the change was abnormally large because of the completion of some high value capital projects and R320m was transferred to the equalisation reserve

Stegmann expects the tax rate to fall to normal levels in the current year

PANIES

TPN's profitability down

EDWIN UNDERWOOD (189)

TPN Investments (TPN), whose subsidiaries manufacture and distribute industrial fasteners, has reported an 11% fall in earnings a share to 7,4c (8,3c)

This came on a 10% drop in net operating income from R7,4m to R6,6m for the year to end-June A dividend of 3,5c (3c) has been declared with a 2,1 times cover

The directors said the group's (undisclosed) turnover increased by 32% compared with the previous year, but overall profitability and attributable earnings declined, mainly due to low profit margins on exports.

No indication of the group's operating expenses are given B 10m 13/9/90

Earnings attributable to ordinary shareholders declined by 11% to R3,7m (R4m) along with a 26% fall in retained income to R1,9m (R2,7m)

On the balance sheet current liabilities were down 44% to R4,9m (R8,7m) But long term liabilities rose 60% to R3m (R1,9m)

RACY F M 14/9/90

COSTLY CHASE

189

Activities: *Holding company of Hendler's Industrial Carriers and Diesel City*
Control: *Directors 46%*
Chairman: *I J Jacobson, MD A C Jacobson*
Capital structure: *25,7m ords Market capitalisation R7,71m*
Share market: *Price 30c Yields 6,7% on dividend, 25% on earnings, p e ratio, 4, cover, 3,7 12-month high, 75c, low, 30c. Trading volume last quarter, 955 800 shares*

Year to Mar 31	'88	'89	'90
ST debt (Rm)	1,9	4 7	6,7
LT debt (Rm)	0,7	5,2	6,2
Debt equity ratio	0,18	0,56	0,64
Shareholders interest	0,54	0 48	0,43
Int & leasing cover	24,9	10,2	3,6
Return on cap (%)	14,1	17,4	12,6
Turnover (Rm)	32,2	46,2	55 9
Pre-int profit (Rm)	3,8	6,1	5,4
Pre-int margin (%)	11,7	13,3	9,6
Earnings (c)	11 5	14 2	7 5
Dividends (c)	5,5	6,5	2,0
Net worth (c)	58	65,9	71,5

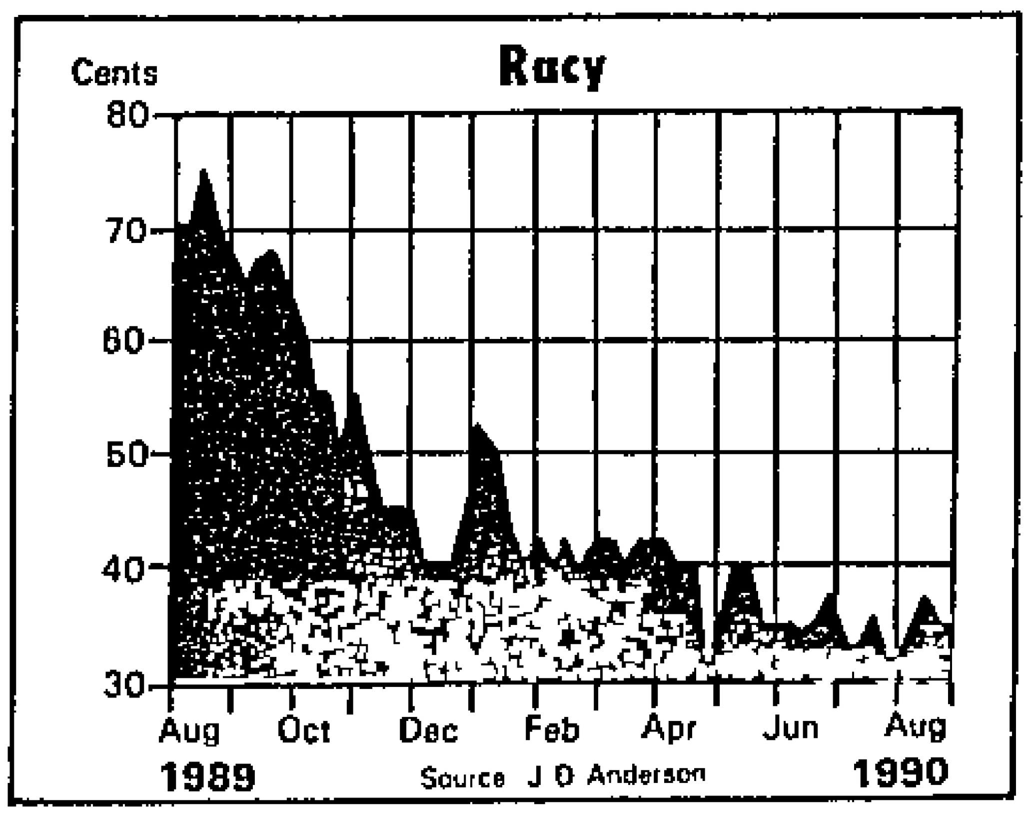
Racy's chase for market share has ended in a 75% drop in EPS, after turnover rose by 21% and finance costs by 21% But management seems to be satisfied with the expansion policy and capital spending of R1m is budgeted for this year.

Income is derived from the national transport carrier, Hendler's, and the diesel engine rebuilder, Diesel City

Chairman Ivor Jacobson expects gearing will return to 50% this year, "if nothing unforeseen happens " He also hopes to see an 8% return on assets managed and a 20% return on shareholders' funds These targets look some way off, given the 1990 year's return on equity of only 10,5%

When the recent expansion will benefit earnings is unclear Market share was boosted at the expense of operating margins, though management is seeking an improvement in these this year The market share gains encouraged the group to enlarge its transport fleet, which was funded by borrowings

It has now become necessary to conserve cash Cover has been lifted to four times and



F M 14/9/90

189

dividends will in future be declared once a year

Earnings were also affected by an increase in the effective tax rate, which has now risen to the full rate

The Diesel City subsidiary is performing satisfactorily and should do better as the cost of buying new engines continues to escalate Management is looking for 30% turnover growth this year, though that looks optimistic

Near-term prospects will depend on the economy and fuel prices, neither of which look favourable The share has slumped to 35c from the 75c high a year ago

Gerhard Slabber

Earnings dive for Maxmech

B/Day 17/7/90

MARIETTE DU PLESSIS

MAXMECH Mechanical Seals, which did not publish its year-end results within the prescribed period, posted a 78% drop in attributable earnings for the year to end February 1990

Results published today show a loss of R108 000 before taxation — incurred on the discontinued investment in the specialised field of metal bellows — which resulted in lower operating margins

189

Although turnover increased by 28% to R5,8m (R4,6m), operating margins fell to 5,3% (6,5%)

Earnings, which slipped to 1c (2,3c) a share, followed two years of disappointing results from the DCM-listed supplier of sealing devices

An extraordinary item, reflecting the net cost of the write-down of the discontinued investment and a profit made on the disposal of an operating division, resulted in a loss of R28 000.

However, management were optimistic that Maxmech had addressed its high cost structure through an internal restructuring

Notwithstanding difficult trading conditions for the short to medium term, Maxmech expects better results in the current financial year

Maxmech cuts back to improve results

(189) Star 19/9/90

By Derek Tommey

Maxmech Mechanical Seals' profit dropped sharply in the year ended February but the directors say that as a result of disposals and closures shareholders can look forward to significantly better results

The company had a taxed profit before extraordinary items of R28 000 in the year ended February This compares with a taxed profit of R83 OOO for the previous financial year Tax took R35 000 (R57 000) Turnover rose by 28 percent from R4,6 million to R5,9 million while operating income rose from R302 000 to R316 000 But finance costs jumped to R253 000

Income attributable to shareholders after extraordinary items was R25 000 (R113 000) equal to 1,0c (2,3c) a share The net asset value of the company's shares at February 28 was 28,6c (28,1c).

FINANCE

ADE reveals long-awaited plan to stay in the black

BiDay 2/1/9/90

189

EDWIN UNDERWOOD

ATLANTIS Diesel Engines (ADE), the Cape-based manufacturer of diesel engines and components, has announced its long-awaited plan to prevent the company from slipping back into the red

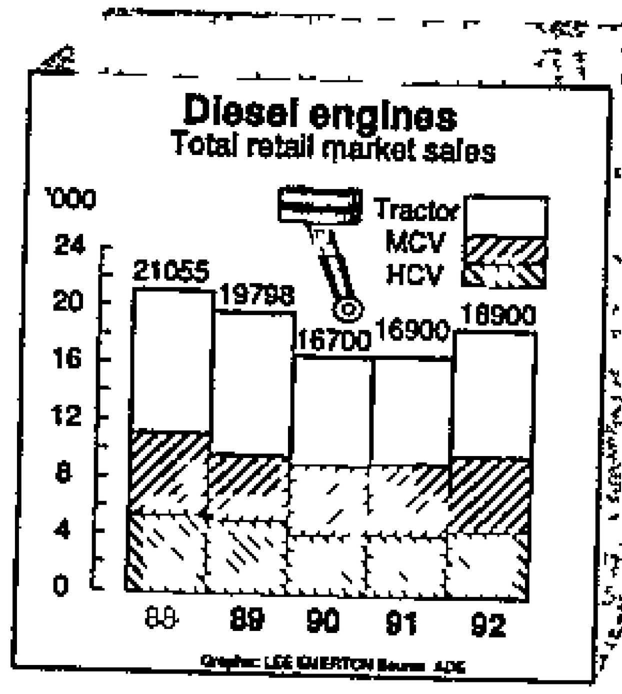
ADE supplies about 95% of the total market of diesel engines for heavy commercial vehicles, 75% for medium vehicles and 80% for the tractor market

The company's strategy includes increasing its market penetration, focusing on exports, lowering its prices and a rebudgeting exercise with stringent parameters to increase inventory turnover

ADE is faced with rising costs, an easing domestic market and tougher international competition It recently cut its workforce by nearly 20% or 500 employees

A month ago, it introduced a tough rationalisation programme and announced its new management team

Earlier in the year, there was criticism that ADE's price increases were well above average in respect of locally manufactured diesel engines and transmissions But Korte said



Now, says ADE MD Fritz Korte, "we are having to address the pricing issue especially if we want to compete successfully in overseas markets and improve our domestic market share".

"We have targeted our price increases for next year to 10% below inflation, depending on fluctuations in the exchange rate and how soon the proposed savings can be realised"

There has been a 33% drop in forecast tractor sales to 4 000 units for 1990, a reduction in the heavy truck demand and reductions in customer's stock levels

Total market retail sales for diesel engines suffered a 6% fall to 19 798 units in 1989 and a further 18% drop to 16 700 units is expected this year However, sales of 16 900 units and 18 900 units respectively are forecast for 1991 and 1992

ADE will only produce about 14 000 engines in 1990 and 13 500 engines in 1991 for the tractor and truck market due to destocking by vehicle manufacturers

To remain profitable ADE will have to achieve a R615m turnover on its sales mix

While ADE expects its share of the industrial engine market to grow by 30% by 1992, the replacement parts market is said to have a potential real growth of 15% a year and the Phase VI local content regulations opened new markets for component business both locally and internationally

Orders for component sales worth R29m for this year have been received and estimates for 1991 are set at R39m

ADE also plans to penetrate the industrial engine market by 10% to 20% in the short term and gain export orders for components where ADE has established plant and expertise The reduction of input costs is being discussed with the licensees and ADE is negotiating with local suppliers for a reduction in the price of materials

Although Japanese manufacturers appear to have the ability to price ADE out of the international market, its licensors Daimler Benz and Perkins UK are giving it the technological backing it requires.

ADE faces new threats

W Mail 21/9-27/9/90

By REG RUMNEY

NEW threats imperil strategic diesel engine maker Atalantis Diesel Engines

ADE was set up at the beginning of the Eighties to counter a possible truck embargo and for import replacement

Ironically, in past years it has begun to look like a good idea on economic grounds, holding out hopes of big savings in foreign exchange Since the plant was instituted the company has been profitable only over the past three years

It needs turnover of R600-million to break even Turnover this year is expected to fall short of that

ADE MD Fritz Korte said at the Electra Mining Exhibition in Johannesburg this week that ADE had been badly hurt by a plunge in truck and tractor sales

The forecast for tractor sales this year is now is a new low of 4 200 units, down about around 2 000 Medium truck sales have held up, but heavy truck sales are forecast at 7 500, 2 200 less than were sold last year

As a result ADE has had to slim down, retrenching hourly and monthly paid workers, and had made a strategic decision to keep a lid on prices It also plans to increase market share penetration in industrial engines from 10 to 20 percent and increase component exports

MACADAMS (189) F/M 21/9/90

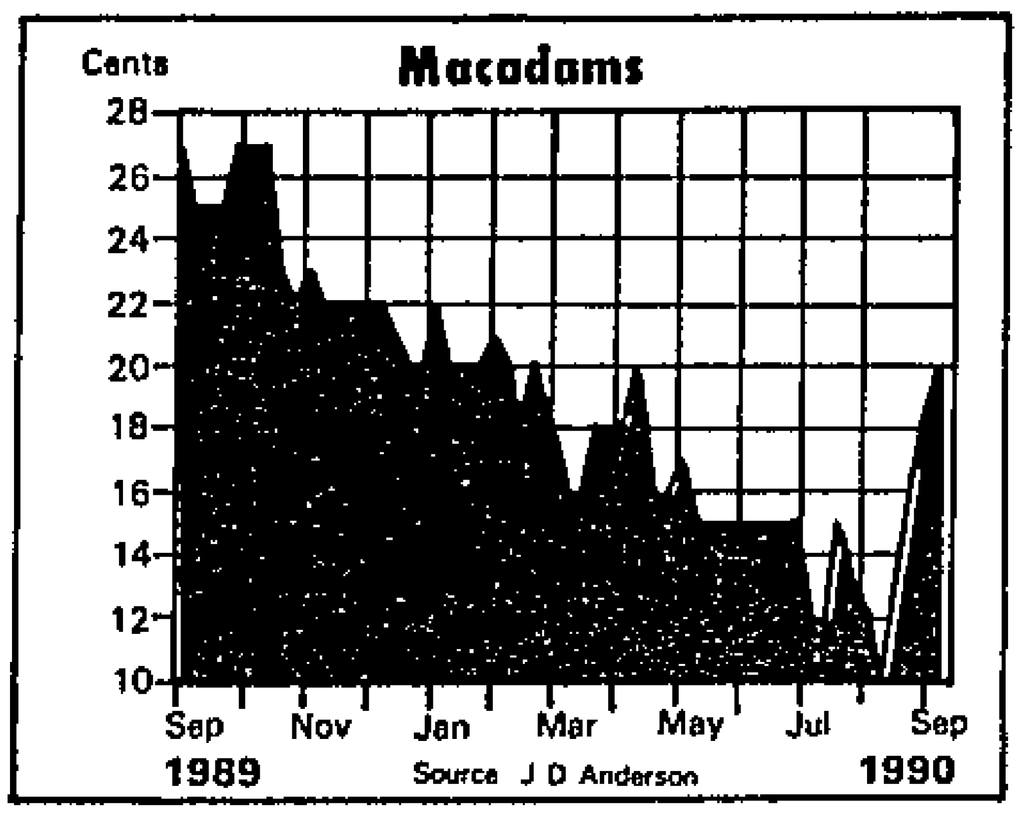
HEALTHIER BASE

Activities: *Manufactures, markets, instals, services and reconditions a complete range of equipment for the banking and confectionary industry*
Control: *41% (1989 51%) held by directors*
Chief executive: *R J Pouliart*
Capital structure: *15,4m ords Market capitalisation R3,4m*
Share market: *Price 22c Yields —% on dividend, 26% on earnings, p e ratio, 3,8 12-month high, 27c, low, 10c Trading volume last quarter, 332 800 shares*

Year to Feb 28	'88	'89	'90
ST debt (Rm)	7,32	8,03	6,89
LT debt (Rm)	0 21	1,49	3,88
Debt equity ratio	0,93	0 79	2 3
Shareholders' interest	0 35	0 30	0 18
Int & leasing cover	1,81	1,68	1,37
Return on cap (%)	10,5	9,3	11,1
Turnover (Rm)	31,0	41,9	37,7
Pre-int profit (Rm)	2,10	2,34	2,67
Pre-int margin (%)	6,8	5,6	7,1
Earnings (c)	6,0	5,0	5,7
Dividends (c)	2,4	1,7	—
Net worth (c)	45,4	48,7	28,9

The past two financial years must have been nightmarish for Raimund Pouliart, now CE of Macadams Bakery Supplies After transferring the listing of the group to the JSE's main board in 1989, everything seemed to go wrong

The Aloe division was badly affected by "the dramatic decline in demand for mass catering equipment from Aloe's two major customers, the SADF/Armscor and the mining industry" The plant bakery division,



which manufactured one-off large commercial ovens, did not perform to expectations So this division was subcontracted on a royalty basis Large raw material price increases hammered margins

The interest bill climbed significantly, due as much to the purchase of the head office complex in 1989 for R4,2m as to the increase of interest rates and a debt position that was already too high Former chairman Wolfhardt Schumann departed

Results for the past two years have not been good Turnover in the 1990 year fell by 10,2%, interest payments rose by 60% on a record R10,3m total debt and the pre-interest margin reached a low of 5,6% in 1989 And, on the face of it, profitability was devastated by the R3,1m loss recorded in 1990

However, in reality, net income after tax was 14% higher in 1990 than the previous year A R4m write-off of goodwill and other factors relating to the Aloe division pulled attributable profits down into the large loss reflected in the accounts

In his review, Poulliart emphasises that margins are back on track, the bakery division is performing well, focus on the original activities has been restored and the operation is on a much more secure financial footing Having sold the head office complex on a leaseback deal for a profit of R2,1m, which will only be reflected in the 1991 accounts, and having collected about R3m from debtors associated with the Aloe division, interest-bearing debt is likely to be reduced to about R5m at year-end Interest payments will reduce accordingly

Financial director Kevin McEvoy says the half year to end-August should reflect attributable earnings of about R500 000 A repeat performance in the second half will restore the group's credibility, particularly as it will be trading off a much healthier, though smaller base The dividend was passed in 1990 It is likely to be restored next year *Gerald Hirshon*

CM-Trns 24/9/90 189

Benz 'missed targets for years'

Own Correspondent

JOHANNESBURG — Mercedes-Benz SA's East London plant had not met its weekly production targets once in the past five years because of industrial relations problems, Mercedes-Benz spokesman Ms Wendy Hoffman said at the weekend

Ms Hoffman said go-slows and absenteeism at the East London plant were responsible for the shortfalls in production She said chairman Mr Chris Kopke had expressed concern that labour problems were the single greatest threat to the firm's viability

But the firm was confident the National Union of Metalworkers (Numsa) would agree to procedures under discussion, which would provide a stable future for all plant employees

Production has been at a standstill since mid-August, when Numsa members staged a sit-in to demand the company withdraw from the industry's national collective bargaining forum

Our East London correspondent reports that companies ancillary to the Mercedes-Benz plant are bracing themselves for the possibility that production at the factory will not be resumed this year

Two weeks ago these companies, which supply components to Mercedes-Benz, began laying off workers as no end to negotiations between management and Numsa was in sight It was feared that if Mercedes-Benz was not back on stream by the end of the month, it might not open until next year as it would have to close for the Christmas industrial holiday during December

Turin, which supplies engine blocks to Mercedes-Benz, has laid off 155 of its 250 workers The Wilsonia factory's financial manager, Mr Jan Mans, said last week that his company was preparing for "the worst scenario"

Mr Mike Crosby, financial director of National Convertor Industries (NCI), which makes Mercedes-Benz interior fittings, said his people were working two days a week until there was "something definite to go on"

If production was suspended until the end of the year NCI would probably retrench staff

The department manufacturing wire-harnesses for Mercedes-Benz at Kromberg and Schubert had been closed

And Mr Roger Wass, general manager of Feltex, which manufactures seating foam rubber, said he was aware of the talk about no production until next year, but did not believe it

If it did happen Feltex would have to retrench 40% to 50% of its workforce However, it was managing to keep people employed by finding alternative work

None of the companies would disclose losses suffered since several hundred Mercedes-Benz workers went on strike on August 16

Kromberg and Schubert, Turin and Feltex said they would consider releasing the figures soon

Mercedes-Benz had said its plant was losing R13,5m a day since the strike began

East London Chamber of Commerce director Mr David Groom said the region could lose up to R700m a year and up to 10 000 jobs if Mercedes-Benz closed down its plant

Dicor offers little relief

BRENT MELVILLE

THE market performances of troubled mining and supplies group Danech Industrial Corporation (Dicor) and its stablemates has done little in the past few weeks to comfort disappointed shareholders

Market perception is at an all-time low. Danglo subsidiary Plastall, despite turning in a reasonable performance for the six months to March, is labouring at a 12-month low of 45c, while ailing Danglo itself yesterday slipped 2c to a low of 6c a share before climbing back to 8c

Pyramid holding group Dicor has slipped several cents since it issued a cautionary last week Its current share price of 7c is a far cry from 1987's 140c level. Its market capitalisation has dwindled from its issued capitalisation of R31,3m to a meagre R3,7m — a drop of 88%

While Dicor directors were tight-lipped as to the reasons for the cautionary yesterday, market speculation was that it entailed a radical restructuring which could involve a change in group control. TrustBank is rumoured to be involved, in an attempt to recoup some of the roughly R13m owed it by Dicor

Industry sources believe co-founder Neville Parry, reputed to be looking to the UK for business opportunities, could well be left out in the cold as a result of the restructuring

BD 25/7/90

189

Group MD Bob Wenteler yesterday refused to furnish details of any restructuring plans. He said a further announcement would be made in "about a week".

Last year major rationalisations put the group back in the black following a disastrous 1988 financial year, fuelled by large extraordinary losses, poor earnings and soaring debt. The rekindled optimism in the group was shortlived as the group again slumped on poor operating performances and gearing problems for the six months to March

Danech Mining Supplies, owned 51% by Danglo, pulled group earnings down significantly for the first six months of this year — posting a bottom-line profit of only R11 000 after extraordinary items Earnings were somewhat alleviated, however, by the relative star of the stable, Danglo subsidiary Plastall, which showed a 77% increase in attributable income for the six-month period

Saldanha finds a R1 500-m platform for export success

ARGUS 1/10/90

By TOM HOOD
Business Editor

EXPORT inquiries for R1 500-million worth of oilfield equipment have flowed into Saldanha since the completion of the 14 600-ton platform for Mossgas

It could mean 750 new jobs, mostly highly skilled and well-paid, for several years

The inquiries come from South American and African countries and are for five platforms similar to the Mossgas one finished two weeks ahead of time and within a R300-million budget

The Saldanha yard has gone all-out to seek export orders, according to officials of Genrec Offshore, the operating company

A world boom in oil exploration has been caused by the Gulf crisis, which doubled oil prices in a few weeks and made a number of oil deposits payable for the first time The low rand could also help South African companies undercut other countries

First in Africa

The Saldanha platform was the first to be fabricated and assembled on the African continent At its peak, the project employed 748 workers, 80 percent of them from the Western Cape

Mr Bernard Smith, managing director of Mossgas, said the Mossel Bay project was now clearly commercially viable with world oil prices increasing to $40 a barrel

"We estimated Mossgas would be viable at a price above $25," he said

"Mossgas will provide the cheapest cash-cost fuel in this country at any reasonable petroleum price"

He also estimated Mossgas would save the country R24-billion a year in foreign exchange, doubling earlier calculations

BIDVEST FM 5/10/90

ANOTHER LEAP

(189)

The Bidvest rights issue closed last week with R48m raised from outside shareholders This amount, including R7m from the Afcom rights issue, will be used by Bidvest to fund

Bidvest's Joffe
cleaner structure

acquisitions in its new role as an industrial holding company Executive chairman Brian Joffe says acquisitions will be in trading, distribution or light manufacturing companies in major industries

With effect from July, the group has been restructured Bidcorp is now a pyramid company holding 60% of Bidvest, which in turn

FM 5/10/90 (189)

Activities: *Principal activities include manufacture and distribution of fastening and packaging equipment and materials*
Control: *BidCorp 60%, directors control 39% of Bidcorp*
Executive chairman: *B Joffe*
Capital structure: *2,4m ords Market capitalisation R43,2m*
Share market: *Price 1 800c Yields 5,3% on dividend, 13,4% on earnings, p e ratio, 7,5, cover, 2,5 12-month high, 2 200c, low, 1 750c Trading volume last quarter, 9 440 shares*

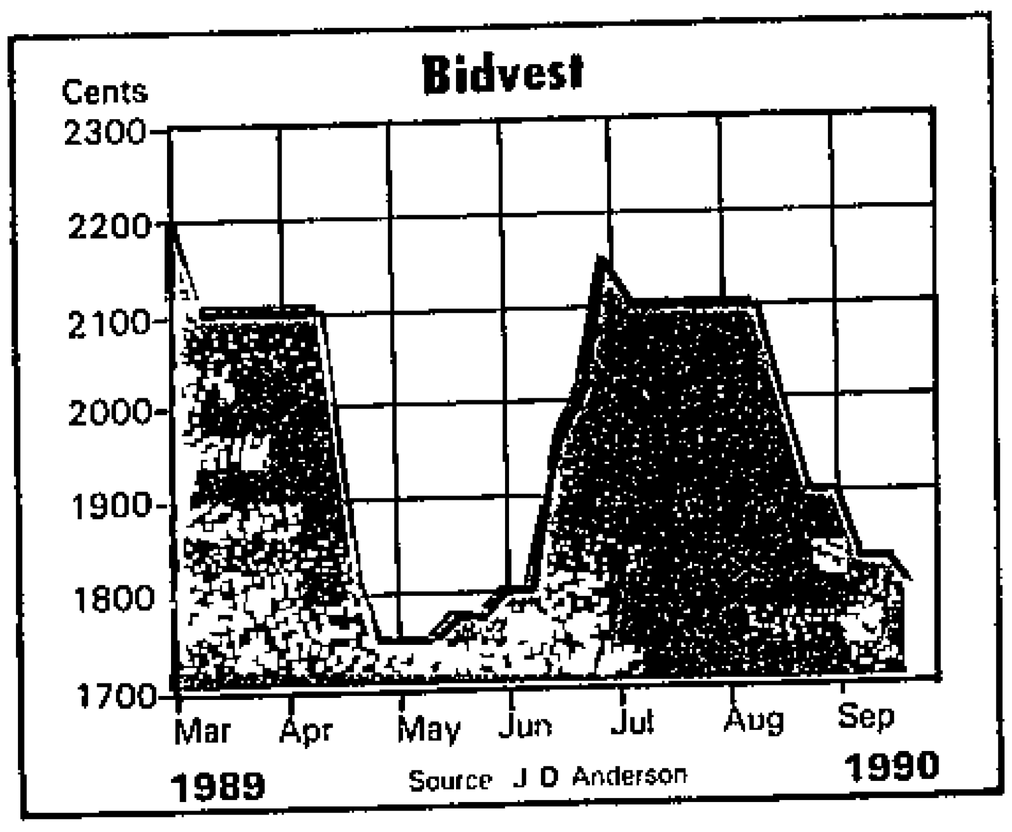
Year to Jun 30	**†'89**	**'90**	***'90**
ST debt (Rm)	—	0 4	
LT debt (Rm)	—	3,7	
Debt equity ratio	n/a	n/a	
Shareholders interest	0,85	0,66	
Int & leasing cover	51,1	201,7	
Return on cap (%)	24	22,6	
Turnover (Rm)	85,9	115 1	363,3
Pre-int profit (Rm)	11 9	17,1	
Pre-int margin (%)	13,8	14,8	
Earnings (c)	267,7	241,3	237
Dividends (c)	100	96	
Net worth (c)	1 789	1 199	1 041

* Pro forma includes acquisitions after year-end
† Reflects motor and property interests only

has 100% of CaterPlus, 50% of Justine, 52% of Afcom and 76% of Afpac CaterPlus and Justine were acquired from Bidcorp

The results for the year to end-June cannot be compared meaningfully with the 1989 year, as at that time Bidvest had only its motor and property interests, which it disposed of in March 1989 1990 figures also do not include the latest restructuring, which was completed after the financial year-end

The report does, however, give pro forma figures that show the effect of the new struc-



ture had it been in place during the 1990 year Turnover would have been more than 200% higher at R363m and attributable earnings more than 250% greater at R85,7m With 8,2m instead of 2,3m shares in issue, EPS would have dropped from 241c to 237c

Joffe says the reason for restructuring is to clean up what had become a double-pyramid structure when, in July 1989, the group bought Afcom, which makes and distributes fastening and packaging equipment and materials.

Afcom's operating arm, Afpac, has disposed of its operating assets to Afcom, and will become a cash shell holding R48m — coincidently the same amount as the rights

(189) issue — raised from disposal of these assets Joffe says Afpac will be reclassified a cash shell and its listing suspended pending acquisition of assets that meet the JSE's requirements Should that not happen within six months of reclassification the share will be delisted and the cash refunded to shareholders

The outlook for the current year will depend largely on the resilience of the subsidiaries CaterPlus, a manufacturer and producer of foods to niche markets, which fell directly under Bidcorp during the 1990 year, was the group's best performer because of its non-cyclical nature Turnover rose 35% to R244m, while operating profit was 44% higher at R19m

Afcom, which is Bidvest's principal investment, bore the brunt of the recession and saw volumes decline and margins squeezed Attributable profit fell 2% to R7,7m Details of Justine's results are not given but Joffe says "they were better than anticipated"

The newly structured group has the benefit of being relatively ungeared Its 7,5 times p e and 3,5% yield is in line with averages for the industrial holdings sector Prospects for the year ahead are unlikely to be much improved, because of the continued downturn in the business cycle However, CaterPlus's non-cyclical nature, and the good return the group will earn from its R48m cash, will help

Heather Formby

This, together with sanctions, political instability and escalating violence, had in-

... of employment were important factors for consideration, delegates said

Other Acts to go with demise of Group Areas

EDYTH BULBRING

PRETORIA — The scrapping of the Group Areas Act, expected to take place during the next parliamentary session, would result in the abolition or amendment of nearly 60 other parliamentary Acts and provincial ordinances, a senior government official said yesterday

The most important Acts to be affected were the Black Communities Development Act, the Black Local Authorities Act and the Population Registration Act B Day 11/10/90

A special technical committee under the Planning and Provincial Affairs Department was set up last month to study the affect the scrapping of the Group Areas Act would have on other legislation

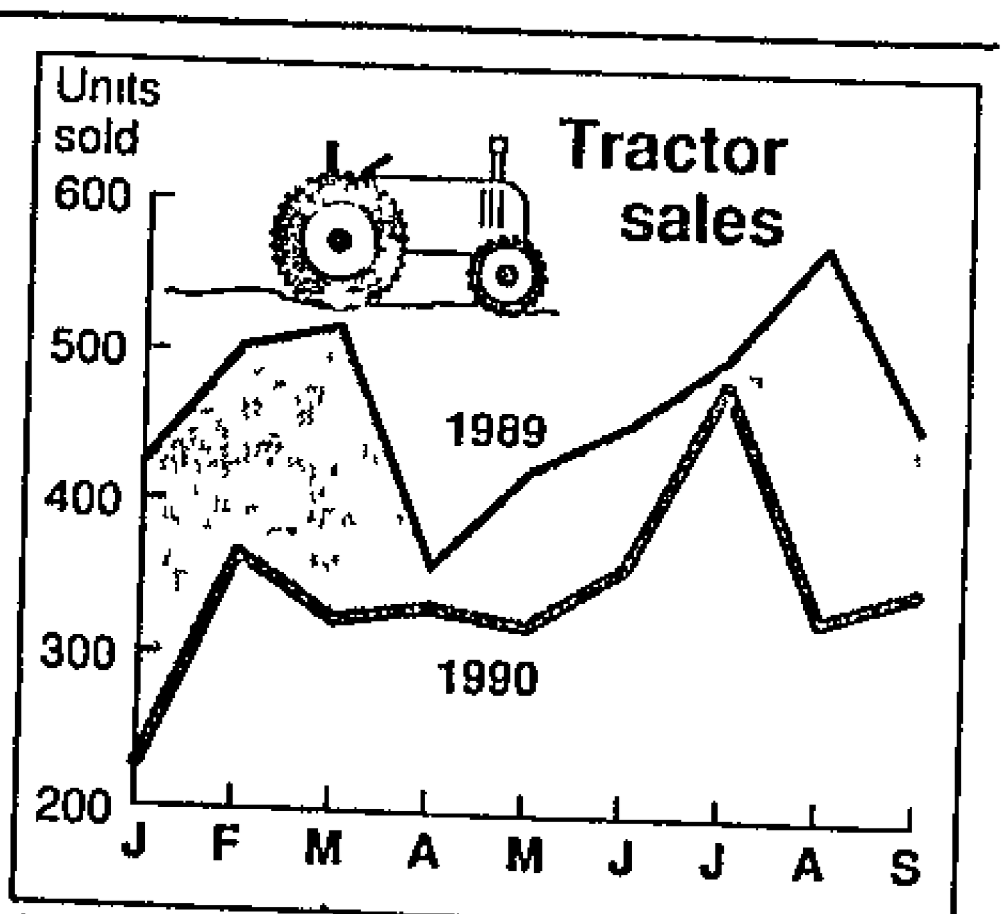
The technical committee, consisting of officials from all the relevant departments and the four provincial administrations, would report its findings to cabinet before the next parliamentray session

The official said the committee would examine all legislation based on race that could lead to discriminatory actions, making the scrapping of the Group Areas Act ineffectual

Government had learnt its lesson over the Local Government in Free Settlement Areas Act, which had been basically ineffectual because of other existing legislation Many of the Acts that would be affected were those that were passed separately by the three Houses of Parliament since 1983 leading to population groups being treated unequally

The committee's brief was to look at the Acts where they related to the possible discrimination against a particular group

Many of the Acts, based on population groups would have to be scrapped or amended to make the Acts "nonracial", the official said



Source SA AGRICULTURAL MACHINERY ASSOCIATION
Graphic FIONA KRISCH

Poor tractor sales testing new lows (189)

B Day 11/10/90 **ACHMED KARIEM**

TRACTOR sales to the end of September declined by 26,6% to 3 090 units compared with 4 210 the previous year, SA Agricultural Machinery Association chairman Aubrey Gouws said on Tuesday

He said farmers were expected to purchase just more than 4 000 units this year, the lowest recorded, at about R82 000 for a 58kW tractor, compared with 5 647 last year.

Gouws said the sales drop in September was due to poor agricultural conditions in most wheat-producing areas Unless good rains fell by early November, less than 2-million tons would be harvested

High interest rates and uncertainty among farmers following government reform initiatives also remained as obstacles in respect of agricultural machinery purchases

He said the average age of tractors in SA was about nine years, compared with five to seven years in other Western countries

Gouws said sales of other agricultural equipment, such as self-propelled combines which ranged between R300 000 and R500 000, were expected to be in the region of 180 and 200 units, down approximately 15% on last year

For balers, this year's market would be down by 30-35% against last year

Swedes go soft on SA

From MADI GRAY

South 18/10 - 24/10/90

STOCKHOLM. — An application to invest more than four million rands in SKF's ball bearing plant in Uitenhage in the Eastern Cape was granted by the Swedish Board of Commerce last week. South 18/10 - 24/10/90

The decision is a major departure from Sweden's longstanding policy of prohibiting new investments in South Africa and may herald the demise of ~~its~~ sanctions policy (184)

Discrimination

The board justified the decision on the grounds that it is line with existing legislation because the investment is intended to increase safety and improve working conditions, not facilitate an expansion of SKF's activities

SKF's South African manager, Mr Edgar Schindler, said, however, that poor turnover at the plant and the need for new machinery were the real reason for the investment

In an interview with a Swedish metal workers' publication, Schindler said new machinery was needed at the plant

FIM 26/10/90 (189)

KLIPTON FIM 26/10/90

SOUND BALANCE SHEET

Activities: *Manufactures and distributes specialised industrial products* (189)
Control: *Directors 30,0%*
Joint chairmen: *Nigel and Robin Matthews*
Capital structure: *8,5m ords Market capitalisation R26,8m*
Share market: *Price 315c Yields 6,0% on dividend, 18,6% on earnings, p e ratio, 5,4, cover, 3,1 12-month high, 340c, low, 205c Trading volume last quarter, 111 000 shares.*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	4,0	1,4	2,0	3,3
LT debt (Rm)	1,8	2,5	2,6	5,0
Debt equity ratio	1,75	0,37	0,37	0,34
Shareholders' interest	0,26	0 41	0 39	0,32
Int & leasing cover	1,4	11,7	5,6	8,6
Return on cap (%)	7,3	13,1	19,0	22,3
Turnover (Rm)	22,3	40,5	57,0	88,9
Pre-int profit (Rm)	0,9	2,9	5,4	9,7
Pre-int margin (%)	4,1	7,2	9,4	10,9
Earnings (c)	9,6	37,6	46,7	58,6
Dividends (c)	9	12	15	19
Net worth (c)	84	145	174	162

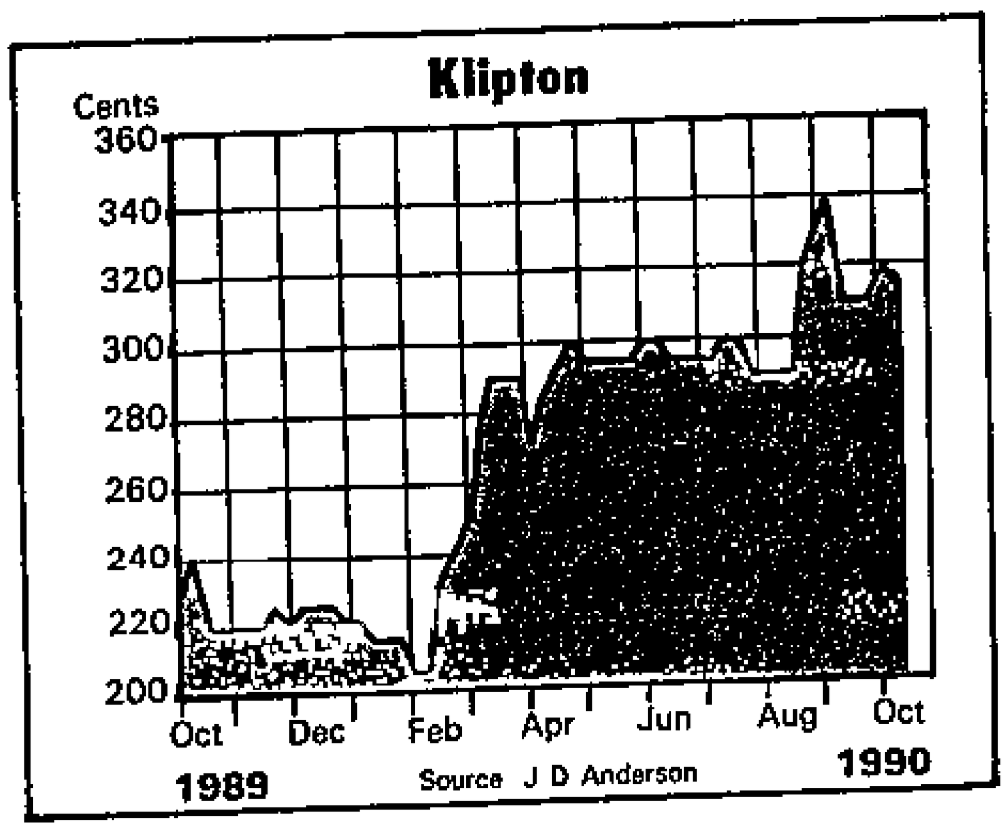
Results reflect organic growth as well as expansion through acquisition The balance sheet remains sound and further acquisitions may be on the cards this year

Disposal of the instrumentation and valve divisions of Harvey & Russell for R4,3m helped boost the operating margin to 10,9% and transform a 56% turnover rise into an 80% operating profit improvement

Growth in turnover was partly thanks to the inclusion of Austen Safe (bought in August 1989 for R6,4m) for a full year and AMG (bought in January 1990 for R10,8m) for the second six months Joint chairmen Nigel and Robin Matthews say trading conditions became increasingly difficult, except in physical security products, for which the market is large and still growing

The broad customer base of Castor & Ladder (distributes castors and wheels) and Forlezer (makes aluminium ladders and scaffolding) offered protection from severe downturns in some industries But Sapco (manufactures and distributes pneumatic tools, lifting and welding equipment) was hit by low activity in gold mining

Depletion of assessed tax losses pushed the effective tax rate from 34% in financial 1989 to 42% This and the issue of shares to fund



the two acquisitions limited earnings growth

The balance sheet remains healthy Acquisitions did lift interest-bearing debt from R4,6m to R8,3m but strict working capital control and strong cash flow allowed interest costs and debt to be contained debt equity ratio and interest cover both improved

This year, the Matthews intend to concentrate on growing existing businesses, increasing market shares and developing new products They also want to take advantage of the new export incentives there are already export markets for Gardwel (protective clothing and equipment), Sapco and Austen Safe, but they will be expanded

Further acquisitions are not ruled out but "balance-sheet ratios will be preserved"

Difficult trading conditions are expected, except for physical security products It seems unlikely that 1990's growth rate will be repeated The report does not detail divisional operating performance, making an assessment of management difficult, and the impact of acquisitions hard to determine This may explain why the earnings multiple and dividend lag the average of the industrial holding sector

Pam Baskind

Vision and energy beat off liquidation

JAGUAR Catering Equipment is an extraordinary "creation".

It represents the vision and energy of its owner, former newspaper owner and management consultant John Theo.

A newcomer to both manufacturing and stainless steel catering equipment, Theo bought a company on the brink of liquidation.

It had not a single product drawing, no production scheduling system, and no trained and stable workforce.

Plunging all his investments into the company, Theo tackled the task in three stages.

"It's the same as treating a trauma patient. You have crisis, stabilisation and then transformation

"In the stabilisation stage, one looks for a return to profitability and, finally, one looks for growth," says Theo.

He built up a management team of complementary administration, financial and production skills and the company embarked on staff training and recruitment.

B/Day 30/10/90 189

Drawings

Over 2 000 drawings for each component part of the products manufactured had to be prepared, checked and committed to a CAD/CAM system

Wastage of raw materials such as stainless steel was reduced from 23% to 7% — largely due to moving from the use of sheet metal to coil, using Jaguar's custom-manufactured de-coiling and slitting machine.

"It took 18 months and substantial investment," says Theo.

But positive results were rapid. Turnover has risen each year — by 16% to February 1988, 15% to 1989 and 22% to 1990.

After three years, turnover has risen by 63% on the 1987 base year in which Theo took over.

Jaguar is today the largest manufacturer to the SA catering industry in products such as stainless steel tables, cold rooms, fish fryers, sinks, toasters, grillers, pie warmers, bains marie and wrapping machines — a product introduced as a logical use of off-cuts.

Tecfin beats the squeeze on margins

B Day 1/11/90

MARIETTE DU PLESSIS

VENTURE capital market company Tecfin Investments managed to withstand tight trading conditions in the six months to end-August 1990, despite the squeeze on operating margins (189)

The company has interests in clothing and nuts and bolts and was listed in August last year Results published today show that margins contracted to 11,5% in the first six months compared with the 13,9% for the full 1989 financial year

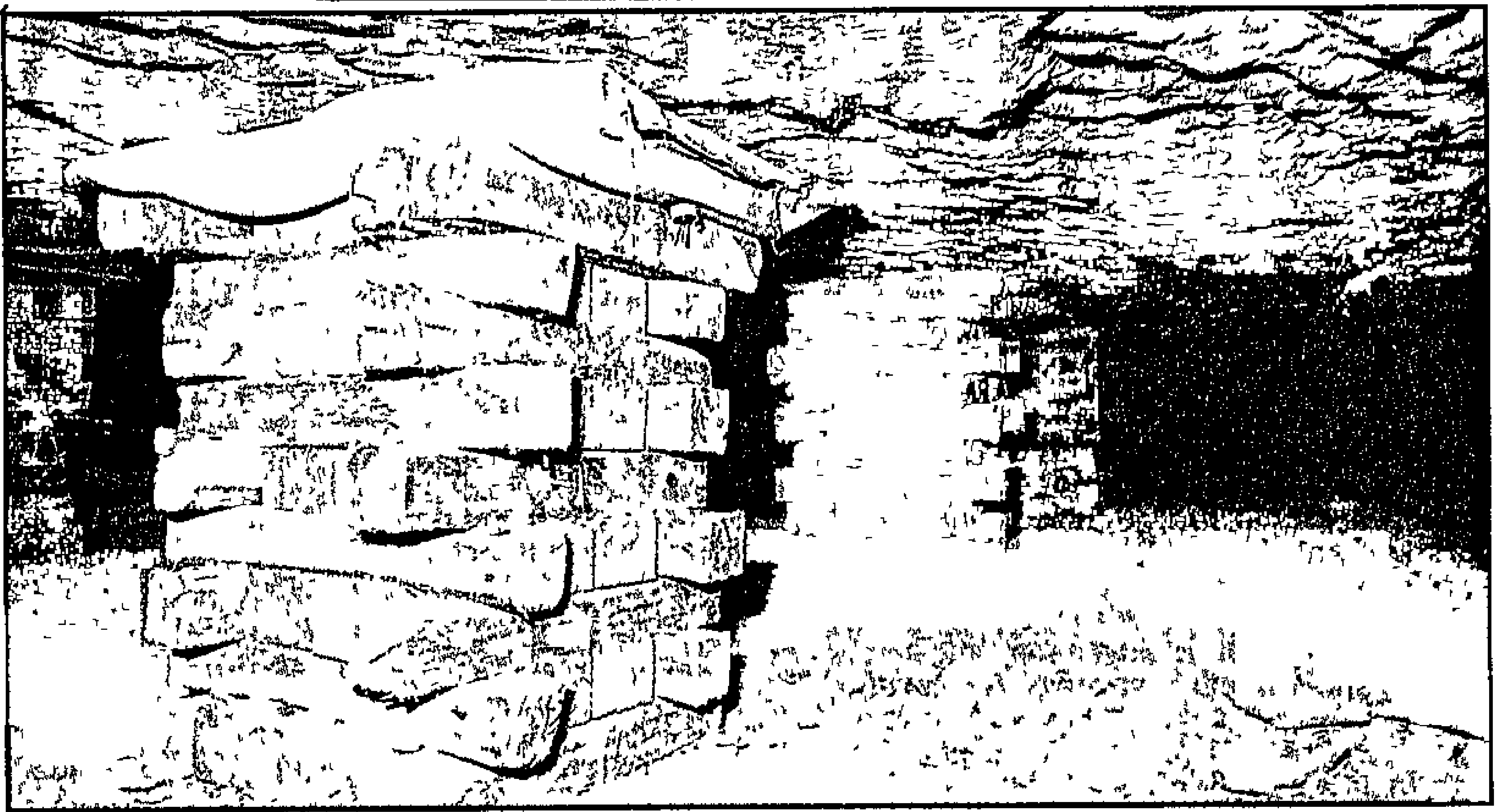
Turnover of R4,6m almost equalled the R4,7m for the year to end-February, generating an operating income of R531 000 compared with the previous year's R661 000 Attributable income came in at R203 000 from last year's R396 000

The interest bill arising from Tecfin's R5,8m acquisition of Bolt-Up in February restricted earnings growth Earnings a share of 0,9c were posted compared with last year's 3,1c

Star 5/11/90 (129)

Mine pack wins award

By Derek Tommey



The award-winning pack in action

A new mining pack (left) developed by four South African companies has been awarded the prestigious Cullinan Chairman's Design Award

The pack is expected to lead to substantial cost savings in the mining industry and to increased safety

Called the Packsetter, it comprises a specially designed wooden pack on top of which is placed a pre-stressed bag made by Nampak subsidiary Tufbag

The bag can withstand pressures of up to 400kPA

When the pack is put into place the bag is filled with a special grout made by Fosroc with a lightweight pump designed by Nicro

The bag takes up the contours of the hanging wall and provides a far wider area of support than the normal pack

The grout is designed to have the same crumbling rate as the wood in the pack

Colin Sawyer, managing director of HL&H Mining Timber, which was the prime mover in the design project, says the pack has been hailed as a major breakthrough by the mining industry

It is the first time that a mine support has been able to meet the strict Chamber of Mines requirements for active stope support

The pack could be installed in far less time than the traditional packs It could be installed close to the stope face. The packs were not blasted out so that timber wastage was reduced

Cape Times 7/11/90 189

Business Report

Government to investigate motor trade

Business Editor

THE motor trade will be investigated under the Harmful Business Practices Act, the Minister of Trade and Industry, Kent Durr, said at the annual conference of the Motor Industries Federation in Cape Town yesterday

He told delegates to the conference at the Cape Sun that although most sales, servicing and vehicle repairs were satisfactory "there is nevertheless sometimes justified dissatisfaction on the customer's part.

"And the thoughtless, dishonest or incompetent actions of a small number of people can endanger the interests of the many who have reason to be proud of their work."

Durr said the investigation would also focus on "the law relating to consumer transactions concerning motor cars".

Meanwhile, he urged the federation to update its code of conduct in view of changes in the economy and customer base and the increasing emphasis on consumerism

The President of the Motor Industries Federation, Chris de Weedt, said it had looked into 1 047 complaints in the past year and found 408 to be justified and 468 unfounded. Of the others, 52 were unsolved and 119 still pending

De Weedt said 627 of the complaints were about repairs and 225 about the sale of used cars

Opening the conference, Durr said an estimated 259 000 people were employed in the motor industry "and many more in transport-related industries and activities such as the road freight and passenger transport systems

"Of this total, some 37 000 are in manufacturing, approximately 61 000 in components manufacturing, with the balance of 165 000 being involved in sales, maintenance and servicing activities

"A fluctuation of only 10% in employment in this industry may mean added unemployment of 26 000 employable people — or it may mean the direct creation of 26 000 new jobs "

This, explained Durr, was one of the reasons local content requirement had been boosted "to develop this sector into not only one of the key players in the SA economy but also a participant to be reckoned with in the global motor vehicle industry"

The results, he continued, were "very encouraging, the industry having performed far better than initially expected"

Teething problems were being attended to by the government in close liaison with the industry

"We are integrating our industry into the global market But successful global trading brings the need for global competitiveness and internationally ac-

COMPANIES

MARC HASENFUSS

Profit increase for Sondor

189

Bday 9/11/90

CAPE TOWN's Sondor Industries, manufacturer of special materials for the building and motor industries, posted a 15% increase in taxed profits to R2,1m (R1,8m) for the six months to end-September

Under testing economic conditions the group's earnings a share also rose 15% to 8,74c (7,4c)

Industrial unrest and work stoppages at motor manufacturing plants in Port Elizabeth and East London in the Eastern Cape adversely affected most Sondor operations, causing turnover to creep up a mere 2,5% to R9,7m (R9,5m)

Sondor financial director George Copeland said the first six months were the group's more productive period

The period thereafter only included five working months due to the general factory shutdown during the December holidays

South 22/11 - 28/11/90

Soviet hopes and fears

MOSCOW is huge — not just in the sense that it has nine million inhabitants, or that it is a major industrial centre, or even that it is the capital of the USSR and hub of its intellectual, cultural and political life.

It is also massive to look at, to drive through, or to walk in. Its modern buildings and public spaces are laid out, often, on a vast scale

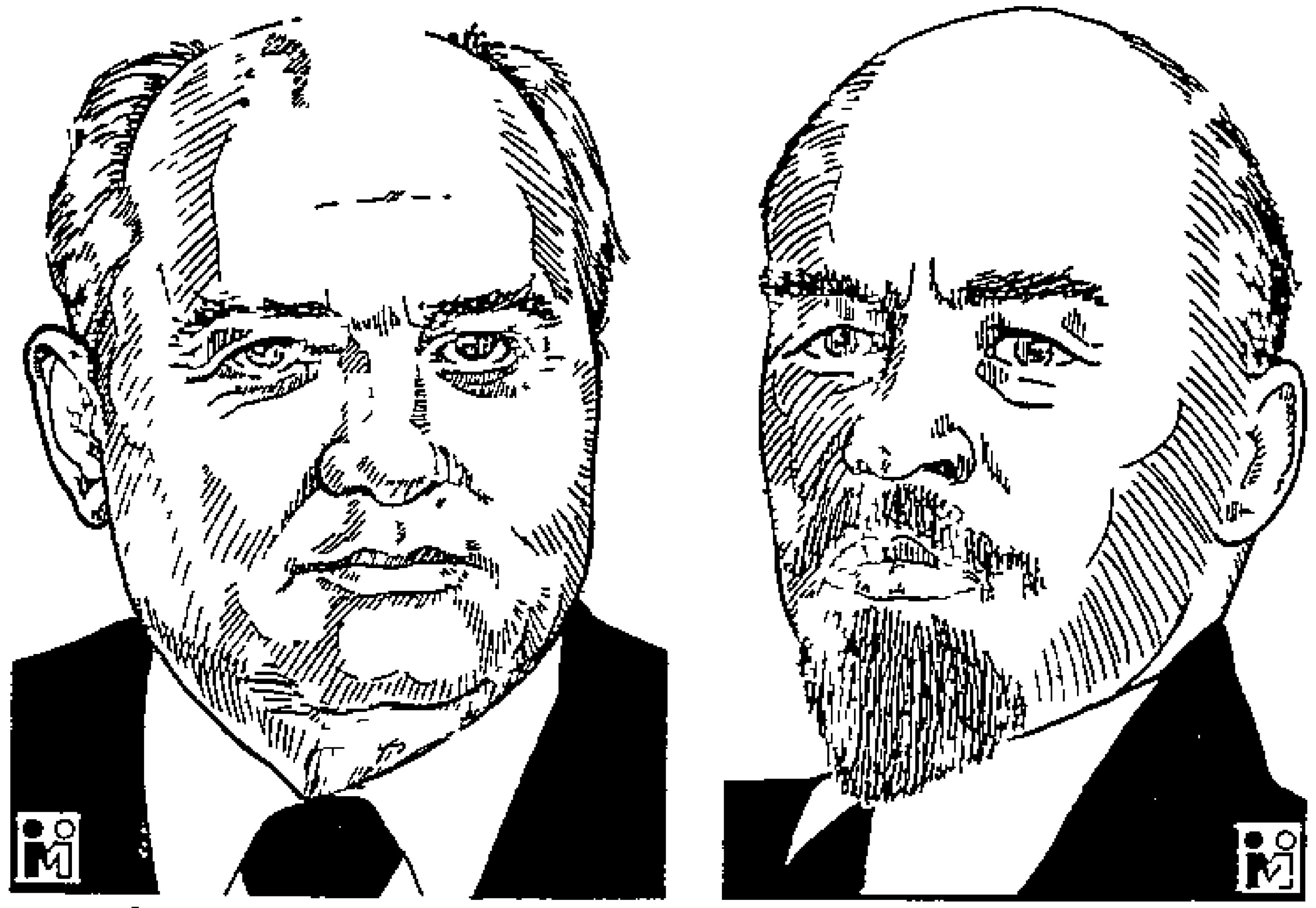
Main roads have eight or ten lanes, its monuments, museums and ministries share a kind of triumphal architecture.

A delegation from the University of the Western Cape recently visited Moscow and Leningrad as guests of the Soviet Afro-Asian Solidarity Committee. It consisted of Rector Jakes Gerwel, Vice-Rector Jaap Durand, and history professor, Colin Bundy.

Here, COLIN BUNDY comments on some impressions of the visit:

Nowhere is the impression of size and grandeur more obvious than in the Moscow underground railway system (opened in 1935) Each station, fed by staggeringly steep long escalators, is lined with marble, murals, and artworks To travel on the underground trains (or the buses and trolleys above ground) costs only five kopecks — about one South African cent — for a journey of any distance.

In short Moscow is a physical expression of seven decades of "constructing socialism" in the Soviet Union. And the construction let it be clear, is a very considerable one.



GORBACHEV Trying to salvage Lenin's socialist state gone wrong

Nobody should doubt for a moment that since the 1917 revolution, the Russian achievement has been phenomenal.

Unprecedented

A vast, backward agrarian society (more than 80 per cent peasant) urbanised, industrialised, and modernised at an unprecedented pace. Its economy is the world's second largest.

A population of more than 260 million enjoys levels of education. health care and security that their grand-parents could scarcely have imagined.

And yet, cracks have appeared in this "building", in socialist society, Soviet-style. The paint is peeling, the roof leaks icy winds whistle through the windows — and more and more of the inhabitants are beginning to wonder whether the foundations themselves are safe.

turmoil struck us strongly

Firstly, signs of the economic crisis that has gripped the Soviet Union are unavoidable. There are shortages, specially in Moscow and Leningrad of basic goods Butter eggs, meat, cigarettes and petrol are hard to come by Queues form for furniture clothing or fresh fruit.

There is a rampant black market, foreign currency is overwhelmingly preferred to Russian roubles

Much of this year's potato and grain crops were not harvested, and many fear shortages of bread and potatoes (staples of the Soviet diet) during the winter now setting in.

Bewildering

Secondly a fragmentation of Soviet political life has occurred The Communist Party (CPSU) no longer enjoys the leading role' free marketeers social democrats neo-Stalinists, reformist communists, populists — and nationalists

Nationalism is perhaps the strongest current flowing in the choppy waters of Russian politics at the moment.

The USSR consists of 15 republics, each technically 'sovereign and each historically dominated by Moscow

Nationalist parties are now leading breakaway movements in half of the republics Muslim fundamentalists in Central Asia, bitterly anti-communist Ukrainians and Byelorussians, and Baltic republicans in Lithuania, Latvia and Estonia gazing wistfully at Scandinavia.

Several of the groupings challenging Gorbachev's leadership are proposing that a new voluntary community — a looser federal struc-

impression. one of tremendous ideological flux and confusion. We met mainly university administrators and teachers, researchers policy makers and state officials.

Almost all of them were remarkably frank, willing to expose their hopes and fears, and prepared to disagree quite fundamentally among themselves in front of us

Confusion

Time and again, during conversations with them these Russian intellectuals would repeat terms like "confusion or "uncertainty to describe their own ideological positions.

A political and intellectual system that had insisted on orthodoxy and conformism for decades has now opened everything up for debate — and many of those invited to take part in the debate quite simply don't know

Several people we met felt it was now time that Russians who supported liberation in South Africa should not work only through official structures, but should seek and win public involvement along the lines of anti-apartheid movements in Europe and America.

As visiting South Africans we were naturally concerned with how Soviet analysts perceive and understand this country

But we were even more interested in trying to comprehend the USSR and wondering what lessons might be learned for South Africa.

Lousy

One thing is absolutely plain. The construction of socialism in the Soviet Union used lousy methods

These included official secrecy and deceit, an all-

INVITATION TO A SPECIAL GRADUATION CEREMONY: NELSON MANDELA

The degree of Doctor of Laws (Honoris Causa) will be conferred on Nelson Rolihlahla Mandela in the university's Great Hall at 7.30pm on Wednesday, November 28, 1990 and relayed by video to the University Centre

The university has invited a broad spectrum of people and organisations on a non-sectarian basis to this special event

Within the limitations of its venues, the university is anxious to extend the opportunity to attend to as many interested individuals as possible and invites members of the pu

Valard turnaround a new credit to Valhold

B Day 8/11/90

189

MARC HASENFUSS

INDUSTRIAL supplies company Valhold has consolidated its reputation as master of the quick turnaround by revitalising the struggling automotive component manufacturer Landlock — now Valard — during the four-month period since its reverse takeover in June this year.

Valard's earnings per share moved to 7,8c for the the four months since takeover compared to a loss of 10,6c in the then Landlock's first five months of its financial year

A dividend of 3,1c was declared by the directors, the first since 1984

The major restructuring of Landlock took place in June when Landlock sold Girlock, SA's largest manufacturer of brakes and clutches, to Auto Industrial for R28m and acquired all Valard's businesses in return for an issue of shares which changed control of the troubled group

Valard changed its name to Valhold, becoming the pyramid company of Landlock which, in turn, changed its name to Valard

Valhold directors said after a significant rationalisation programme, the losses incurred by Landlock businesses had been stemmed

"Whilst business conditions are expected to remain tight, the future profitability of the group is soundly based."

Despite successes with Landlock, Valhold's consolidated results reflected the general downswing in the economy. Attributable income increased marginally to R3,9m (R3,7m) for the six month period ended September, while earnings per share edged up to 7,2c (6,9c) Group interest more than tripled to R3,1m (R1m) for the financial period

The hot seat with no frills

W/ Argus 10/11/90

189

By MAGGIE ROWLEY
Business Staff

A MAJOR plan of action being undertaken at Atlantis Diesel Engine (ADE) will be the make or break of the huge diesel engine manufacturing plant in the next two years

Facing not only an easing domestic market but tougher international competition and rising costs, ADE was forced to cut its workforce by nearly 20 percent or 500 employees three months ago, has introduced further austerity measures to reduce overheads and is going all out to increase production.

Heading up the new streamlined Cape manufacturer is Argentinian-born Fritz Korte, a "no-frills" man with a big heart and clear vision who is determined to succeed.

The sole ornamentation on his desk is a placard with the motto· "The first duty of those in high positions is to set a good example to others" in large print And it is a motto by which he abides

In the five months that he has been in the hot seat he has done away with a number of executive privileges.

"While these are minor measures towards reducing operational costs it is important for management to be seen to be playing its part and it has helped spread a cost conscious attitude around the plant," he said.

Mr Korte, 48, who was born of German immigrant parents, qualified as a mechanical engineer after completing his schooling and worked for Daimler-Benz (D-B) in South America and Europe for 18 years before coming to South Africa with his wife and three children in 1985 as general manager of ADE's D-B plant.

"We jumped at the chance not only because it was a new challenging job but also due to the unfavourable political and economic climate in Argentina. We wanted a better environment for our children and I am extremely optimistic about the future of this country.

"While South Africa is a developing country its basic structure is sound and its natural wealth and population give it an advantage over other developing countries

"The country will no doubt have to go through a difficult period of finding the way but there is a lot of good will around and the people in this country can solve its problems," he says.

ADE was started in December 1979 at a time when tractor and truck sales were peaking In the early 1980s tractor sales topped nearly 25 000 units a year and truck sales about 30 000

"Even the most pessimistic forecasts at the time would have been for combined sales of 30 000 and consequently ADE was built with a capacity to manufacture 40 000 units a year — less than a third of which is presently used."

While more than 20 000 engines were sold last year, sales this year had dropped off sharply due to the economic climate. Total sales this year are expected to be just over 14 800 — 3 340 tractor and 11 388 truck engines against 7 078 and 13 300 last year

The protracted strike at the Mercedes-Benz plant this year had, he said, cost the D-B plant about 1 200 units.

Prospects for next year are even worse with combined sales of 14 690 — 4 420 tractor and 10 270 truck units

ADE requires 17 000 units a year to break even and

See page 3

Fritz Korte ... big heart, clear vision.

Steering ADE through difficult times

From page 1

through its rationalisation programme is aiming to reduce this to 16 000 in the short term and even lower in the long term.

"Once the economy picks up and demand rises to the 20 000 unit level we will be back in a comfortably profitable position," he said.

ADE, which is unique in the variety of products it manufactures, has a right to exist, he says. "But it has to earn this right.

Although the company enjoys a 50 percent protection over foreign engines it has to pay a 10 percent duty on imported components.

"It's unfair of our critics to expect us to compete directly with overseas markets which have economies of scale and more concentrated production.

"In addition the products we manufacture under licence from Mercedes Benz in Germany and Perkins of the UK are top of the range.

"Even European products are not price competitive with the Japanese models," he said.

The price difference between products manufactured here and in Europe is about 30 to 40 percent.

Close gap

"We are aiming to bring these down by about 20 percent in the next two years and close the gap even more in the long-term If we don't we will not survive and succeeding requires being proactive."

Thanks to their licensees, ADE had access to the latest technology. However, the low and dropping volume of tractor sales could not justify the upgrading to the latest technology.

"But as you say in South Africa,' 'n boer maak 'n plan' and we took elements necessary to improve certain functions such as fuel consumption and power and next year will be able to offer the latest technology at the same price.

"This is a prime example of the combination of overseas technology and South African ingenuity."

He said there were already signals that the rationalisation programme introduced in August would enable ADE to retain cost increases at levels below the rate of inflation next year.

"We have a long list of action that still has to be taken to improve our profitability and to become more competitive on the international market."

Operational costs had been addressed but the positive effects of the retrenchments would only be felt from January next year and a profit sharing incentive scheme is being investigated to motivate remaining staff.

Further savings

Further savings would be realised once the assembly plants for Perkins and D-B were combined next year.

Mr Korte said ADE was now striving to reduce imput costs and was negotiating with both licensees and with local suppliers.

The company was also looking to increase sales in the local market by manufacturing industrial engines and was investigating producing high volume components not necessarily related to their present products.

"We are analysing a couple at the moment but a precondition is that they be high volume which will not only provide us with economy of scale but will also help carry us more easily through economic downturns."

ADE is to step up exports to offset the softening domestic market. It is already exporting to Britain and Germany and will be exporting to Brazil and Argentina from next year. All in all exports are expected to rise to about R40 million next year from R22,9 million this year and R18,4 million last year

He said ADE had produced profits in the past couple of years but had accumulated losses from 1985 and 1986, which would have been wiped out if sales had remained above the 20 000 level this year.

"Once the full benefits of the rationalisation programme and our product expansion plans are felt I am confident there will be no looking back," he said

ADE goes into austerity mode

MAGGIE ROWLEY

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Star 12/11/90 (189)

Klipton a sound prospect

Diagonal Street

LYNNE PEACH

Klipton performed admirably in the past year, despite tougher conditions in all areas except physical security products

Prospects for the current year are less exciting, but earnings growth should remain above average.

In the annual report, joint chairmen IN Matthews and RJL Matthews say the emphasis will be on improving organic growth by lifting market share and product development.

The group is involved in the manufacture and distribution of specialised products.

These include castors and wheels, ladders and scaffolding, lifting and welding equipment and safety and security equipment.

In the past year Klipton made two significant acquisitions, Austen Safe and the Access and Mobility Group, which have contributed to higher group profitability and have broadened target markets.

In the year to June, group turnover rose 56 percent from R57 million to R88,9 million and operating profit by 81 percent from R5,4 million to R9,7 million.

Net interest expense rose only seven percent to R0,9 million, which allowed pre-tax profit to go from R4,5 million to R8,7 million.

An increase in the effective tax rate from 33,7 percent to 42,1 percent limited the rise in taxed profit to 70 percent from R3 million to R5,1 million.

After deducting outside shareholders' interest, attributable profit rose from R2,9 million to R5 million

Based on a higher number of shares in issue, earnings a share grew 25 percent from 46,7c to 58,6c The dividend was 19c (15c).

The balance sheet shows improved strength, with gearing down from 37,1 percent to 34,4 percent and a cash balance of R3,5 million (R500 000 a year ago).

Net asset value has, however, depreciated from 174c a share to 144c.

Klipton, priced at 310c, is trading on a P/E ratio of 5,3 and a dividend yield of 6,1 percent. The share appears realistically priced.

COMMENT: The share has been in an uptrend for over a year. Two months ago it touched a high of 340c before falling back to 310c. A decline below 300c will signal a trend reversal.

Toco makes a bid for some Spectrum assets

189

BD 14/11/90

CHARLOTTE MATHEWS

INDUSTRIAL products manufacturer and supplier Toco Holdings is negotiating to acquire either some of the companies of provisionally liquidated Spectrum Industrial, or some of its assets

Announcing a strong performance from the group for the six months to September and its first interim dividend of 2,5c a share, Toco Holdings chairman Paul Todd said Toco was offering R1,75m for Spectrum and some of its companies.

If this offer was not approved by creditors and the Supreme Court, Toco still had the right to acquire some identified assets of the Spectrum group for a lesser sum.

Spectrum, whose shares are suspended from the JSE's retailing and wholesaling sector, is a distributor of industrial components, tools and hardware.

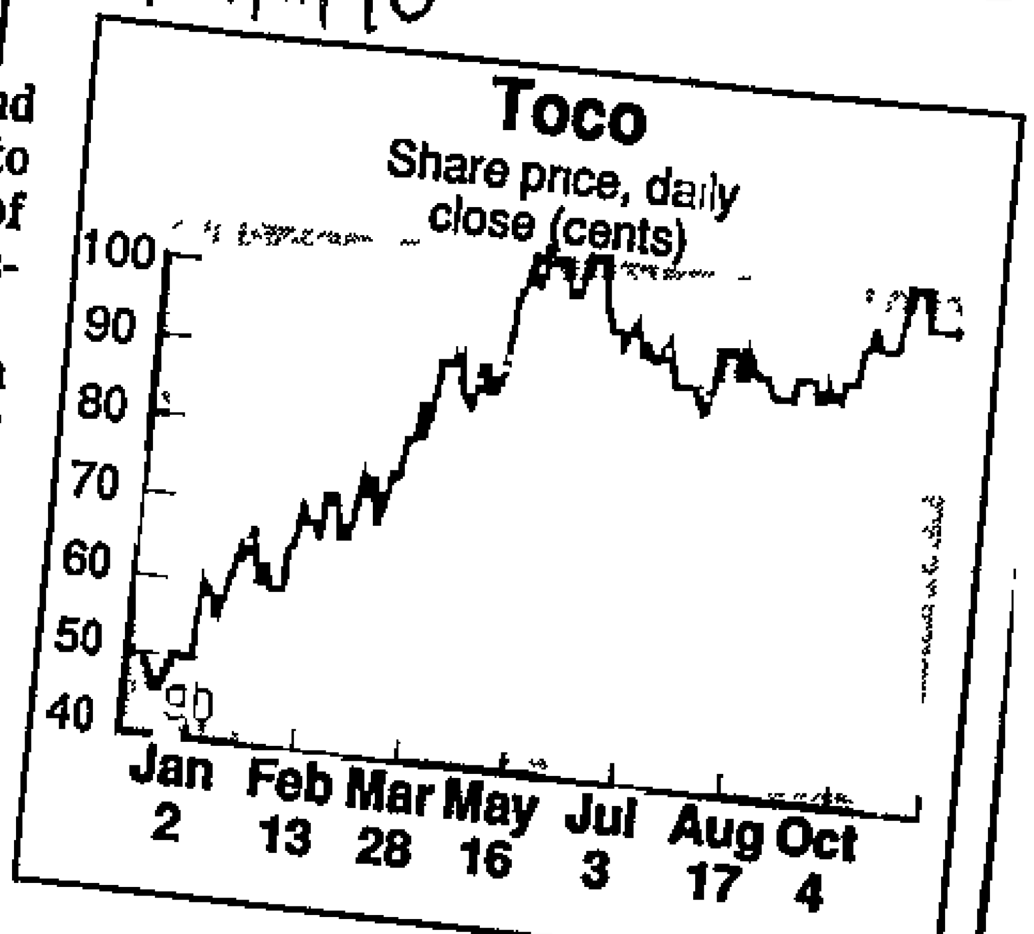
Todd said this fitted in with Toco's activities Toco has four divisions — lifting equipment, special steels and metal treatment, gaskets and automotive products.

In the six-month period, Toco boosted turnover by 11% to R56,8m. Operating profit grew faster by 38% to R8,9m

Operating margins had improved to 15,8% from 12,6% but Todd said there had been strong trade by divisions with a high value-added component and more normal margins were expected for the year

Interest payable tripled because the group had raised its stock levels to increase market share in some areas. Todd expected interest cover, now 4,8 times (10,3 times) would fall by the year-end

Attributable profits improved by 21% to R5,8m but on an increased number of shares in issue earnings rose 16% to 8,8c



Graphic: LEE EMERTON Source JSE

Star 14/11/90 (189)

Buoyant Toco pays maiden interim

Toco Holdings, manufacturer and international marketer of industrial products, lifted earnings a share 16 percent to 8,8c in the six months to September

Chairman Paul Todd says that in view of the company's steady progress and the board's confidence in the future, the directors had decided to pay an interim dividend of 2,5c

Turnover rose 11 percent to R56,8 million Buoyant trading in divisions with a high value-added component helped to boost the operating margin to 15,8 percent, leading to a 38 percent jump in operating profit to R8,99 million

The increase in interest paid from R630 000 to R1,9 million reflected the decision announced last year to increase stock levels

"Steps are being taken to reverse the resulting reduction in interest cover to 4,6 times for the period under review, and cover for the full year is expected to be in excess of our target of five times

"The 16 percent increase in earnings a share is in line with our long-term objective of achieving growth in excess of the rate of inflation"

— Sapa.

CONSORTIUM TAKES CONTROL OF DICOR AT A COST OF R1,3M

CHARLOTTE MATHEWS (189)

CONTROL of mining and supplies group Danech Industrial Corporation (Dicor) has passed to a consortium consisting equally of group MD Bob Wenteler and stockbroker Jan Silvis for R1,3m in cash.

Former chairman of Danech subsidiary Danglo, Neville Parry, does not feature in the new arrangement.

Wenteler said last night Parry had wanted to get out of the business and was in England pursuing his own interests. Wenteler said the deal was perfectly amicable. B Day 16/11/90

According to an announcement made today, Wenteler and Silvis have bought 26 million Dicor shares or 49,9% of the share capital at 5c a share. A standby offer is being made to minorities.

Dicor shares closed at 7c yesterday.

Institutional shareholders, who hold 13,9-million Dicor shares or 26% of the total number of shares, have undertaken not to accept the consortium's offer of 5c a share.

In the six months to March Dicor posted earnings of 1,7c a share against 2,1c in 1989 Directors said activity in the group's mining sector was particularly disappointing.

Dicor's board has been re-constituted with J Rabinowitz as chairman, Bob Wenteler as group MD and Chick Henderson and Jan Silvis as directors. The boards of Danglo, Danech Mining Supplies and Plastall have also been re-constituted.

No further reorganisations would be made to the group as a result of the change of control. The standby offer opens on November 16 and closes on December 7.

Proposed sale of Maxmech to be resisted by minorities

BIPam 3/12/90

PETER GALLI

SOME minority shareholders in Maxmech Mechanical Seals (Maxmech) are up in arms about the proposed sale of Maxmech's business to executive directors and controlling shareholders, Ivan Dettmann and Dave Grobler, for R500 000 in cash

They say this amount is too low and is well below the net asset value of Maxmech, a DCM-listed supplier of sealing devices. (Ozen)

It was announced ~~recently~~ that the 56,72% controlling stake in Maxmech would be sold to Quad Industries for R238 960 and that the business concern of Maxmech would then be sold back to Dettman and Grobler for R500 000. Quad Industrial Resources would be reverse listed into the Maxmech cash shell. (189)

One of the dissatisfied minority shareholders, Peter Frankle who resigned as financial director in September 1989, said after Maxmech's AGM on Friday this amount was equivalent to 10c a share while the net asset value amounted to 28,6c a share

Frankle believed the interests of minorities were being prejudiced by the transaction

However, executive chairman Mike Lang said Maxmech's real value diverged from its public valuation He said the stock market was not necessarily an accurate guide to a company's valuation.

"Companies that do not pay dividends do not have any real intrinsic value to shareholders, and do not belong in the public field. People buy shares for dividend yield and capital gain, both of which are lacking in Maxmech at present," Lang said

But Frankle said the company's assets amounted to about R1,5m, and that it was understood that a partial asset strip was contemplated by the buyers He said, for example, the sale of one division would raise R700 000 to R800 000 — the equivalent of 14c to 16c a share

Lang rejected the allegation of asset-stripping and said the board was concerned to return Maxmech to profitability. Maxmech posted a 78% drop in attributable earnings for the year to end-February.

Maxmech shares have shown a steady drop from 45c in 1986. They last traded at 11c on November 16.

Spending spree hoists inflation

Star 23/2/89

By Sven Lünsche

Inflation in January felt the impact of last year's prolonged spending spree

As measured by the consumer price index (CPI), it rose by 0,8 percent in January to 13,3 percent, Central Statistical Services (CSS) said in Pretoria yesterday.

The monthly rate of increase in January was 1,6 percent (0,9 percent in January 1988) and was the largest monthly rate of increase since March 1987.

Last year, inflation showed a delcine from an average of 18,6 percent in 1986 and 16,1 percent in 1987 to 12,9 percent

January's rise was fuelled by increases in the prices of food, housing, medical care and new vehicles

"The marked deceleration in food prices last year prevented the total index from rising more rapidly in the second half of 1988

But in January food prices were 13,2 percent up on the same month last year and 1,6 percent higher than in December.

Low point

Non-food items have reached a low-point and could increase strongly in the near future, says Sanlam economist Johan Louw.

"We expect this trend to continue in the coming year and, at this stage, foresee an average inflation rate in the order of 15 percent for 1989," he said yesterday.

"This rate is much higher than those of our major trading partners and will place further pressure on the external value of the rand," Mr Louw said.

Last year's 20 percent decline in the value of the rand exchange rate against the dollar made a substantial contribution to higher consumer prices, via higher import costs for producers.

Major reason

But analysts regard demand-pull factors as the major reason for the rise in consumer prices.

They link the increase to factors such as the growth in money supply, an increased demand for credit and the public sector's pay hike.

"The buoyant nature of the economy impacted on the higher inflation rate," Simpson McKie economist John Banos said

The increase is seen as a timely reminder to the authorities that government and consumer expenditure will have to be curbed in order to restrain not only the rate of increase in consumer goods prices, but to protect the current account of the balance of payments

F1M 7/12/90 (189) FOX

MAXMECH F1M 7/12/90

PRICE WRANGLE (189)

Minorities are again waging a battle against controlling shareholders' attempts to sell their assets Only months after the Metal Closures debacle in July, MaxMech's minorities are angry at the sale price of the company as a going concern to two directors, who are controlling shareholders

In terms of a proposed deal with Quad Industries, MaxMech MD Ivan Dettmann and another director, Douwe Grobler, will sell their 56,8% share in MaxMech and simultaneously buy back the assets for R500 000 or 10c a share Peter Frankle, holder of 10,6% of the issued shares and the former operations director, claims the market price does not reflect true value Since the assets of the company are realisable, he feels the 28,6c net worth at February 1990, or about R1,5m, would be closer to a fair and equitable price

Frankle claims an offer of 25c was made for control earlier this year and that this was rejected He also contends that Dettmann and Grobler intend to strip the company of its assets once the deal is through

MaxMech chairman Mike Lang rejects these claims He says an offer was faxed to the company by a nameless consortium but that when clarification of the offer was sought communications ceased abruptly He feels it was not a bona fide offer but a thinly disguised attempt to gain access to confidential information

He also says a sale of assets is not contemplated Since joining the company 15 months ago his primary objective has been to return the company to full profitability and rebuild the balance sheet, he does not see an asset strip as compatible with this A licensing agreement may be entered into, whereby a subcontractor will lease some production capacity

Lang contends the share price reflects the company's earnings profile MaxMech has paid a dividend only once since listing and the prospect of this changing in the next couple of years is slim Earnings will be retained and investment in new machinery made in an effort to improve competitiveness He feels minority interests will be better served by an investment in Quad

To block the deal, at least 25% of shareholders will have to vote against it at a general meeting in about three weeks Only Frankle owns a large block of shares and, as there are at least 500 other holders, the possibility of getting this number of votes together seems remote

Pam Baskind

Cash-shell bid for Maxmech draws flak

S/Times 9/12/90 (189)

Business Times Reporter

CONTROVERSY has broken out over a proposal by the directors of Maxmech to buy the assets of the Springs-based seal-making company and to leave it a cash shell

Douw Grobler and Ivan Dettmann, with 32% and 24,8% of the equity respectively, are offering 10c a share for the assets. There are 5-million shares in issue, valuing the offer at R500 000

Director P M Frankel with 10,6% of the company and shareholder Gabriel Loi, who has 2,5%, say the offer is inadequate. Published net assets at last balance sheet were 28,6c a share

Consortium

Mr Loi claims to have put together a consortium prepared to pay 25c a share cash for the same assets He says the controlling shareholders and chairman Michael Lang, refuse to consider his offer and that the minority is being prejudiced

Mr Lang says the offer was a rough document on a fax containing the unacceptable condition that Maxmech permit the mystery consortium to open its books. He asked Mr Loi to prove the bona fides of his consortium before opening the company's books to it. Mr Loi has yet to comply

Mr Loi's auditor, Bruce Morrison & Associates, says it made the offer on Mr Loi's behalf It faxed a copy of the offer to Business Times It contained an undertaking to place deposits The auditor did not certify ability to pay

Mr Lang refuses to consider getting an outside valuator to assess the assets of Maxmech or even to appoint outside auditors to value them, saying it would be too expensive

A chartered accountant says the sale of assets, as opposed to a scheme of arrangement, can be achieved with an ordinary resolution, which requires a simple majority It appears that Mr Dettman and Mr Grobler could steamroller the sale of assets through.

But Mr Lang says proof of the directors' bona fides is that special resolutions requiring a 75% vote in favour will be put to a meeting of shareholders The minority, with 41%, is in a position to block the deal

Employee

Mr Lang says he is an employee of the company, not a shareholder He was employed 15 months ago to bring it to better account He believes the medium-term outlook is poor and the company needs to retain earnings, not pay dividends In the circumstances, it would be better off in private hands

Mr Lang says the assets to be reversed into the cash shell have better earnings and dividend prospects

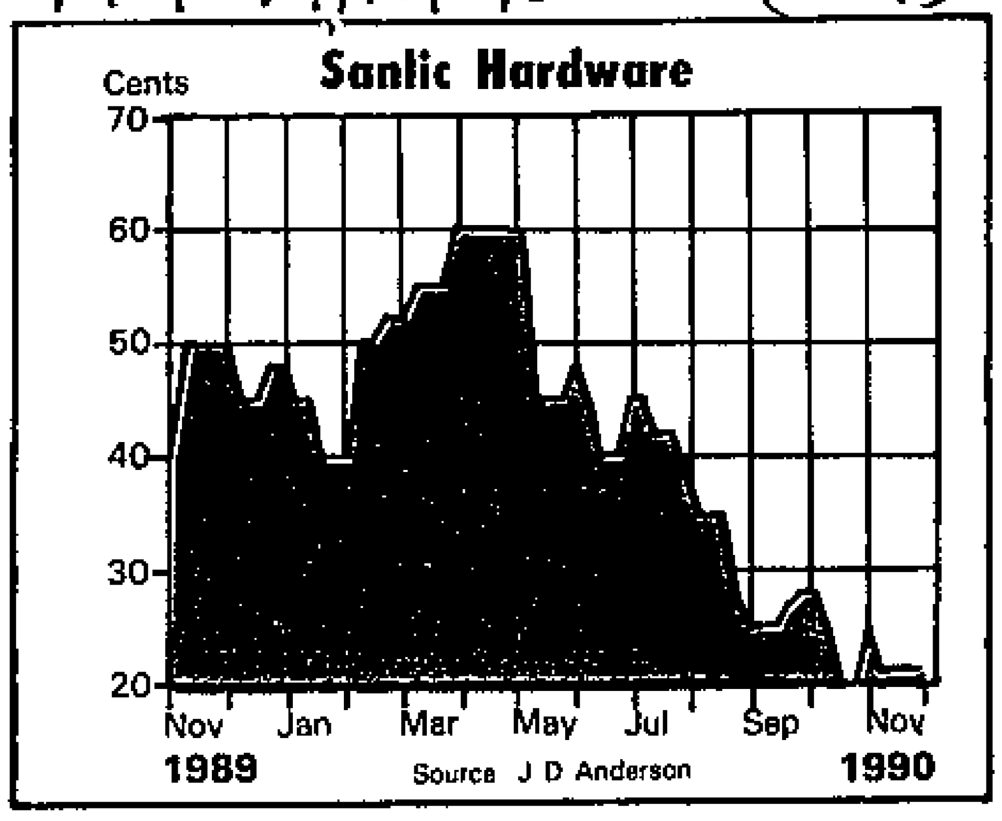
Legislation empowering a Takeover Panel is expected to become law in January It will be interesting to see whether this offer meets the requirements of the new law

SANLIC FM 14/12/90 (189)

DEBT MOUNTS

Sanlic has produced another set of dismal results Its annual report says major problem areas "have been identified and addressed to

FM 14/12/90 (189)



Activities: *Distribution of locksmith supplies, security related products and DIY products*
Control: *Elcentre 40%*
Chairman: *N P Mowszowski*
Capital structure: *17,7m ords Market capitalisation R3,7m*
Share market: *Price 21c 12-month high, 60c, low, 20c Trading volume last quarter, 67 600 shares*

Year to Jun 30	'87	'88	'89	'90
ST debt (Rm)	1,4	1,3	2,1	10,7
LT debt (Rm)	—	—	3,8	11,5
Debt equity ratio	—	0,22	0,9	1,8
Shareholders' interest	0,45	0,48	0,39	(13,4)
Int & leasing cover	3,2	13,8	2,9	—
Return on cap (%)	25,3	21	12,6	—
Turnover (Rm)	11	16,3	21,5	87,1
Pre-int profit (Rm)	1,8	2,6	2,1	(1,1)
Pre-int margin (%)	16,2	15,9	9,7	—
Earnings (c)	5	7,9	3,6	(5,8)
Dividends (c)	—	3,8	1	—
Net worth (c)	25,7	40,3	39,7	—

ensure a return to profitability in the forthcoming year " The same statement was used in the 1989 annual report, except it spoke more generally about "the future "

So investors might well question when and

FM 14/12/90

if this profitability will occur Latest figures show a net loss of R6,5m from a net profit of R411 000 in the 1989 financial year Acquisitions and sales of various businesses apparently have not helped

Sanlic has been completely restructured through the purchase of Pace Consumer Products, KTC and Greatrex for 42,8m compulsorily convertible debentures The deal took place in March 1989 but was not consolidated in the 1989 balance sheet as it was approved by shareholders only in October that year Greatrex distributes DIY hardware

(189)

and tools to the retail trade while Pace distributes electrical products Sanlic also bought AMD Agencies — in July 1989 — for R1,4m cash and 1,5m ordinary shares, and FS Consumer for R4,7m cash in September 1989

The safe and key factories and brass foundry were sold for a total of just R1,1m in January and May Notes to the cash flow statement show a net loss on the sales of R462 000 The loss arising from these operations before they were sold amounted to R2,2m, and even before this the loss for the year was R3,5m

The only part of the business which remains the same as the previous year is Sanlic, which distributes security products such as key cutting machines and locks The group has obviously decided to opt for distribution activities only

Purchase of the new businesses has taken its toll on EPS and debt The increase in issued shares, as well as the net loss, caused EPS of 3,6c in 1989 to deteriorate to a loss of 5,8c Interest-bearing debt nearly tripled to R22,2m, pushing finance costs up to R2,5m The debt equity ratio is an uncomfortable 1,8

To raise additional funds the group is considering a rights issue It would have to be a big one to strengthen the balance sheet adequately

Management hopes dividends will be resumed in the short term Investors appear unconvinced — the share price has continued to plummet and has reached 21c There is little evidence that management has yet got the group into better shape, though it says operating expenses have been reduced significantly

Heather Formby

MACHINERY AND

EQUIPMENT

EXPORTS

1990

Atlantis to make parts worth R30m

BDay 8/3/90

CHARLOTTE MATHEWS

ATLANTIS Diesel Engines will manufacture components worth R10m for the local motor industry and R20m in export components this year, according to a statement released yesterday (189)

ADE plans to increase exports to about R100m at constant value by 1997

A spokesman from the company said yesterday it was difficult to say whether this represented growth in market share, but the Phase VI local content programme offered the whole market opportunities for growth

ADE's expansion would be in products off the lines where it was already producing parts for its own engines. It would not require capital expenditure over and above the R120m previously announced to increase local content of its components from the current 55% to around 83% in 1997

SMITH MINING FM 30/3/90

Targeting exports (189)

After a year of rationalisation, Smith Mining is looking to grow through the development of its export market and acquisitions (189)

In the 1989 year, pre-tax profit rose a modest 15,1% on turnover growth of 17,9% A slight reduction in the pre-interest margin reflects difficulties in the first half with previous acquisitions and stiffer competition A healthy cash flow enabled the company to slash its debt and have R2,5m cash earmarked for acquisitions this year Export incentives and assessed losses helped to re-

FM 30/3/90 (189) (189)

Activities· *Manufactures and supplies drilling related equipment*
Control. *Directors 80%*
Executive chairman: *D L Stevens*
Capital structure. *25m ords of 10c Market capitalisation R20m*
Share market *Price 80c Yields 8,1% on dividend, 24,5% on earnings, PE ratio, 4,1, cover, 3,0 12-month high, 90c, low, 65c Trading volume last quarter, 136 000 shares*

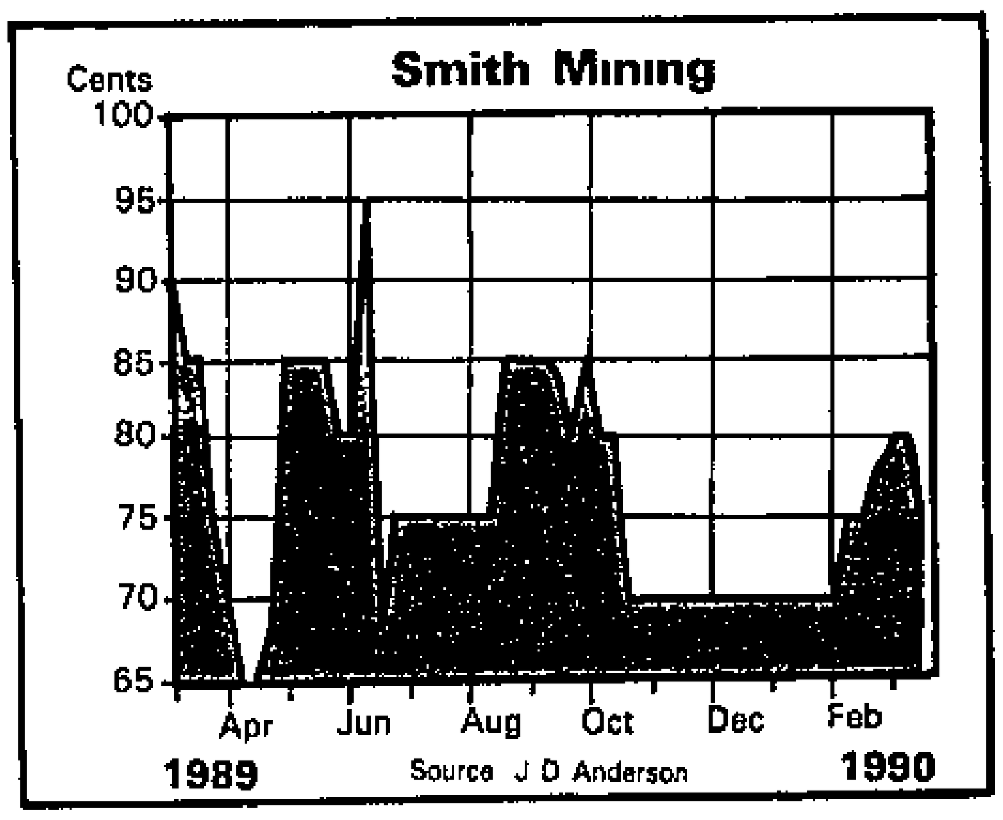
Year to Dec 31	'87	'88	'89
ST debt (Rm)	—	1,76	0,36
LT debt (Rm)	1,36	1,42	0,63
Debt equity ratio	—	0,20	—
Shareholders interest	0,62	0,52	0,62
Int & leasing cover	—	22,0	32,6
Return on cap (%)	21,0	23,7	25,9
Turnover (Rm)	25,2	38,7	45,6
Pre-int profit (Rm)	4,2	6,8	7,8
Pre-int margin (%)	16,5	17,7	17,1
Earnings (c)	18,2	14,9	19,6
Dividends (c)	4,0	5,0	6,5
Net worth (c)	52	61	75

duce the tax rate to 35% (45%)

Management concentrated on consolidating and rationalising operations after the acquisition of six companies in the past three years The operations of all subsidiary companies became divisions of Smith Mining Equipment in January Chairman Dave Stevens expects that this will improve control and streamline the sales effort

Exports expanded significantly and Stevens expects these to accelerate He predicts that, as a percentage of turnover, exports will

FM 30/3/90 (189) (189)



rise from 4% to 12% in 1990 A separate division has been established to concentrate on this market Smith Mining has established markets in Europe, Australasia, the US and Africa, possibilities in South America are being investigated

All other divisions are forecasting improved performance this year, 90% of turnover relates to the local mining and exploration sector, where the outlook appears favourable, with several new shaft systems announced Stevens believes the recent tax changes affecting mining companies will lead to increased exploration and mining activity

Returns have remained high and the rationalisation and strong balance sheet suggests shareholders will continue to benefit The share looks fair value *Pam Baskind*

R11-million export deals for tools and sheet metal

The Argus Bureau Argus 8/6/90

PORT ELIZABETH — Delta Motor Corporation has landed two major export contracts

The corporation has a two-year R11-million contract to make press tools for a joint truck programme in Europe and has been awarded a major export contract by Opel to supply sheet metal for the European market

In a statement the company said it was also negotiating to buy a major car rental company Delta and Tollgate Holdings, which controls Budget Rent-A-Car, have entered preliminary negotiations for Delta to acquire the rental company

It is understood that the corporation's offer has been accepted but there are still details to be sorted out But confirmation of the impending deal has been given by both companies

According to the statement the award of the Opel export order follows the installation of five new presses, representing an investment of R12-million which will increase its press shop capacity by 33 percent

Recently the company has acquired an air-conditioning operation and a plastics plant in Port Elizabeth and an electronics company in Pretoria

The plastics plant, Industrial Mouldings, allows the corporation to produce its own plastics needs for vehicles far more cheaply than before The air-conditioning company Connoisseur Air has already won its first major order since Delta took it over — air conditioners for Volkswagen's CitiGolf

F/M 8/6/90

Spanish port of Cadiz and the standard of work done is generally better Lisbon could possibly equal SA ship repair prices but it remains advantageous for vessels trading in the south Atlantic to patronise the local yards

Malta has developed a major shiprepair industry which is said to do work cheaper than SA but it is generally felt to be of a poor standard

There is little doubt that ships operating in the western Indian Ocean or south Atlantic recognise Durban and Cape Town as the best ports for repairs Even oilrig tenders operating off the West African coast use Cape Town for refits

Two government-owned Romanian factory trawlers have gone to local repair wharves for extensive overhauls An oilrig, towed round the Cape to a new drilling site, should also spend many thousands of rands in maintenance and repairs — all paid for in US dollars — after tugs deliver it to Cape Town

ADE

Dreaming of a listing

F/M 8/6/90

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Hartmut Beckurts isn't shy to admit it had it been run on private sector principles, Atlantis Diesel Engine (ADE) might not have made it this far

Nine years after its creation by the IDC, the sole local producer of truck and bus diesel engines is profitable and dreaming of a JSE listing

It's a novel experience for a company that has faced opposition to its existence even since before it was born Had the IDC not continued to view it as a strategic asset, rather than a purely financial one, it might not have survived

Beckurts doubts whether the private sector would ever have created such a company "Even if they had, with the many setbacks we had, most of them would probably have thrown in the towel," he says Beckurts retires as MD of the ADE plant at the end of this month to become trade and industry counsellor at the SA embassy in Bonn His successor will be technical director Fritz Korte

Years of losses provided ammunition for ADE's critics who maintained government should stay out of the motor industry Truck companies, too, were unhappy at the possible consequences of being forced to abandon willing overseas sources for a single local engine supplier

Some of their fears were realised When the industry seriously misread the market in the late Eighties — a situation that was admittedly as much the fault of truck companies as it was ADE's — huge waiting lists built up while ADE struggled to catch up with demand

Industry executives are still unhappy at being so reliant on one company They point out that a production problem at ADE can bring the whole industry to a standstill Costs are also passed on down the line Assemblers complain of above-average ADE price increases this year — increases that will inevitably make their way to vehicle users ADE says that increases are below the rate of inflation and unlikely to exceed 13,9% for 1990 as a whole

Beckurts, however, is happy with the way ADE is performing Besides a brighter financial picture — the company is shy about disclosing figures — stemming in part from tighter cost controls and a slimmer staff, the company is diversifying into the manufacture of other components and hopes to become the sole supplier of diesel engines to the bakkie market

The latter ambition may be thwarted Although ADE has modified prototype engines it believes can serve all diesel bakkies, vehicle manufacturers aren't so sure Only two companies have taken up ADE's offer to test the engines in their vehicles The others aren't interested

The current market for diesel bakkies is only about 18 000 a year, from a total bakkie market of more than 115 000 "Unless we get the co-operation of all the manufacturers, it won't be a viable operation," notes Beckurts

He is more optimistic about other projects If vehicle assemblers give the go-ahead, ADE is ready to invest R100m to cast, forge and machine petrol engine crankshafts Beckurts estimates ADE would be ready to go into production with them within 18 months and, now that ADE is responsible for financing its own investments, he suggests countertrade deals or loans as possible ways of meeting the capex bill

Beckurts sees diversification as an ongoing process The company has already tendered to manufacture aluminium cylinder heads and he is also interested in blocks, flywheels and camshafts Bearings and springs are among other components on his shopping list Some, though, ADE won't touch Beckurts can't see the company, for instance, trying to manufacture fuel-injection components

Phase Six of the local content programme, which encourages local manufacture of high-value components, has helped to stimulate ADE's diversification but, despite the advantages to local companies, Beckurts insists ADE won't produce or purchase anything locally that costs more than an import that has incurred the imposed cost of 50% import duty

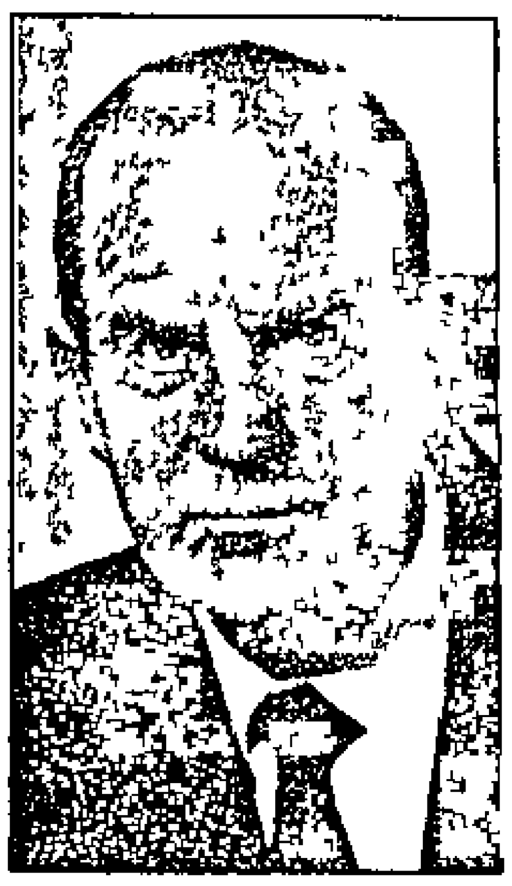
"We must be able to source it at a discount The moment it's more than the import, we will stop it ADE wouldn't have got off the ground without protection against imports Now we must come up with the goods"

Phase Six also encourages exports, an area in which Beckurts expects ADE to profit increasingly in coming years From R20m this year he expects export earnings to reach R90m by 1997

The company is barred by licence agreements from exporting only engines, although there are some regions, particularly the African continent, where licence-holders are prepared to look the other way

For the most part, ADE engines are exported as part of larger units, such as earthmoving equipment, buses, boats and generator sets As the company becomes more active in producing machined components, these too will constitute a bigger part of the export mix

"We've only recently entered export markets so we are reaping the first benefits," says Beckurts ADE's limited size, by world standards, also helps "It's not worth the while of big plants to do some components with limited production runs We have the flexibility to do them and are being allowed to tender for an increasing number of contracts"



Beckurts

He estimates ADE's status as sole diesel engine supplier saves the country about R330m a year in foreign exchange, a figure that will grow steadily

It is this kind of long-term saving, and the importance of a strategic local industry to ensure SA's transport industry keeps rolling, that convinces him the decision to create ADE was correct It has also led to the existence of a wide range of automotive engineering skills that would otherwise have remained unseen in SA

He hopes investors will soon have the chance to echo his confidence Beckurts acknowledges that ADE's position as a profitable, tax-paying concern is novel and, with the industry facing another lean period, it will take some time for ADE to build up the track record needed for a successful JSE listing

But, with the move towards privatisation of enterprises, pressure is building on the IDC to release some of its more successful companies

Beckurts is confident it will cut ADE loose if the opportunity arises

"We will be listed but I don't know when My guess is three to five years"

Delta tools up for export boom

SATURDAY JUNE 9 1990

W/C-ARCUS 9/6/90

By TOM HOOD
Business Editor

EXPORT business worth tens of millions of rands is expected to be chalked up by Delta Motor Corporation as a result of installing a R12 million line of heavy presses in its Port Elizabeth plant

Sheet metal parts made on the presses will be sold to the crash-replacement market in Europe, particularly replacement body panels for Opels

Delta has also landed contracts worth R11 million to make press tools for a joint truck programme in Europe

"This is evidence thast the company can compete as a highly capable supplier in the international toolmaking market," says Mr Willem du Plessis, Delta's director of manufacturing and assembly

Besides exports, Delta expects to sell 40 000 vehicles on the home market year, said chief executive Keith Butler-Wheelhouse in an interview this week

Big strides have been made since he and six co-directors took over the plant in a management buy-out from General Motors of the United States three years ago, he said

Not only has all debt been paid off, but the company has considerable cash reserves and aims to spend more than R150 million on plant replacement without borrowing a cent

"To spend R100 million a year on capex from a R1,4 billion turnover is not unusually heavy in a business such as ours," said Mr Butler-Wheelhouse

"We were fortunate not to have any long-term debt when we took over

"Through careful management we have been able to run the business for more than three years and finance all developments internally and not go to the institutions for funding We have a balance sheet that owes debt to no one and we have a very big cash balance"

Apart from a strike over redundancies at the time of the takeover, Delta has been strike-free ever since, he said One reason could be incentives to gain worker loyalty The company is one of the few to pay education fees of employees' children in a scheme covering free secondary and tertiary education, books, tuition and university residence fees

"Since we took over there have been only three days when one or other of our suppliers of 12 000 parts were not hit by strikes"

In fact, the motor assembly plant was idle on Thursday through a shortage of components which suppliers could not deliver

After years of stagnation while General Motors considered disinvesting, Delta, under its new bosses, has also gone on the takeover trail and expanded in several directions to secure important supplies

It took over Connoisseur Air, a Port Elizabeth air conditioning company Besides making air-conditioners for its own vehicles, Delta has secured a contract to make air-conditioners for Volkswagen's City Golf

Industrial Moulding, also taken over recently, will let

See page 3

W/C-ARCUS 9/6/90

Delta eyes exports

From page 1

Delta produce its own plastic requirements more cheaply This Port Elizabeth factory currently makes shoe mouldings

Another acquisition was a Pretoria electronics company which developed a new electronic fuel injection system This system will be installed in Opel cars and may be sold to competitors for their vehicles

Delta also expects to get a flying start into the market for catalytic converters, benefiting from the experience of Opel in Germany as European governments clamp down on air pollution and exhaust emission from vehicles

Over-invoicing at Nampak being probed

Star 2/8/90 By Ann Crotty (189)

Demonstrating its customary capacity for embellishment, the market appears to have contrived a rather exaggerated version of some over-invoicing at Nampak.

The facts as explained by MD Don McCartan are that about three weeks ago certain allegations were made internally by Nampak employees

These concerned the relationship between a South African engineering company and one of Nampak's operations to which it supplies machinery

Specifically, the allegations referred to over-invoicing of equipment sold by the engineering company to Nampak

Management instituted an internal investigation which is still being conducted, but which appears already to have revealed some irregularities

At this stage, according to Mr McCartan "Indications are that no material sums are involved and the irregularities probably won't affect our earnings. But if they are material, we will disclose them on the income statement"

Mr McCartan stresses that the over-invoicing only affected one of the group's operations and had nothing to do with any foreign exchange transactions

In sharp contrast, the story circulating in the market is that the over-invoicing amounts to around R40 million and involves finrand deals

18/8/90

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Gabriel rides shocks

By MAGGIE ROWLEY
Business Staff

RETREAT-based Gabriel SA, manufacturers of suspension products for the automative industry, has come through the toughest year of its history.

Steering the company through the harsh impact of high interest rates, the economic downturn and labour unrest, is British-born Fred Keywood who says that in spite of all the problems which have beset the industry he is optimistic that the next financial year will see the company back on a growth path exceeding the rate of inflation

An engineer by profession, Mr Keywood came out to South Africa from England in 1965 when he joined Plessey on the production engineering side

At the time Plessey held 35 percent of the equity in Gabriel SA — which was founded in 1962 Mr Keywood was transferred to Gabriel as production engineer in 1965, was promoted to plant manager in 1969, divisional manager in 1974, and general manger in 1978 and a director of Gabriel in 1979 He was appointed MD in 1982 when Maremont Corporation, the major shareholder in Gabriel SA, assumed management control locally

Since then Maremont Corporation has been acquired by Arvin Industries, a US-based multinational conglomerate

Gabriel SA traditionally concentrated on two markets — original equipment (OE) manufacturing for the automative industry on the one hand and the replacement market (AM) through distribution networks to the consumer on the other hand

However, in the past five years in particular the company has looked increasingly to exports which now average between 15 and 20 percent of sales

The automative industry is a major barometer of the economy of South Africa It is one of the first industries to be affected by a downturn

"By increasing our export market we are able to ride the troughs more easily," he says

However, sanctions have taken their toll and the US parent company has come under great pressure to disinvest

"Many US companies in South Africa, especially those who were not doing so well, have buckled under the pressure But we have been here a long time and we have a long-term commitment to South Africa

"This pressure will no doubt remain until greater political stability is achieved"

While they did export to the US, they had had to look for new markets and trade with Europe remained strong

High interest rates, he said, had impacted heavily on disposal incomes and people were simply not buying cars and were putting off repair work, except for that re-

Fred Keywood . . . back on a growth path.

See page 3

Gabriel riding the recession, labour unrest

W/t-Ma(a) 18/8/90 89

From page 1

quired by law such as new tyres and silencers, for as long as possible

New passenger car sales, he said, had averaged about 200 000 units a year for the past couple of years and expected increases in sales had not materialised Forecasts were that sales of new passenger vehicles would not increase dramatically in years to come.

The average life of a car, he said, had increased in recent years from five years to eight and a half

Mr Keywood said the downturn in the economy had been compounded by widespread industrial action in the motor manufacturing industry throughout the year which had resulted in production losses by a number of vehicle manufacturers, which they supplied and more recently in their own factory where 253 workers downed tools three weeks ago

The company, which had employed more than 500 people directly and indirectly provides jobs for at least triple that, was presently training casual workers and hoped to return to full production by the end of August, he said

Difficult period

In order to meet the requirements of motor manufacturers for original equipment they had been forced to airfreight their products to make up for lost time

"Losses, resulting from the unlawful strike, to date are more than R2 million," he said.

"In addition the strike has resulted in the loss of certain export markets which will take an immense amount of work to rebuild

"All in all, the state of the industry and the economy has severely impacted on the automative industry. We have been going through a very difficult period, and have survived better than most But if conditions do not improve shortly I believe many component manufacturers will find it difficult to survive."

Gabriel holds about 70 percent of the replacement market in South Africa and aobut 45 percent of the OE market

Results for the current financial year ending September 30, were expected to be well behind forecasts However, he was optimistic that interest rates would drop towards the end of the year or early next year, boosting the economy and that conditions on the labour front would normalise

"Sales forecast for the 1990/91 financial year are expected to be back on target and in line with growth projections".

He said that due to limited public transport people in South Africa would always require cars

"However, before we see any major upturn we will have to attract much more foreign investment, which, in turn is unlikely to occur prior to greater political stability being achieved

"I don't see this happening quickly but when it does industry will reap the benefits," he said.

The government would also have to review company tax which presently stands at 50 percent.

Mr Keywood said the industry had also faced a major challenge in having to adapt from the mass-based phase 5 of the government local content programme to the value-based phase 6 programme

"Phase 6 is really a foreign exchange saving and export complimentation and the transition is proving to be a major challenge to both vehicle builders and component manufacturers

"Under phase 6 component manufacturers are able to share the government export incentive programme The only proviso is that they have to cede their exports to a motor manufacturer to share the incentive."

Mr Keywood is president of the National Association of Autombile Component and Allied Manufacturers which represents 170 000 employees in the automative and allied industry

Gabriel riding the recession, labour unrest

W/L-AC(W) 18/8/90 (89)

From page 1

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IT'S A NEW-LOOK GIANT

By DAVID CARTE

THERE'S a new-look R750-million-a-year engineering giant on the JSE after transactions in Malbak's Standard Engineering on Friday

Standard Engineering has acquired the outstanding minority stakes in two large companies it has managed for three years

From Gencor and Sankorp, it has bought the 41,8% outstanding in Hall Longmore and the 32% of Astas it did not previously own With a mixture of shares and cash, it is paying R32,8-million for Hall Longmore and R22-million for Astas

Altogether Standard Engineering will issue 7,3-million new shares and lay out R14,6-million cash The new shares have been placed with institutions to improve marketability of Standard Engineering shares Malbak's stake in the company declines from 92,5% to 72,8%

S Times 26/8/90

Potential

After the deal, Standard Engineering will comprise

- 100% of Astas Holdings, whose 68%-held subsidiary Astas Engineering makes gearboxes and axles for SA and foreign car- and truck-makers,
- 100% of Hall Longmore, which makes 55 000 tons of large steel pipes a year,
- 71% of Union Carriage, manufacturer of locomotives and rolling stock,
- 100% of Drill Steels, maker of drilling bits,
- All of Fluid Holdings — importer and distributor of pumps and other equipment mainly for the mining industry — and Abertech They have a taxed profit potential of R8-million a year

Standard Engineering chairman Hugh Brown says Astas and Union Carriage have suffered severely in changed environments But he thinks the new-look Standard Engineering has great potential

"The logic behind the group is that these are mature engineering companies dependent on the economic cycle We aim to offset their SA cyclicality through exports"

Mr Brown says Union Carriage is sailing out of the doldrums brought about by the railways' huge cutbacks since the 1970s

"Managing director Bob Bingham has done a superb job winning export contracts, mainly in Taiwan Turnover in the year to 1989 was only R19-million We expect to double that this year and from 1991 export orders already secured will ensure that we top R100-million a year"

(189)

Upgrading

Following the formation of Commuter Corporation, Mr Brown expects SA orders for rolling stock to supplement export orders

Hall Longmore has picked up export orders of 12 000-15 000 tons of steel piping Its ERW mill is to spend R10-million upgrading its seamed pipe plant to qualify for the stamp of approval of the American Petroleum Institute

"Then we can increase prices by about $70 a ton to $490"

Mr Brown hopes that Astas will also be able to offset the decline in the motor industry through exports

He expects Standard Engineering's performance to spurt, starting this year Accounting will be conservative so earnings are likely to be about R25-million, or 95c a share

Mr Brown confirms that Standard does not yet have a group chief executive He hopes an appointment can be made from within the ranks in the next year

High inflation hits Macadams

Cpt Times 30/8/90

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By AUDREY D'ANGELO
Business Editor

THE downturn in Europe is hampering Macadams' export programme, CE Raimund Poulliart says in the annual report. And SA's double digit inflation is making it harder to compete in overseas markets

In spite of this Poulliart forecasts that the bakery supply group, which suffered losses through its subsidiary Aloe, will return to profitability in the current year

It has been helped in this by the sale and lease-back of its Blackheath factory at a capital profit of R2,1m

"Financially, the group faces the future from a much sounder footing," says Poulliart

"Interest bearing debt has been cut dramatically, first through the discontinuation of Aloe with its associated costs of financing debtors and stock and second, through the sale of our Blackheath factory on a favourable lease-back basis"

He continues "Having learnt the lessons of the past and with our focus once again on our core business we look forward to a return to profits in the second half of this financial year"

Poulliart explains that Aloe, which manufactured equipment for mass catering, was faced with "a dramatic decline in demand" from two of its major customers, the SADF/Armscor and the mining industry

However, Poulliart continues, "the bakery division performed commendaby in the year under review Demand remained steady and production was characterised by a notable increase in local content, a major contributor to the improvement in margins"

The group will continue to manufacture a limited range of mass catering equipment which will be marketed and installed by Vulcan

"Our export programme is being somewhat hampered by the downturn in Europe, where it is becoming increasingly difficult to penetrate the market to any degree

"It has become clear that pricing is the key but SA's double digit inflation places us at a major disadvantage against our European counterparts

"Nevertheless we believe that the new export incentives announced by the government will be of considerable assistance — more particularly as our products fall within the most favoured Castegory 4 and thus enjoy maximum advantage

"Clearly, we will continue to explore every opportunity in our drive to seek new foreign markets"

Poulliart warns, however, that "escalating demands by the trade unions and the ever-present threat of strike action" could result in a loss of jobs

"We, as a labour intensive industry progressively reducing our reliance on imports remain particularly vulnerable It would behove the unions to accept that an unrealistic negotiating stance could result in further retrenchments"

Macadams lifted net income before tax and interest to R2,6m (R2,3m) in the year to June 30

But the interest bill rose to R1,7m (R1,1m) and extraordinary losses resulted in an attributable loss of R3m compared with an attributable income of R811 000 the previous year

Machinery export boom shows increase of 35%

BDay 6/9/90 (189)

ANDREW GILL

MACHINERY exports have grown by more than 35% this year and are set to continue rising as one of the fastest growing export categories.

From January to July this year the sector's exports jumped 35,4% to R740,1m from R546,6m in the first seven months of 1989

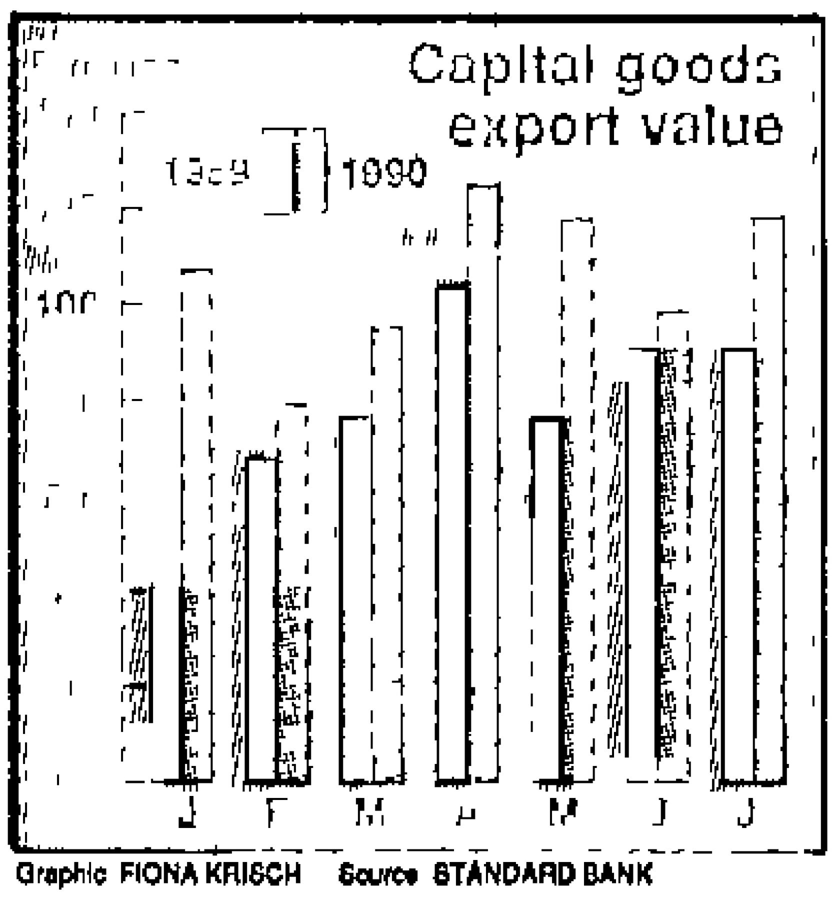
The machinery or capital goods sector comprises machiney and mechanical appliances, electrical equipment, sound recorders and reproducers, television image and parts and accesories of such articles.

Since the beginning of the year machinery exports have consistently outshone last year's figures

As more opportunities opened up for SA exporters in various overseas markets and previously clandestine deals became acceptable, machinery exporters would be able to take advantage of niche markets with underdeveloped engineering industries.

So said Breyer Development Services MD John Bell, who pointed out there were various developing and parallel developing countries (in engineering terms) that had small or non-existent engineering bases

They were predominantly in the southern hemisphere, ranging from South America to Australia to South-East Asia



Graphic FIONA KRISCH Source STANDARD BANK

The niche market SA exporters should be looking for were countries presently importing from developed countries like the US and Britain.

In South America Chile was an important client for SA, he said It was a rapidly expanding economy with low import duties and a predominantly minerals based economy

It needed mining and other machinery and SA equipment was ideally suited to the conditions prevailing in the country, he said.

Australia was a similar case with mining equipment similar to SA standards but local manufacturers did have a fair amount of protection.

The greatest concentration of demand, he said, was in the Association of South-East Asian Nations (ASEAN) countries where some of the fastest growing economies were working from an underdeveloped engineering industry

SA could export cheaper products to the countries, with instances where SA equipment was half the price of other products, he said.

Their standards were very similar to SA's because they were both derived from British standards.

In July capital goods exports were 31% higher at R118,1m from R90,4m in July 1989.

The largest difference was in January, up 161,8% to R107,3m from R41,6m

Imports decreased steadily this year, although they were still substantially higher than exports.

In the period January to July this year they were 5,8% lower at R6,36bn from R6,75bn in the corresponding period last year.

Other value-added sectors to have shown strong improvement were the vehicles, aircraft and vessels category — up 72% to R571,8m and the prepared foodstuffs, beverages, tobacco and manufactured tobacco substitutes category — up 18,6%.

Stainless casting for big time

(189)

SITimes 16/9/90

STAINLESS-STEEL casting looks set for major growth — in an industry which may have reached saturation point.

Once dubbed the Cinderella of the stainless-steel industry, it has grown tremendously in recent years and is now on a par with Europe's best, says Danie Slabbert, managing director of Steloy Stainless Precision Castings.

"We are bullish about the long-term future of the stainless-steel casting sector and see large growth in three main areas.

"There is likely to be growth as a result of further import replacement. There is also an opportunity for exports and, in spite of the attitude of many industrialists, we expect the industry to move from traditional materials to more sophisticated alloys," says Mr Slabbert

Three or four specialist stainless-steel casting foundries provide most of SA's requirements, worth between R60-million and R80-million a year.

Mr Slabbert says, "If we can produce castings which meet all international specifications adhered to so rigidly on projects such as Mossel Bay, there is no reason why we cannot compete internationally."

Steloy has started exports and hopes to lift them There are, however, problems SA exporters have been held back because of difficulty in transporting bulky products and supplying intermediate products to be included in a finished product

"These difficulties can be overcome if the inspection procedures are specified and acceptance standards agreed on up front."

Major customers, such as pump and valve manufacturers, are now able to source more of their castings in SA, making them less dependent on imports.

The third area of expansion for the casting industry will result from manufacturers switching from traditional materials to more sophisticated alloys. Although they are more expensive, they prolong a product's life because they more resistant to wear and corrosion.

Power players feeling squeeze

By DON ROBERTSON

COMPANIES reliant on business from Eskom are being squeezed as the electricity colossus cuts expansion.

The last of nine huge power stations — Majuba — is under construction and companies which have specialised in the supply of power generation equipment know that after this they will have to look elsewhere for new business, says Peter Wingrove, new chief executive of the Sieva group

There is already talk of mergers or joint ventures, rationalisation programmes or co-operation agreements among the big names in the power generation industry, he says

Merger

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Sieva has been the subject of just such a move. Boiler Components Manufacturing, Stein Industrie and Walther Environmental Systems, all linked to the French Alsthom Atlantique group, have now started operating under the Sieva name.

Between them, they supply project management expertise, thermal fired boilers, wet and dry milling installations and electrostatic precipitator equipment for the control of emissions

The grouping of these companies follows the merger of General Electric Corporation of the UK and Alsthom Atlantique

"We want to retain our skills in the power generation industry, but to generate new business in other industries," says Mr Wingrove

The new group will also concentrate on exports of power generation equipment and two orders have already been secured.

The first is for the design, supply and installation of a large boiler for a paper mill in Israel and the second is for the project management, most of the purchasing and manufacturing for two coal and bagasse-fired boilers in Reunion

"In diversifying our business from power generation, we can draw on the experience of our principals in France who found themselves in similar circumstances several years ago when the French moved away from coal-fired boilers to generate electricity. "Their efforts at securing export orders for industrial boilers have been most successful," says Mr Wingrove

In Eskom's annual report for the year to December 1989, chairman John Maree said that because growth in demand for electricity would be lower than expected in the 1970s, the capital expansion programme was being reviewed.

"Certain projects were delayed or deferred and some were cancelled In the process, we initially planned a reduction of R1-billion in our spending for the five-year period to the end of 1989 The actual saving is going to be much bigger at R2,7-billion," he said

In the last annual report, chief executive Ian McRae said that Eskom had an installed capacity of 34 141MW, of which 3 825MW is in reserve or in mothballs At present, it is expected that this excess capacity will be absorbed by the end of the 1990s

S I Times 14/10/90

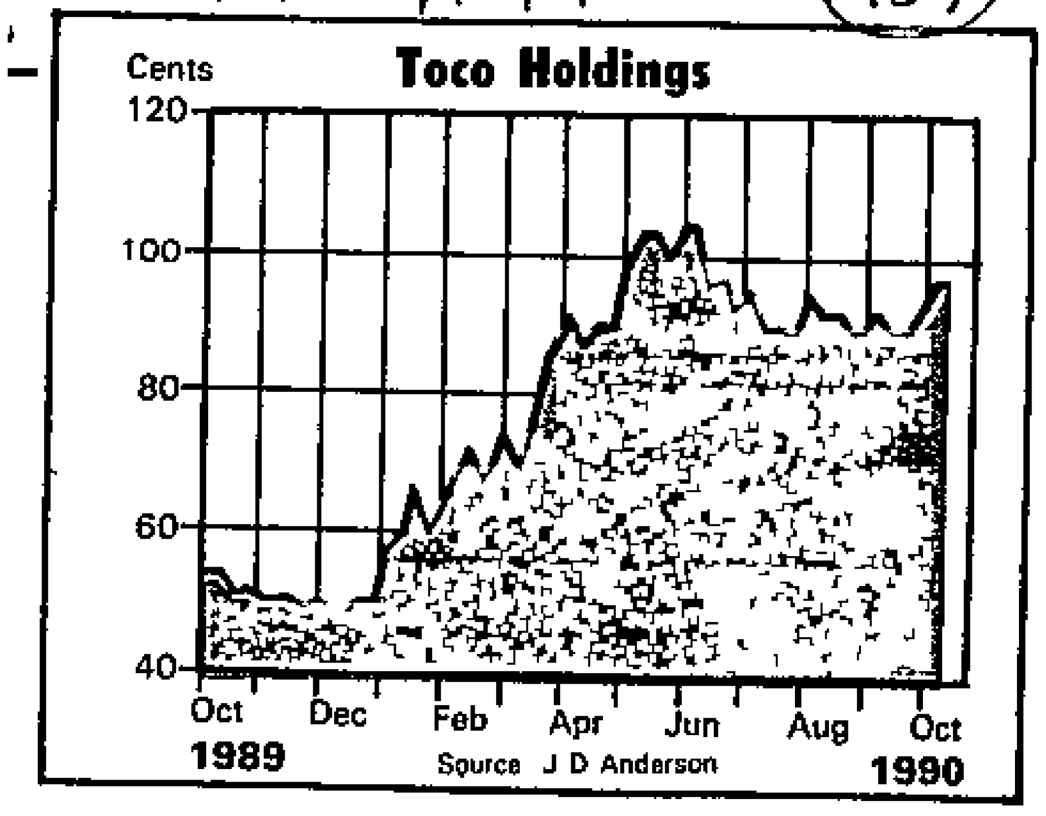
Spread

"The situation is being carefully managed and we are taking this opportunity to upgrade plant not in use with the objective of extending its life. This defers the need for new plant"

John Mullin, marketing director of DB Thermal, says the company has a spread of activities which will help it through the tough times. He does not expect a lot of business from Eskom until perhaps 1993 and in the meantime the company has taken steps to overcome this.

DB Thermal has other activities in processing and in environmental and thermal engineering.

FM 26/10/90 (189)



TOCO HOLDINGS FM 26/10/90

LOOKING FOR GROWTH

Activities: *Manufactures and distributes industrial products*
Control: *Directors 52%* (189)
Chairman: *P Todd, MD A Goodman.*
Capital structure: *65,9m ords Market capitalisation R63,9m*
Share market: *Price 97c Yields. 6,2% on dividend, 16,3% on earnings, p e ratio, 6,1, cover, 2,6 12-month high, 105c, low, 45c Trading volume last quarter, 1,4m shares*

Year to March 31	*'88	'89	'90
ST debt (Rm)	3,7	5,9	10,4
LT debt (Rm)	0,8	2,5	6,3
Debt equity ratio	0,10	0,26	0,49
Shareholders interest	0,58	0,48	0,43
Int & leasing cover	22,7	13,2	6,8
Return on cap (%)	21,2	26,1	23,8
Turnover (Rm)	26,1	69,3	101,7
Pre-int profit (Rm)	6,2	10,4	13,1
Pre-int margin (%)	23,2	15,0	12,9
Earnings (c)	11,7	12,8	15,8
Dividends (c)	2,7	5	6
Net worth (c)	26,9	30,6	35,9

* 32 weeks only

This industrial supplies manufacturer and distributor believes it is well placed to weather the pending economic storm

Chairman Paul Todd has no doubt that trading conditions will be difficult this year but expects Toco to significantly increase market share, through both strong sales and the acquisition of smaller competitors

Todd says Toco performed well in the first five months Half-year figures, due early next month, are expected to be in line with the objective of a 30% annual return on assets — last year it was 27% The company will, for the first time, declare an interim dividend. According to Todd, this will be about a third of the annual dividend, so a conservative forecast is at least 2c a share

The crunch, says Todd, will come during December and January, when some customers may be unable to absorb the traditional drop in turnover "Quite a few companies may hit the wall when their turnover drops in December," he says

Toco's broad spread of business — last year lifting equipment generated 36% of attributable earnings, specialised steel and heat treatment (29%), gaskets and industrial components (27%) and automotive products (8%) — as well as its base of more than 5 000 customers and 500 distributors is expected to help buffer the downturn. A strong emphasis on direct mail marketing and telesales enables Toco to keep costs of sales low

The company generates about 5% of earnings from exports to the rest of Africa This is expected to grow steadily Its participation in the export market and substantial accumulated tax losses enabled the company to enjoy an enviable tax rate of 18% last year A similar rate is expected this year

Management, which bought control from Columbia in May 1989, has a good track record of tight financial controls

In the year to March, attributable earnings rose 28,5% to R10,19m on turnover up 46,8% to R101,66m Though net interest-bearing debt more than doubled to R11,65m and cash reserves of R1,6m all but evaporated, debt to equity was still a healthy 0,49

Unlike many rivals, which are looking to reduce stocks, Toco has kept stock levels relatively high to increase market share Cash tied up in finished goods climbed nearly 40% — compared with a nearly 47% rise in sales — to R13,12m last year

Though such a strategy is expensive Todd believes that with good controls the consequent costs can be contained He points out that most competitors source products from Toco and this is likely to continue

Todd says takeover talks with a couple of firms are taking place With the current economic climate the price of these purchases is likely to be attractive

Difficult trading conditions in the industrial and mining sectors are expected to temper earnings for the year to March but, barring a disaster, real growth could still be within reach In the longer term Toco looks set to benefit from greater market share and a possible reduction in the number of competitors

Simon Cashmore

Aggressive Bell Equipment takes overall honours

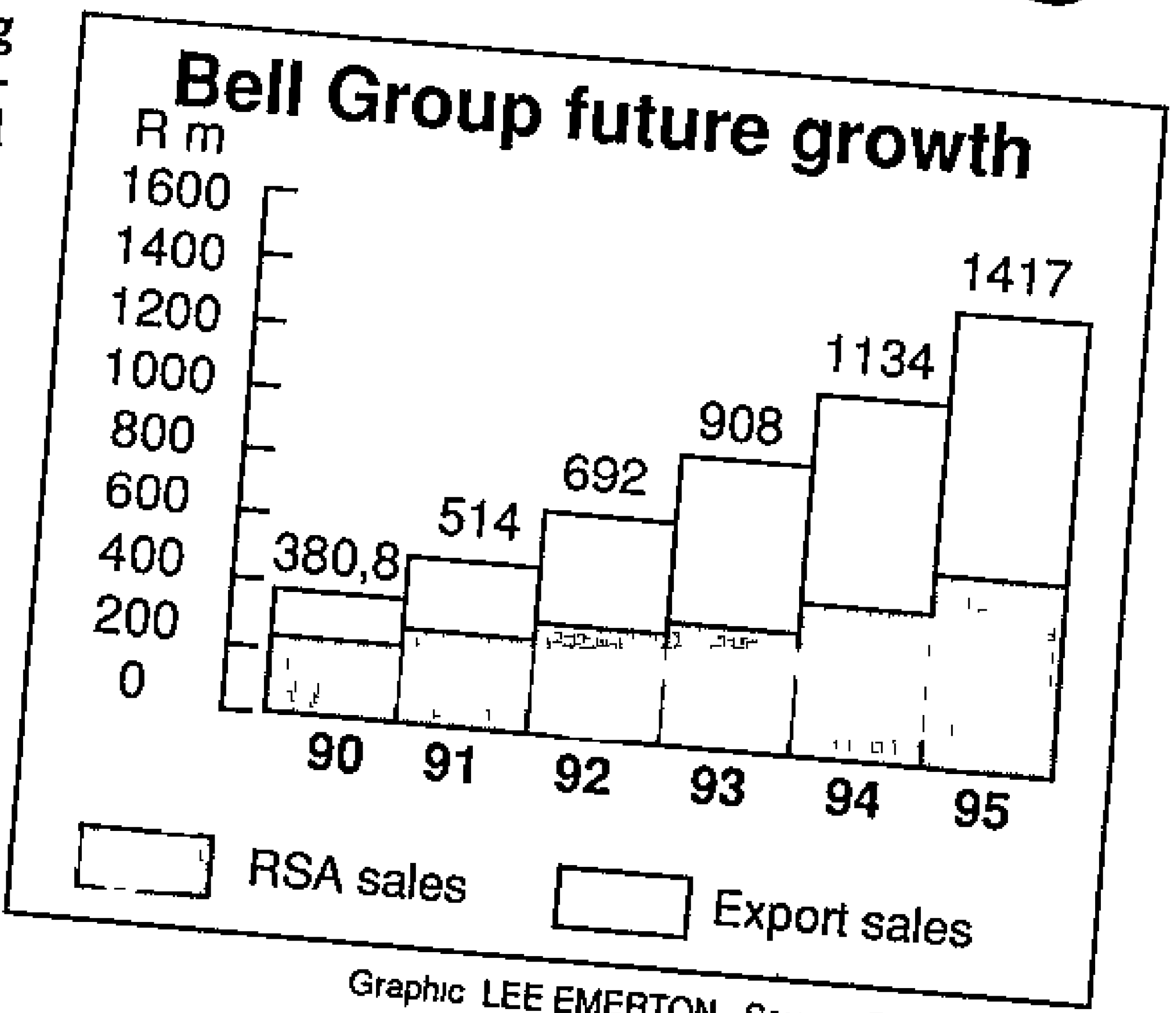
(189)

B Day 6/11/90

HEAVY equipment design and manufacturing company Bell Equipment, a privately owned company which is a wholly owned subsidiary of I A Bell & Sons Ltd, has been named the overall winner of the 1990 State Presidents Export Awards

The Richards Bay-based company has, despite tough market conditions abroad, managed to increase export sales by a phenomenal 146,47% comparing 1990 to 1989, and by 144,65% comparing 1989 to 1988

Exports as a portion of sales grew by 11,82% comparing 1988 to 1987, by 16,77% comparing 1989 to 1988 and by 23,21% comparing 1990 to 1989



Graphic LEE EMERTON Source BELL GROUP

Improved

Percentage value added to raw materials by way of beneficiation improved by 65% comparing 1988 to 1987, 70% comparing 1989 to 1988 and by 72% comparing 1990 to 1989

Of the products exported, 68% of raw materials used are from SA

Bell Equipment MD Gary Bell says the company's success in export achievements relates to its identification of and penetration of niche markets which, by working closely with identified markets, enables it to produce a suitable product or range of products demanded by overseas customers

"Aggressive direct marketing by Bell outlets in preference to dealer networks in the major markets has also played a role in making Bell an international market leader in saw equipped, mechanised Feller Bunchers in the south eastern US despite being in competition with international manufacturers," he says

Bell, with almost 1 500 employees, has established itself in the world sugar cane market as a supplier to more than 25 cane growing countries

Primary

Its primary business is the design and manufacture of a range of materials handling equipment with specific applications in the sugar cane, timber, mining and construction industries

"In the past year, tough conditions abroad forced us to our full potential," Bell says

"For example, the B25 articulated dumptruck, marketed in Australia, met not only with head-on competition from many well established European sourced articulated dumptrucks but also certain ergonomic issues which had to be addressed before acceptance was gained

"These modifications have been incorporated as standard features and it is being successfully marketed in Australia," he says

To facilitate exports and service, the company has established assembly manufacturing plants in Mauritius and New Zealand and, in the past two years, opened sales offices in Singapore, Perth, Brisbane, Tasmania, Chile and Harare

Bell also has a licensing agreement with a company in Brazil which manufactures cane and timber loading machines of similar design to Bell's original

In addition, a marketing manager was seconded to the US operations last year to help establish the articulated dump truck market.

New markets open for safe firm

B ℓ? ay 6/11/9 (189)

VOLKSKLUIS, the exporting arm of the local safe manufacturing company Nytyak Security, has recently made inroads into new markets, says chairman Arun Green

"In the past six months we have opened up markets in Hungary, Poland, Finland and Scandanavian countries and we are working on hot leads in the Soviet Union, Czechoslovakia and Albania," he says

Other markets include the US, UK, Europe, Africa and Australasia.

"Our success in exporting has been achieved through undertaking regular export trips to the market and potential market-places, through obtaining the internationally accepted American Underwriters Laboratory Label (the US equivalent of the SABS label) and by manufacturing a product comparable with any of its type in the world," he says

Great success has been achieved from exposure at trade fairs and shows and huge potential exists in neighbouring countries, he says

"We have also recently established agencies in Namibia and Gaborone and are working closely with a large Spanish safe-making company We have also established an agency in Hungary," he says

In the US, Volkskluis has full sales and distribution rights at Mutal Safe Co, in Missouri, and in the UK, the company's sales and distribution company, Rhino International, is based in Kent

Cit 6/11/90 (189)

Bell takes top honours for 1990

By Lynn Carlisle

World-class products, identification of niche markets and strong back-up were the key factors behind the export success of Bell Equipment SA, which was named the 1990 overall winner of the State President's Award for Export Excellence

Family concern Bell Equipment, of Richards Bay, was last night presented with a floating trophy, medallion and certificate by Dr Anton Rupert, founder and chairman of the Rembrandt Group

Bell Equipment MD Gary Bell says the company manufactures a range of haulage and materials handling equipment for use in the sugar cane, timber, mining and construction and related industries

From an annual turnover of R300 000 in 1976, Bell Equipment will sell machinery to the value of R260 million worldwide. It has a staff compliment of 1 500.

Dominant factors which account for the company's phenomenal growth are its major emphasis on service and after-sales support, both here and abroad, and its local design principle


Greg Bell MD of Bell Equipment

"We also work closely with identified markets to ensure that product development results in a suitable product or product range

Mr Bell adds that aggressive direct marketing by Bell outlets in its major markets, in preference to dealer networks, has also been a contributing factor

Progress can be gauged by a 144,6 percent rise in exports in year-end February 1989 over the previous financial year and a further 146,4 percent upsurge in the 12 months ending February this year, when exports accounted for 23,2 percent of total sales

The company's philosophy calls for maximum local content in the manufacture of its machinery, and currently produces all machines with a local content in excess of 80 percent by value

Bell SA also has an international marketing organisation with infrastructural links in the US, South America, Australia, New Zealand, Singapore and Zimbabwe

Turning to some of the more notable successes, Mr Bell says the company is a leader in saw-equipped, mechanised feller bunchers in the south-eastern US despite competition from world producers of this range

"We have also established ourselves in international sugar cane markets where we supply 25 cane growing countries with our products"

Its mining equipment is also a big export item This year it sold six underground low-profile dumptrucks to Australia in the face of strong traditional local and European competition

However, Bell SA's largest export market is the US, where sales commenced in 1956 and which now account for 40 percent of its exports

Africa, excluding SA, is the second largest market accounting for 39,6 percent of Bell's total exports

Other business is being conducted in south-east Asia, Mauritius and Indian Ocean territories, New Zealand, Australia and South America

While SA imports major construction plant from Japan, Europe or the US, Bell Equipment has competed favourably by virtue of design and development of a wide range of locally-made equipment suited to SA and overseas conditions

Its overseas achievements have not only earned SA valuable foreign currency, but also saved the country a substantial amount of forex

Star 6/11/90 (189)

Saflec impresses foreign market

Hi-tech security equipment manufactured by Johannesburg-based Saflec has impressed international organisations, including a number of embassies, police forces and military units abroad

According to Saflec CE Bill Young, the company's export drive in the past three years has resulted in exports increasing 1 200 percent

"While this was off a low base, exports increased 243 percent and accounted for 52 percent of total production at year-end February 1990 In 1989 they were up 496 percent on the previous year," he says

Saflec's export achievements have earned the company a runners-up merit award in the manufacturing category

Claiming almost 100 percent local content, the company's series of walk-through metal and bomb detectors and various other specialised hi-tech equipment are used to detect concealed weapons, precious metals and high value items

The equipment and its capabilities have been sold to various business organisations, foreign embassies and police forces of several countries All of SA's embassies have also installed certain equipment supplied by Saflec

Mr Young attributes export success to the quality of its products which he claims rank with the world's best and company marketing strategy

Export strategy includes displaying equipment on major exhibitions held annually in Europe, the US and Far East.

'R200m export market waiting'

B/Day 17/12/90

MARC HASENFUSS

AN EXPORT market of R200m a year can be opened for local machine tool manufacturers if the Board of Trade and Industry amends its import duty policy and an affordable steel price is introduced, says Koppel Elga MD Chris Bell. (189)

Bell said in an interview the Board of Trade and Industry's proposed phasing out of import control to encourage an internationally competitive industrial sector would harm local machine tool manufacturers.

Koppel Elgå, SA's largest machine tool manufacturer, has been tooling up for almost two years to increase exports, and expects to earn about R12m from orders to Far East and Europe next year.

SA was able to meet local requirements for pressbrakes, hydraulic presses and guillotines, but local merchants favoured selling more profitable imported machines, he said.

If import duties were abolished without some compensatory measure, the local machine tool industry could die because of an inability to generate export markets from the current base. The cost of producing internationally competitive machines was enormous.

BASIC METALS

1990

Metkor faces positive year

189 LIZ ROUSE

METKOR Group's prospects remain positive thanks to the momentum generated by past actions taken in all the group companies to improve profitability and to generate new business

Chairman Floors Kotzee says in his annual review that these actions should offset the expected downturn in the economy in general and car sales in particular, which are bound to influence the group negatively

He says the entry of Usko into the world vanadium market early in 1990 is expected to improve the prospects of this associated company

While Kotzee approves the steps taken by the authorities to improve the economic and social environment, he criticises the export programmes

He says it is of concern that excessive time has been lost in clarifying the rules of the different programmes which are desparately needed for the private sector to plan its supportive actions effectively

B/Day 8/1/90

Metkor's turnover rose by 19,8% to R2,9bn in the year to September 1989, while attributable income climbed 52,1% to R55,7m, despite a 37% increase in finance charges

Dividend distribution was raised to 15,75c (12,5c)

CH 7/91 1/1/90

Iscor gains 35%

Own Correspondent

JOHANNESBURG — Iscor's market capitalisation has increased by R1,3bn to just under R5bn in the two months since its JSE flotation

Yesterday's closing price of 270c means shareholders who subscribed to the issue in November have gained 35% on their investment

Iscor said it would invest R5bn in capital projects over the next five years

MD Willem van Wyk said yesterday Iscor would spend upwards of R1bn a year over the next three years, dropping to about R600m annually until 1996

New board members were told of the plans at the group's first board meeting held at the end of November

"The bulk of the investment — most of which is to be funded internally — would be on new plant and upgrading of existing works," Van Wyk said

Though Iscor no longer had State guarantees, it was financially sound and had a low gearing, which in the longer term would allow for external funding

Capacity was being increased at the Ellisras coal mine and the hot-strip mills at Vanderbijlpark.

Efficiency was being improved at Iscor's works — with the installation of new continuous casting machines, the building of new chrome plating lines, and new methods of producing liquid iron

Van Wyk said the new developments would not result in layoffs

He forecast a 20% improvement in taxed earnings, and agreed with the prospectus forecast that earnings would be about 52,7c a share, with a dividend of 17,6c a share for the year to end June (equivalent to a dividend yield of 6,5% and a p e of 5,1 on the presiding share price)

High local stocks and a slowdown in the local market would tone down orders a bit for the second half of the year,

Trusts

Vansa has good prospects, says analyst

LIZ ROUSE

ALTHOUGH Vansa Vanadium's share price could show some weakeness in the next six months, the shares should be accumulated as the company is undervalued and has good quality, long-life mines

This recommendation is made by Edey, Rogers & Co analyst Peter Hibberd in an update of the company's prospects this year.

The position of Vansa's chrome (Winterveld) and platinum divisions (Barplats) remain sound However, the vanadium market has undergone changes with Hiveld halving its contractual price to $2,5/lb

Hiveld's preference was to stabilise the market in the $3,50-$4/lb Instead it will attempt to rationalise the industry with shock tactics and remove some potential overseas entrants

Vansa has contracts for the 3 000t it plans to produce this year.

Hibberd says the slump of the vanadium market will make 1990 an awkward year for Vansa Earnings could decline to 30c (63c a share in 1989) but the dividend may be maintained at 25c as the company is debt-free and has about R20m in net liquid assets

189

B Day 18/1/90

COMPANIES

(189) Bday 19/1/90

Usko's gearing up takes its toll

BRENT MELVILLE

GEARING itself as the world's largest producer of vanadium pentoxide flake has taken its toll on JSE- and LSE-listed Usko.

With vanadium prices on the decline and raw material prices escalating, brokers say the rating of the share has declined It has lost 21% in the past three days, dropping from 340c to 270c by yesterday Usko was trading at 650c six months ago.

Decrease

According to the annual report for the year to end-September, the group is investing R21m in one of its Vereeniging production facilities and has R5,3m committed towards the purchase of a 20% indirect holding in Rhombus Vanadium, which will supply magnetite ore for the production of up to 9 000 tons of vanadium pentoxide flake annually

However, the price of vanadium has decreased significantly Highveld Steel & Vanadium recently announced its first quarter vanadium price of $2,50/lb, down from the $5,00/lb price set in the fourth quarter of last year.

Usko's results paint a less than pretty picture Pre-extraordinary income was down 15% over the previous year at R27,5m (R32,5m), despite a healthy 25% increase in turnover to R543,8m (R434,9m).

Steel sales increased by 18,5% to R295,4m (R249,3m) and non-ferrous sales rose by 34% to R248,3m (R185,6m) However, the contribution of steel to sales dropped from 63% of turnover in 1986 to 54% last year.

After allowing for a R1,8m loss from its new special metals (specifically vanadium pentoxide flake) division, and preference and ordinary dividends of R5,7m, and R3,9m respectively, retained income dropped by 30% to R16,1m (R23,1m).

Chairman Floors Kotzee is not optimistic about the group's immediate prospects

He attributes the poor performance to "uncontrollable" escalating raw material prices which "exceeded the increase in the production price index by far"

Kotzee said that the increases in prices of steel scrap, copper, aluminium and alloys could not be fully recovered in product prices and resulted in a sharp increase in net current assets Current assets climbed by 53% to R253,5m (R165,4m) with stock of raw materials jumping by 122% to R35,3m (R15,9m)

Profitability

Current liabilities leapt by 91% to R148,3m (R77,5m), resulting in a drop in the current ratio to 1,7:1 (2,1 1) Interest charges leaped by 90% to R14,9m (R7,8m)

Kotzee expects the vanadium project to have a favourable effect on group income in the near future, regardless of the recent lower export prices. He adds it should positively contribute towards the group's profitability, especially from 1992 onwards.

He says that while the demand for the company's steel products should shrug off pressure on margins caused by inflationary raw material prices, the lower demand for aluminium conductor from Eskom will lower sales of non-ferrous products

During the year shareholders approved that the A and B preference shares be converted into ordinary shares on the basis of fully diluted attributable earnings.

After the implementation of the conversion, Iscor, Metkor, and the general public hold 29,7%, 28,1% and 42,2% respectively

In addition, earnings of 73,1c (90,6c) — based on an ordinary share capital of 29,8-million shares — is reduced to 49c (59,5c) a share — based on 50,1-million shares in issue.

World first as Iscor corex plant commissioned

(189)

30/11/90

B/Day

PRETORIA — The world's first commercial corex — or coal-reduction — plant for the production of liquid steel has been commissioned by Iscor at its Pretoria works

The new plant, erected by an Austro-German consortium using SA equipment and labour, does away with the use of expensive and ever-diminishing coking coal reserves

It can directly use a variety of cheaper, readily available non-coking coals, leading to a direct operating cost saving of about 25%

The new plant has an annual production capacity of 300 000 tons, but further development work could lead to a single production unit with an annual capacity of 1,5-million tons

The corex system is cleaner and more environment-friendly with the majority of gases created being processed for further use in other parts of the Iscor works

The 35 tons of slag tapped approximately every two hours are sold to cement manufacturers

EDWARD WEST reports that Iscor spokesman Piet du Plessis said yesterday the plant had been commissioned early in December 1989

Only Voest Alpine, the Austrian-German consortium, could disclose the cost of the project, he said

Du Plessis said the production plant's effect on Iscor's earnings was not yet known because Iscor had just taken over the plant

The multi-million rand plant had originally started up in 1987, though it had not been commissioned then, according to newspaper reports While the process had worked well, the plant had been hit by a number of shutdowns resulting from temporary stoppages in nitrogen and oxygen supplies and materials handling failures

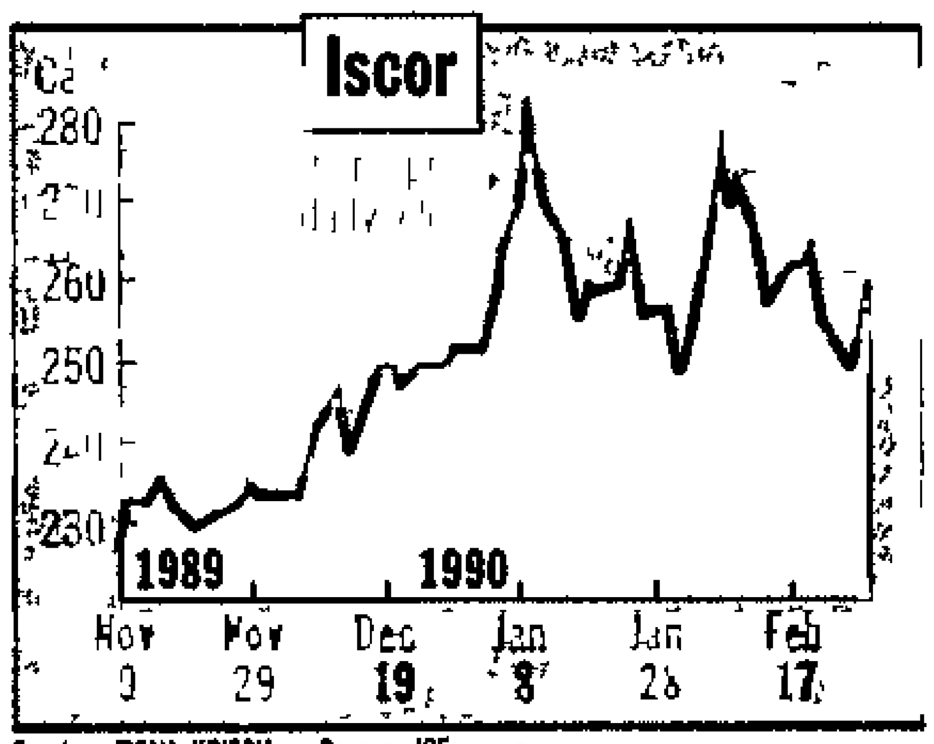
Then, on February 14 1989, the plant, still in its experimental stages, was stopped for planned maintenance, newspapers reports said

Du Plessis said there were a number of peripheral problems at the outset of the plant's development, but these were all part of a learning curve involved with the development of any project not attempted before

The problems had now been cleared up, he said

In November, Iscor MD Willem van Wyk said Iscor would consider establishing a steel semis plant in Saldanha Bay if the corex plant in Pretoria was a success

Du Plessis said yesterday this remained a possibility Plans to develop the semis plant were shelved about 15 years ago as steel prices plummeted worldwide in the wake of an oil crisis



Graphic FIONA KRISCH Source ISE

BDay 1/3/90

Iscor's first results match up to forecast

~~260~~ BRENT MELVILLE 189

ISCOR, in its maiden disclosure since its November listing, has posted results in line with its prospectus forecast — but its directors doubt the ability of the giant to meet its earnings prospectus forecast

Against the backdrop of a severe oversupply situation in the international steel markets at the end of last year, Iscor directors fear that keener competition and "substantially" lower world dollar prices will have an adverse impact on group earnings for the second half

In addition, steel production for the group was hampered by a marked economic slowdown and production setbacks at the Vanderbijlpark works Dispatches of steel during the half year amounted to a lowered 2,567-million tons (2,574-million), of which 68% (60%) was supplied locally

For the first six months, however, bottom-line income was up 20,2% at R426m (R354m), with a commensurate rise in earnings to 23c (19,1c) a share The prospectus put earnings at about 52,7c, with a dividend of 17,6c a share to end June

Directors are relying on the strong financial position of the group to meet the forecast final dividend.

Turnover showed a 20,3% growth to R3,1bn (R2,5bn) with operating income up at a marginally less 15,8% at R577m (R498m) However, a halving of net financing to R17m (R35m) left income before tax 20,8% up at R560m (R463m)

On a virtually unchanged effective tax rate of 23% the tax man was allotted R127m (R103m), leaving income after tax up 20,2% at R433m (R360m)

Gearing was down to 14,3% (16%) with loans remaining virtually unchanged at R841m (R835m), and interest-bearing debt up by only R50m However, the current ratio was down to 2,6 1 (3,2 1)

Over the period capex amounted to R479m of the year's R750m commitment

Old Messina exits gracefully

Star 9/3/90 (189)

By Derek Tommey

Messina, which is about to become a platinum producer, had net income of R50,4 million (1988: R45,7 million) before extraordinary items from a turnover of R246,4 million (R400,3 million) in its final year as a copper, diamond and coal producer.

Earnings before extraordinary items for the 12 months to December were equal to 398c (362c)a share.

Messia has declared an unchanged final dividend of 50c, making 82c (75c) for the year.

Since the end of December the group has sold for R11,5 million all its mining assets other than its platinum interests.

It reports that the Lebowa government has confirmed its acceptance of the mineral lease submitted by Messina Platinum Mines over the area under its control

The South African Development Trust Corporation is to submit to its Minister the mineral lease in respect of the area under its control.

Negotiations are continuing for a lease over the farm Doornvlei, which is held in trust for the Mphahlele tribe.

Sales of subsidiaries and associated companies during the year realised R30,9 million in cash and resulted in a group surplus of R22,5 million

At the end of the year, cash on deposit amounted to R114,3 million and will be used to finance the development of Messina Platinum Mines.

The April 1988 offer by Impala Platinum for a 55 percent shareholding in Messina became unconditional on last November.

The acquisition was concluded on February 16, this year, with a 69 percent acceptance by minority shareholders.

Assore's income soars at halfway point

189

LIZ ROUSE

ASSOCIATED Ore & Metal Corporation (Assore), whose income derives largely from its interest in Anglovaal's Associated Manganese Mines (Assmang), scored another profit jump in the six months to December. B|Day 12|3|90

Attributable income soared to R27,17m from the 1988 half-year's R9,14m on a 77,9% (90,3%)

With earnings up at 1 941c a share from 653c, the interim dividend has been lifted to 500c from 200c

Assore's interim report states that in the past, Assore only accounted for dividends actually received It has now decided to change the policy to account for dividends declared by Assmang out of profits earned up to the end of the Assore group's financial year.

Comparative figures will be adjusted accordingly at the year-end

Assore has a 45% interest in Assmang and owns Ore & Metal, which has two chrome mines, in Rustenburg and Zeerust The chrome concentrates are sold to Assmang's refinery, Feralloys, and are in turn marketed by Assore.

COMPANIES

B/Day 23/3/90

Assmang lifts net profit by 189%

189

EDWARD WEST

INCREASED sales tonnages of manganese and iron ores, higher US dollar prices and the weaker rand combined to lift Associated Manganese Mines of SA's distributable profit by 189%, the companies 1989 annual report showed

The Anglovaal subsidiary and producer of manganese, iron ores and chrome alloys consolidated distributable profits for the year to December 1989 increased from R51,5m in 1988 to R148,7m

However, Hersov points out that during 1989 Assmang acquired the 31% balance of Ferralloys not already held by it for R67,1m Consequently, the consolidated results were not strictly comparable with the previous year's

Ferralloys had a consolidated tax profit of R72,1m (38,3m) as a result of sharply higher dollar prices combined with the weaker rand

Assmang's turnover more than doubled from R185,4m in 1988 to R405,6m which resulted in an operating profit R123,2m higher at R173,5m Other income rose to R49,7m (R27,8m) mainly due to increased dividends received from Ferralloys

Manganese ore dispatches rose by 264 000 tons to 1 783 000 tons, while iron ore sales were 50% up at 2 216 000 tons.

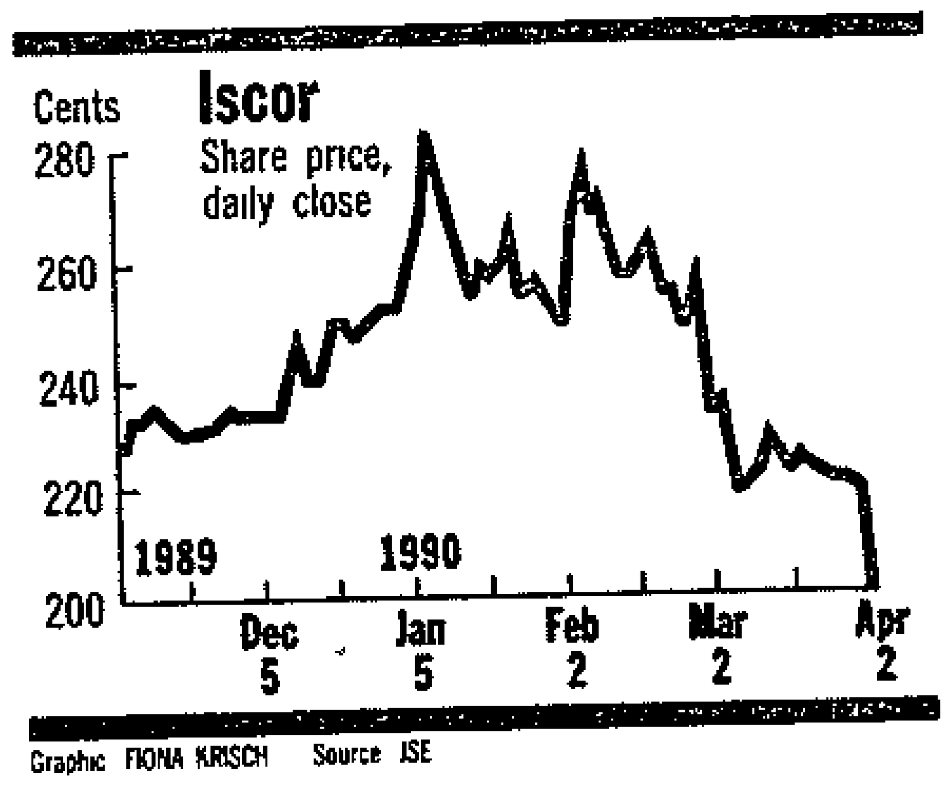
Although ferro-manganese sales volumes declined from the previous year's high levels, they were still satisfactory

Ferralloy's capex for the year totalled R10,6m (R3m) most of which was spent on the first phase of an additional furnace for the Cato Ridge ferro-manganese works.

The new furnace would have an annual capacity of 50 000 tons of ferro-manganese and Assmang expected to commission the furnace during the second half of the current year at a cost of R50,7m

Hersov expected demand and prices for manganese and iron ores to remain at satisfactory levels during 1990.

Demand and prices for ferro-chrome had fallen considerably since the third quarter of 1989 and it was not expected they would recover materially during 1990, Hersov said



Graphic FIONA KRISCH Source JSE

Iscor blow to privatisation

BRENT MELVILLE

CRUMBLING market sentiment towards Iscor had dealt government s privatisation plans a severe blow, market analysts said yesterday (189)

A disenchanted market left the steel giant at on an all-time low of 200c a share yesterday — its issue price A total of 560 000 shares traded hands in feverish trading which saw the share briefly touch a low of 195c B Day 3/4/90

The prevailing price means Iscor's market capitalisation has shed R1 6bn since its R5,3bn high in January, to R3,7bn

J D Anderson analyst Dave Russell said Iscor had done more damage to privatisation than last week's protest march on the JSE by members of four public sector trade unions

However, one analyst said the fall in the price did not make sense based on the attractive rating Iscor enjoyed The current price puts Iscor on a historical p e of 4,2 times and a dividend yield of 8,0%

"Iscor was very reasonably priced at 200c," he said

The analyst said there could be a variety of reasons for the depressed confidence levels, ranging from the perception that Iscor would take a knock from the new government stance on Lifo reserves to Iscor's interim stage disclosure that it was unlikely it would meet prospectus earnings forecasts by year-end

Russell said the cyclical downswing in raw steel production was well under way "World monthly crude steel production is down 4,2% on last year with SA's year on year raw steel production down by 10,6% for the month of February

"Taking into account that Iscor accounts for 78% of SA steel production, this will have impacted accordingly," he said

☐ Iscor spokesman Piet du Plessis said yesterday there were indications that conditions in the international steel market would start improving from the second half of this year

Investors bemused at Iscor shares

ARGUS 5/4/90 (189) ~~~~

By TREVOR WALKER,
Business Staff

THOUSANDS of first-time share market investors in Iscor have watched bemused at the topsy-turvey fortunes of their investments since the launch of the shares last year

The giant steel producer's share price has fallen below its opening price of 225c fixed on the Johannesburg stock market on November 8 last year

Over-enthusiastic forecasts concerning the future course of the rand, ~~the~~ gold price and the company's expansion plans have led to a steady reversal in the share price in recent weeks

Iscor listed 1,85 billion shares including an offer of 150 million to the public at 200c a share This was eventually over-subscribed four times

Public interest

Huge public interest in the offer was stimulated by a widespread television and newspaper advertising campaign which led to complaints that the company was openly touting its stock This is forbidden under JSE rules

But the company argued that as this was the first major privatisation of a state asset and as the company was seeking the widest possible spread of its shares among the public the "hype" of the advertising campaign was justified

The campaign created unprecedented interest in Iscor and the stock market in general

When the shares were allocated to the public the 200 000 people who had applied for up to 1 000 shares each received their full allocation

Prior to this Iscor placed no fewer than 1,215 billion shares among the country's major financial institutions.

When the shares traded for the first time on November 8 last year trading was described as "frenzied and chaotic"

Quick profit

Many small investors and even some sizeable institutions had taken up shares in the hope of a quick profit

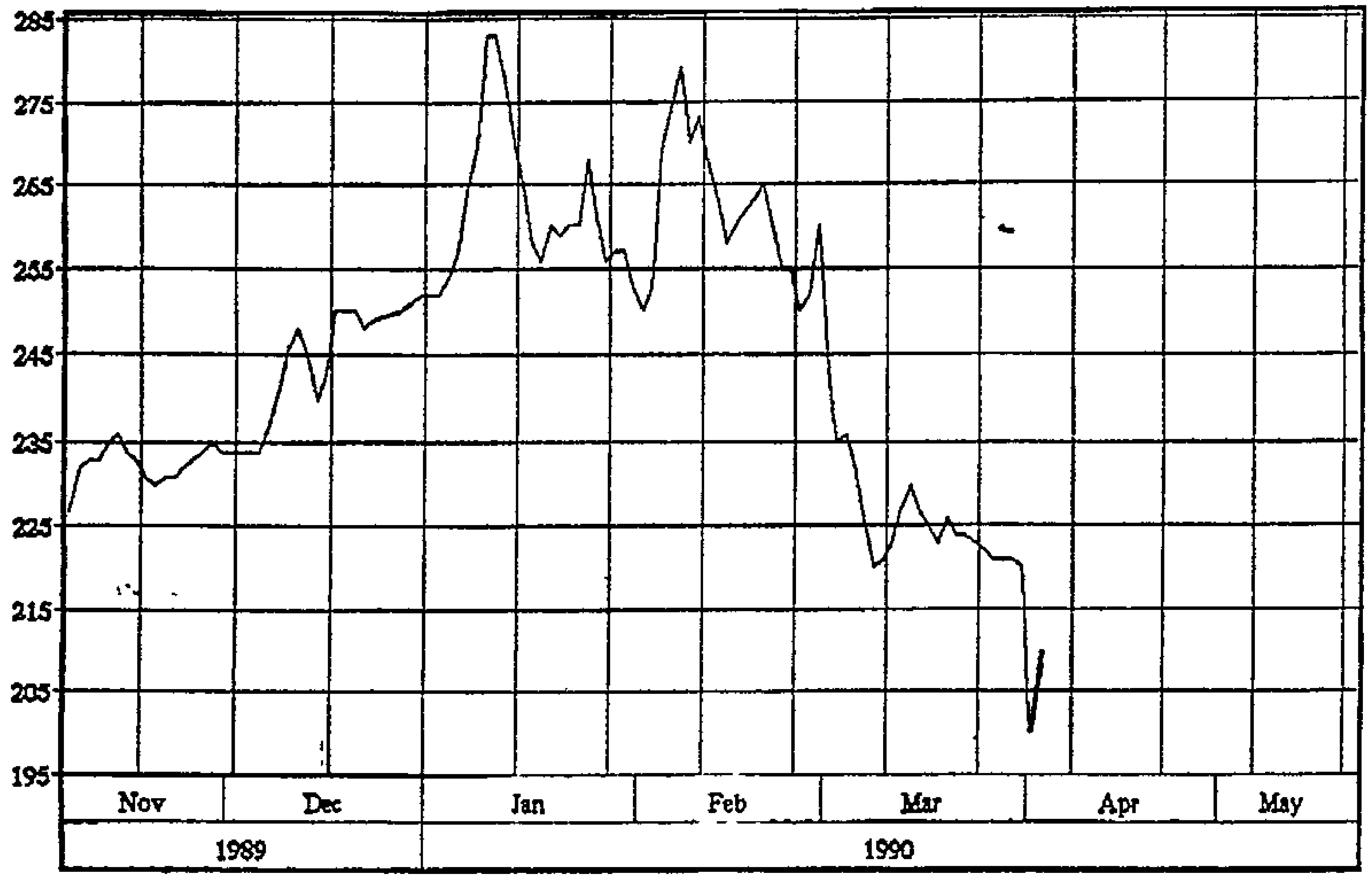
Among many, before and after the listing, this remained the main issue As the price moved up towards 250c a share more people began to sell and take their profits

But many hung on even when the share reached a peak of 285c.

Now the share has come back close to its issue price of 200c and has touched this level during one session. It traded at 213c yesterday

A city broker had a few encouraging words for confused investors He said the share was unlikely to fall below 200c

Jitters at topsy-turvey share ride



GFSA feels pinch of lower base metal prices

SA/10/4/90 (189)

The financial results of the base metal companies in the Goldfields of SA group for the March 1990 quarter were affected by the decline in metal prices, with the exception of lead and zinc which improved marginally compared with the previous quarter.

Overall coal sales of **Gold Fields Coal** were lower during the quarter at 2,03 million tons against the previous figure of 2,39 million tons. Profit after tax was marginally higher, however, at R4,31 million (R4,24 million), as the cost of sales were kept down to R50,4 million (R60 million).

Rooiberg Tin's lower tonnage of ore treated at 75 000 tons (77 000 tons) and the continuing decline in the tin price on the international market resulted in the company increasing its loss after tax to R1,67 million from the previous R832 000.

Black Mountain Mineral Development company, with lower tonnage treated reported a sharp drop in profit after tax R7,25 million from the previous quarter's R13,79 million.

Sales were down from R6,9 million to R6,1 million with the cost of sales virtually unchanged at R8,2 million.

Zinc Corporation of SA's net sales were lower at R14,54 million (R20,83 million) in spite of an increase in production of 24 449 tons (22 611 tons) Profit after tax was accordingly lower at R6,23 million (R10,32 million)

O'okiep/Copper Company's lower production and shaprly lower net sales of R7,2 million (R13,38 million) resulted in a lower profit after tax R6,3 million (R14,27 million)

Gold Fields of Namibia's net sales increased to R1,09 million, compared with the previous loss of R3,91 million Net profit was accordingly higher at R718 000 (R682 000) — Sapa

Iscor to spend R3,6bn on capital projects

CAT-TIAIS 4/5/90 (189)

Own Correspondent

JOHANNESBURG — Iscor has disclosed plans to spend more than R3,6bn in capital projects over the next three years, marking its fully fledged entry into the production of value-added products

Iscor's corporate planning manager William Roper said yesterday that Iscor had committed expenditure — most to be funded internally — of R1,3bn for the current year, R1,5bn next year, and just under R1bn for the year to 1992

Roper said most of the investment would go to upgrading existing works and new plant, and into process technology In addition to improving yields and acting as a rand-hedge against importing expensive capital goods, he said modernised or new equipment would further improve labour productivity

Iscor MD Willem van Wyk said Iscor had identified four areas where steel products still had to be imported, including seamless tubes, electro-galvanised steel products, chromium-plated sheet and the more sophisticated spectrum of electrical grade steels

To that end Iscor had entered into a R120m joint venture with Dorbyl for the production of seamless tubes, and two plants worth more than R200m for the production of electrolytically galvanised steel strip and chromium-plated sheet.

"Unfortunately local demand for imported electrical grade steel is still too low to justify expenditure on manufacturing plant and equipment for this purpose," he said

In addition the group was looking at new methods of producing iron ore, much of which is exported

Roper said the decision to buy or to construct a fixed asset, expected to last for 20 to 30 years, involved an implicit sales forecast for the same period

He added that as planned exports amounted to about 38% of total sales (acting as a buffer against SA's sharp cyclical fluctuations in steel demand) — about 7-million tons — Iscor had become accepted as a reliable supplier, and had always managed to maintain production at full capacity

Money would also go to pollution control, on which Iscor had been spending about R50m annually over the past few years "The Vanderbijlpark works alone plans to spend about R30m annually in the next five years to reduce pollution levels," he said

Iscor plans capex of R3,6 billion

STAR 4/5/90

189

Finance Staff

Iscor is planning to spend over R3,6 billion on capital projects over the next three years, it was reported today

The steel giant's corporate planning manager William Rober said yesterday that most of the funding would be undertaken internally and the bulk of the money spent on upgrading existing facilities.

In the current year Iscor plans to spend R1,3 billion, a similar amount next year and R1 billion in 1992

The expansion programme is set to launch Iscor fully into the production of value-added products, it was reported

MD Willem van Wyk said that Iscor hoped to reduce its dependence on imported products in the areas of electro-galvanised steel products, seamless tubes, chromium plated sheet and electrical grade steels

As a result the group has already entered into a R120 million joint agreement with Dorbyl on a R120 million seamless tube plant near Vereeniging and R200 million for the production of two plants manufacturing chromium sheet and electronically galvanised steel strip

It is also earmarking R30 million annually to reduce pollution at its Vanderbijlpark plant

FM 11/5/90 (189)

VANSA

Corroded profits

Vansa's management is right to be apprehensive about this year's second half

Though vanadium prices have just been increased by market leader Hiveld, the market is highly uncertain When that comes on the back of a 7% interim turnover fall, and 80% wiped off the first half's operating profit, the immediate outlook is distinctly dodgy To make matters worse the advent of full taxation led to a 90% cut in the first half's earnings to 3,3c from 34,3c

The interim period coincided with a downturn in the vanadium market when Hiveld, the price trend-setter, cut its benchmark vanadium price from US$7,50/lb in the second quarter of 1989 to $6,30 in the third quarter and $5 in the fourth

This calendar year's first quarter saw Hiveld halve its producer price to $2,50 and adding insult to injury, the rand strengthened at the same time to erode severely Vansa's trading margin Still, there is some encouragement in the fact that Hiveld's producer quote was raised in the second quarter to $4,20/lb

Excess inventories had been accumulated by foreign steelmakers early last year and, though they had fallen by end-1989, they were fully liquidated only during January 1990 The spot price then began to rise as end-users found readily available material hard to obtain and put upward pressure on the producer price

The chrome operations did not fare any better Sales volumes fell significantly as consumers worldwide sat with high stockpiles of both ferrochrome and stainless steel Unlike the vanadium market, that for ferrochrome remains oversupplied

Vansa says it is to spend R4m on a metallurgical plant to recover platinum group metals from discarded material It has the resources to finance that despite the poor profit outlook

Shares have steadily underperformed the market over the past year, though they have had a brief run since the low of 365c at the end of February this year At their current price of 475c, the shares fully discount any near-term vanadium price increases and do not discount the possibility of oversupply developing by year's end *Gillian Findlay*

BDay 15/5/90. (184)

Samancor MD Hans Smith.
Picture: ROBERT BOTHA

Samancor launches R15m welfare trust

EDWARD WEST

SAMANCOR has invested R15m in a trust to finance projects aimed at improving the quality of life in communities and areas surrounding the group's mines and works, Samancor MD Hans Smith said yesterday.

The trust, a separate financial entity known as the Samancor Foundation, would spearhead the group's social responsibility activities, he said.

It had been decided to establish the foundation with a lump-sum endowment in a year when Samancor's earnings were at a reasonably high level.

This would make the foundation immune to the effects of business cycles and would ensure its consistent operation through lean as well as good years.

The interest generated by the fund, at present rates about R3m a year, would be used to support projects nominated by the management of Samancor's operations.

About 20 projects were being considered, including an old-age home in Witbank

Tin outlook is bad news for Rooiberg

Business Day 28/5/90

EDWARD WEST

TIN producer Rooiberg's recovery depends on a rising international tin price which has remained low and steady at a spot price of between $6 000 and $6 500 a ton since February.

The price last November was $9 500 a ton.

Rooiberg's 575c share price at the close of Friday's trading was at a PE ratio of 442.

Rooiberg Tin showed a taxed loss of R1,7m for the quarter to March 1990 due to the depressed price. Efforts were being made to reduce costs and the labour complement.

A Frankel Kruger Vinderine analyst said there appeared to be no upside potential in the tin price. An abundance of cheaply produced tin reserves in Brazil and China could keep a lid on tin prices in the long term. If the tin price remained depressed for very long, no tin producer in SA could survive.

However, Rooiberg held R7,2m in cash reserves at the end of 1989, which could see the group through troubled times. (189)

Rooiberg Tin spokesmen could not be reached for comment on Friday.

USKO FM 1/6/90

Feeling the heat (189)

Usko's poor interim performance reflects not so much weaker conditions in the steel industry as the serious effects of being overgeared when interest rates are rising

Operating income was 23% up at R17,8m but most of this was wiped out by an interest bill of R13,5m, 141% higher than a year ago The interest payment for the six months was almost equal to the R14,9m paid during the whole of last year

At the end of the 1989 financial year, Usko's debt stood at R147,4m, having risen by R92,1m This was largely to meet additional funding for the investment in Rhovan (R5,3m), construction of a vanadium pentoxide plant (R18m) and redemption of R30m worth of preference shares

The vanadium plant is being commissioned, and the division should make a contribution to income during the current six months, though the extent of it has not been made known The interim announcement mentions a "reduced financial burden" but no-one from the company was available to comment One can only assume the group intends to repay some of its debt as interest rates are unlikely to fall much between now and the end of September

The vanadium price, which collapsed in the second half of last year, has shown signs of recovering, with Highveld Steel & Vanadium having raised its contract price to $4,20/lb for the 1990 second quarter Some believe interest rates will start to fall during the fourth quarter of this year That should benefit the group during the 1991 financial year, so perhaps the worst is behind

FM 1/6/90 (189)

CRIPPLING INTEREST

Six months to Mar 31	'88	'89	'90
Turnover (Rm)	193,6	249,0	294,2
Pre-interest profit (Rm)	14,4	15,7	19 0
Attributable (Rm)	9,9	10,2	5,5
Earnings (c)	24,2	25,2	14,0
Dividends (c)	—	—	—

The directors' statement, that "the profit for the year will not deviate substantially from the profit of the previous year," implies a quadrupling of the first-half performance during the second half This remains to be seen but, at 270c, the share looks fully priced for now

Gillian Findlay

Higher prices lift GFSA base metal companies

(18a) Stc 10/7/90

Higher average prices for copper, lead and zinc in the June quarter led to a general improvement in GFSA's base metal companies.

The coal division reported higher tonnage milled and increased sales of 2,1 million tons (2,0 million tons).

This, combined with a lower tax bill of R3,4 million (R6,9 million), boosted taxed profit to R9,1 million (previous quarter R4,3 million) Capex rose to R2,1 million (R1,1 million).

Rooiberg Tin's lower cost of sales help offset the drop in ore treated to 66 000 tons (75 000) and sales of R4,3 million (R6,1 million) The taxed loss was lower at R893 000 (R1,7 million).

Zinc Corporation reported higher sales revenue despite a drop in tonnage sold to 18 977 tons (22 857). Taxed profit rose to R8,6 million (R6,2 million).

Capex rose to R2,0 million (R1,3 million).

O'okiep Copper's higher milling and sales, which increased to R41,5 million (R37,9 million), lifted taxed profit to R13,7 million (R6,3 million).

Black Mountain Mineral Development saw taxed profit rising to R14,9 million (R7,2 million) Capex was R2,7 million (R591 000)

Capex at Notham Platinum was R106,4 million (R48,3 million) Taxed profit was R3,3 million (R2,4 million)

● Gold Fields Namibia had improved sales of R102,5 million (R70,1 million), lifting taxed profit to R3,7 million (R718 000) — Sapa.

Iscor share price faces a long haul

SATURDAY JULY 21 1990

From JOHN SPIRA and
JABULANI SIKHAKHANE

JOHANNESBURG — The lingering threat of a 300 million-share "overhang" held by the Industrial Development Corporation could help keep Iscor share prices in the doldrums for years.

The share, which swept to R2,85 in January after opening at R2,25, declined to around R1,90 in December and is currently trading around its issue price of R2,00

And brokers warn that factors beyond the IDC's holding could affect the share's price, possibly for several years, before it finds its market level

They say the current weakness in Iscor shares can be attributed mainly to the huge issued share capital — R1,85 billion — and the large number of relatively unsophisticated shareholders

Mr Brian Thompson, of brokers George Huysamer, says in a report on Iscor that as was the case with building societies after their de-mutualisation, it will take time, perhaps years, for the share register to stabilise

Mr Thompson notes that it took more than two years for UBS, with only 241 million shares in issue, to stabilise its share price at a market-related level

He says the combination of Iscor's failure to meet forecast earnings and the large quantity of loosely-held shares could lead to a steady supply of scrip which could take years to absorb

"These considerations will have a correspondingly negative effect on demand, so prolonging the process of consolidation"

Recent debates on nationalisation and privatisation have also had a negative impact on the share price

The overhang of 300 million shares (16,2 percent of the total capital) still owned by the IDC and earmarked for sale "as soon as practicable", is making matters worse

Cheap way

Of these shares at least 75 percent must be offered at 15-for-100 to other shareholders by way of a rights issue

This means that when it decides to sell, the IDC will offer its holding to all holders of Iscor shares in the ratio of 15 shares for every 100 they alrady own at a price fixed by the IDC

The price of shares offered in a rights issue is often pitched below the market value as a cheap way of raising cash Buyers usually do not have to pay brokerage, which is borne by the company

In these circumstances institutions are unlikely to increase their holdings by going to the market where the price might be higher

Analyst Keith Bright of Frankel, Kruger & Vinderine doesn't think the IDC is likely to dump its shares on the market at the present time and diminish the value of its holdings

Positive note

But he points out that the large number of investors — including employees — who got discounts of up 20 percent on the issue price through preferential schemes, could sell their shares at the current price and still make a handsome profit

On a more positive note, Mr

See page 5

W/ARB 21/7/90 (8)(189)

Iscor shares are facing a long haul

W/ARB 21/7/90 *From page 1* (8)(189)

Thompson says there is probably little downside risk in the current share price, given that holders will probably not be inclined to sell below the original issue price

Also the share must at some stage overcome the present period of indigestion, permitting a rating based purely on fundamentals

But although disillusioned investors have been selling Iscor, the outlook suggests the shares are cheap at their extremely depressed price

Consider

- The rand-dollar rate has declined moderately, thereby aiding export receipts which account for more than 30 percent of Iscor's turnover And "logistical" problems relating to Iscor's export drive have been overcome
- Western Europe's steel industry is already recovering. Although European production of basic steel was down by 2,3 percent in the first five months of 1990 (against this period last year), the May figure revealed a rise.

It could be the start of a sustained upswing, as steel companies begin to benefit from the reconstruction of East European economies.

- Iscor is starting to benefit from improved access to foreign markets, as unofficial boycotts diminish in intensity It has, for example, achieved a breakthough with exports of iron ore to Poland
- Iscor is stepping up its involvement in beneficiation

A R120 million joint venture with Dorbyl to manufacture seamless steel tubes will go ahead, and there is the distinct possibility that a semisteel plant will be launched at Saldanha Bay Iscor may also enter the stainless-steel market

Rising exports should have helped ensure that Iscor's earnings a share reached 48c in the year to June 1990

The original dividend forecast of 17,6c will almost certainly be met On this basis, the prospective dividend yield is a generous 8,8percent

Although the domestic steel market is weak, expected international improvement should lead to a further export boost

Hence, it would not be surprising to see Iscor earn at least 55c a share and pay 20c in the current financial year for a forward yield of 10,1 percent

(189) B/Day 23/7/90

EDWIN UNDERWOOD

EC iron imports reach 10-year high

SA IRON ore exports to the EC jumped 38% to 6,2-million tons last yearfrom 4,5-million tons in 1988, boosting EC iron ore imports to a 10-year high

Iscor mining products GM Emile Raads said last week SA's three major western European customers had made slight adjustments to their production techniques to accommodate SA exports, which were slightly cheaper. Subsequently, certain technical difficulties, which resulted from dealing with other iron ore exporters, were overcome

Simpson, Spence & Young's (SS&Y) July monthly shipping review said EC imports of iron ore rose 6% to 134,8-million tons in 1989 — the highest level of the decade — compared with 127-million tons in 1988

Samancor overcomes ferrochrome price crash

(189)

W/Mail 24/8 - 26/8/90

IN spite of the collapse in ferrochrome prices, Samancor succeeded in achieving further growth in income and earnings a share in the financial year to end-June.

Results for the year show sales of R2-million — only fractionally lower than those for the previous reporting period, which covered 15 months.

Net income rose by 18 percent to R538,8-million on an annualised comparison with the previous period but growth in earnings a share was lower at 6 percent annualised due to the increase in the number of shares issued after the acquisition of the Gencor chrome interests.

A final ordinary dividend of 60c and a further extraordinary dividend of 50c were declared, making a total of 180c for the year.

"These results illustrate the benefits Samancor derives from being a multi-commodity producer. While one of our four major product lines suffered badly, the others held up well, and continue to look positive," said managing director Hans Smith.

He warned, however, that unless there was a significant recovery in ferrochrome prices, Samancor would not be able to repeat this profit performance in the coming year, particularly if the rand remained relatively strong against the dollar.

Reviewing the past year, Samancor said that with Western world carbon steel production continuing at a high level, strong demand for manganese ores had boosted dollar export prices by more than 50 percent.

Demand for manganese alloys, except silicomanganese, had also remained firm.

Generally higher prices and a weaker rand had led to a substantial increase in the profit contribution from manganese products.

Stainless steel production, on the other hand, had declined by 3 percent. The consequent decrease in demand for ferrochrome, coupled with increased supplies from new production facilities, had caused prices to collapse from their record levels at the beginning of the financial year.

Samancor had cut back its production of ferrochrome and intermediate carbon ferrochrome, and has used the opportunity for overdue maintenance work on production facilities.

Chrome ore prices had increased, but not to the extent that they could offset the reduced contribution from alloys.

Some non-essential expenditure had been deferred but capex at R192-million (R103-million) was still significantly higher. — Sapa

Bleak outlook for SA's tin producers

189

BDay 3/9/90

PETER GALLI

THE recent drop in the London Metal Exchange tin price to a 44-month low of about $5 855 a ton does not bode well for SA producers, industry sources said at the weekend

An industry spokesman said that none of SA's tin producers had been operating at a profit even before the price fell to its low and this would put existing mines under additional pressure

Iscor's UIS tin mine in Namibia is already threatened with closure

Union Tin Mines temporarily suspended tin recovery operations earlier this year and GFSA's Rooiberg mine showed a drop in ore treated, with further drops predicted

Should the price remain at this level or drop further, local producers will seriously have to consider whether they can sustain these continued losses, with the threat of closure being quite real, industry sources said

After the tin crisis which followed the collapse of the International Tin Council's (ITC) tin price support scheme in 1985, the market took a plunge, but recovered in 1987 when a supply control scheme was instituted by the Association of Tin Producing Countries (ATPC)

Frankel Kruger Vinderene mining analyst Kevin Kartuin said SA tin mines had very high fixed costs and annual production cost increases were greater than the rate of inflation

Recent substantial increases in production costs and more mine openings planned in major producing countries, as well as the flooding of the market by Brazil and China, contributed to the downturn in price

Brazil, which together with China operates on voluntary quotas and does not have to adhere to association quotas, has recently announced that it will join the association.

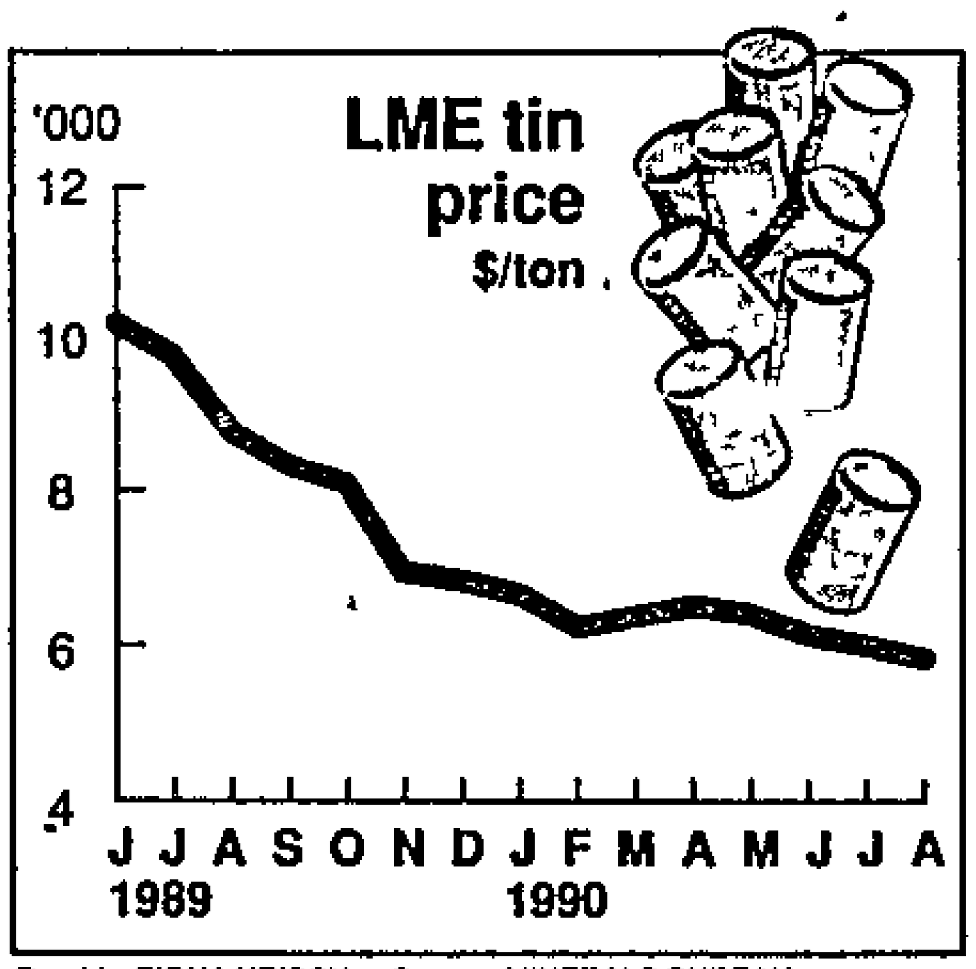
In this event, adherence to association's quotas could have an effect on the supply and subsequent price of tin

The tin market was in a state of change and was trying to adjust to the new supply and demand pattern SA manufactures tin almost exclusively for its local market — in the region of 2 000 tons — with producers just meeting local demand

The SA market plays a minute part in the world picture, with Brazil, the largest tin producer, producing about 50 000 tons a year

Prospects for the industry look increasingly bleak and unless the tin price increases markedly, which seems unlikely given the oversupply in the world market, it will be faced with a difficult choice

However, Kartuin believes that it would not be an entirely bad thing if SA began to import low cost tin from abroad



Graphic. FIONA KRISCH Source MINERALS BUREAU

Usko opens new plant

B/Day 21/9/90

ROBERT GENTLE

USKO, specialist steel manufacturer and producer of copper, cable and aluminium products, yesterday formally commissioned its R68m vanadium recovery plant in Vereeniging which will supply about 10% of world consumption

(189)

Vanadium is primarily used as an additive in the steel-making process to enhance quality and shock resistance, and is also used in the chemical, ceramic and paint industries

The plant, a joint venture with vanadium company Rhombus, is running at a production rate of 5 000 tons of vanadium pentoxide a year, which represents about 10% of world production. Phase II, to be implemented at a later stage, will push this to 9 000 tons a year.

The plant opens at a time when declining demand for steel, large stockpiles and a growing supply on world markets have resulted in a sharp decline in vanadium prices in recent months.

USKO FM 12/10/90 (189)

PRICE PRESSURES

One of the JSE's weaker performers this year must be Usko, a 29,7%-held Iscor associate At 165c, the share is down by more than 50% from the year's high of 340c, and more than two thirds have been shaved off last year's high of 540c

The fall from grace is not difficult to understand In 1988, when the vanadium price was booming, the company launched a plan to convert its defunct direct reduction plant at Vereeniging to produce vanadium pentoxide

When President F W de Klerk officially opened Usko's new vanadium recovery plant last month, the spot price of vanadium pentoxide was languishing at just below $3/lb That compares with nearly $12/lb in the second quarter of 1989 when the plant was commissioned

Other producers are running well below capacity and have cut their prices The world's largest producer, Highveld Steel & Vanadium, set its contract price for the third quarter 1990 at $3,35/lb This was up from $2,50/lb in the first quarter but still less than half the price of $7,50 for the second quarter of 1989 Most vanadium is sold at contract rather than spot prices and Highveld — also the lowest-cost producer — tends to lead the market

Within the next few months, Usko expects its plant to attain the initial capacity of about 5 000 t/year That level would add about 7% to world vanadium production and Usko's capacity is capable of being increased by a further 4 000 t, if justified by market conditions, at relatively low capital cost

Whereas the slump in the ferrochrome market is mainly caused by overcapacity in the stainless steel industry, the demand for vanadium is largely influenced by consumption of special steels About 85% of vanadium goes to the steel industry, 9% is used as an additive to non-ferrous alloys, 3% in chemicals and ceramics and 1% in cast-iron production

Like many other commodities, the world steel market enjoyed a boom during the late Eighties, but that appears to be over — as was shown by recent results from Iscor and Highveld Local producers estimate that world steel output in 1990 will be down by several percentage points on last year

As De Klerk commented at the plant opening "Vanadium prices have declined sharply in recent months because of a decline in the demand for steel, large stockpiles and a growing supply on world markets Though a renewed upsurge in the steel market is forecast in the near future, market conditions will probably remain difficult"

Usko's management is clearly taking the view that the investment in vanadium production — which made use of existing infrastructure — will pay in the long term It is also hoped that income from the company's other operations will help cushion the impact

FOX FM 12/10/90 (189)

of the price slide Given the capacity held by Highveld and new production from other producers such as Vansa, and the slackening world economy, uncertain profit prospects for Usko's vanadium could keep a lid on the share price for a while *Andrew McNulty*

Vansa stops main business activity

BTday 5/11/90 (189)

RIAAN SMIT

VANSA Vanadium, suspended on the JSE on Friday, said yesterday it was ceasing mining and production of vanadium pentoxide at its 250-tons-a-month Steelpoort operation because of the "severely depressed" market

Although its main business would be closed, it would not affect the company's Winterveld chrome mining operations or its 24% stake in Barplats Investments, a spokesman said

An announcement published by the company today said all matters associated with the cessation of its vanadium operations near Steelpoort in the eastern Transvaal were being addressed These included talks with union delegates

"In addition, management is evaluating various alternatives to turn these assets to account," it said.

The depressed market for vanadium pentoxide, because of substantial lower international demand for vanadium bearing steel, would result in the vanadium operation "trading at a loss with consequential negative cash flows".

Group operating profit fell 77% to R10,6m compared to R40,5m in the 1989 financial year. Profit after tax was R9,2m (R39,7m) which, a lower appropriation for capex of R7,8m (R14,5m), left attributable profit of R1,4m This prompted the board to pass the dividend for the year

Star 21/11/90

Volatile market not to Samancor's liking

189

Diagonal Street

DUMA GQUBULE

In the year to June 1990 Samancor, the world's largest exporter of manganese ore, surprised everyone when it shrugged off a collapse in ferrochrome prices — which fell from 81,5 US cents a pound of chrome content a year ago to 40c a pound — and reported an 18 percent increase in attributable income on an annualised basis

Turnover advanced 17,8 percent to R2 billion but operating profit rose 36 percent to R916,3 million. Earnings a share rose only 6 percent to 322c (303c annualised), owing to an increase in issued share capital

But, Samancor chairman Brian Gilbertson says unless there is a significant recovery in ferrochrome prices, group profits in the 1991 financial year will not reach the level achieved in the 1990 year

Analysts say the dividend could be maintained in 1991 but forecast a 10 percent decline in earnings

Ferrochrome prices fell because of a three percent decline in world production of stainless steel in 1989 and a resulting decrease in demand for ferrochrome at a time when there was a sharp increase in production (mainly from SA producers)

Capacity

The total new capacity added by SA producers was 300 000 tons. Samancor, however, reduced output in line with the lower demand, and this together with the lower prices combined to slash operating profits from ferrochrome by almost 50 percent.

Unnecessary competition among smaller producers who cut prices and went all out for market share was another factor that contributed to lower ferrochrome prices

Samancor managing director Hans Smith says most SA producers break even at a price of about 47c a pound

"If producers do not get their act together and do not rationalise I cannot see ferrochrome prices above 50c in the next five years," he says, adding that Samancor has issued open invitations to all the other producers

But he says they are pursuing rationalisation not so much to push prices up — which smells of a cartel, he says — as to eliminate unnecessary competition and achieve a more stable pricing scenario

If low cost producers could keep their price just below 55c "we could put half the world's producers out of business"

Without rationalisation the ferrochrome division — whose contribution to group profits reached 50 percent at one stage — will do little more than break even and contribute, perhaps 15 percent to group profits

Although the chrome alloy market is weak, chrome ores are still profitable and the chrome division should continue to contribute about 12 percent to group profits

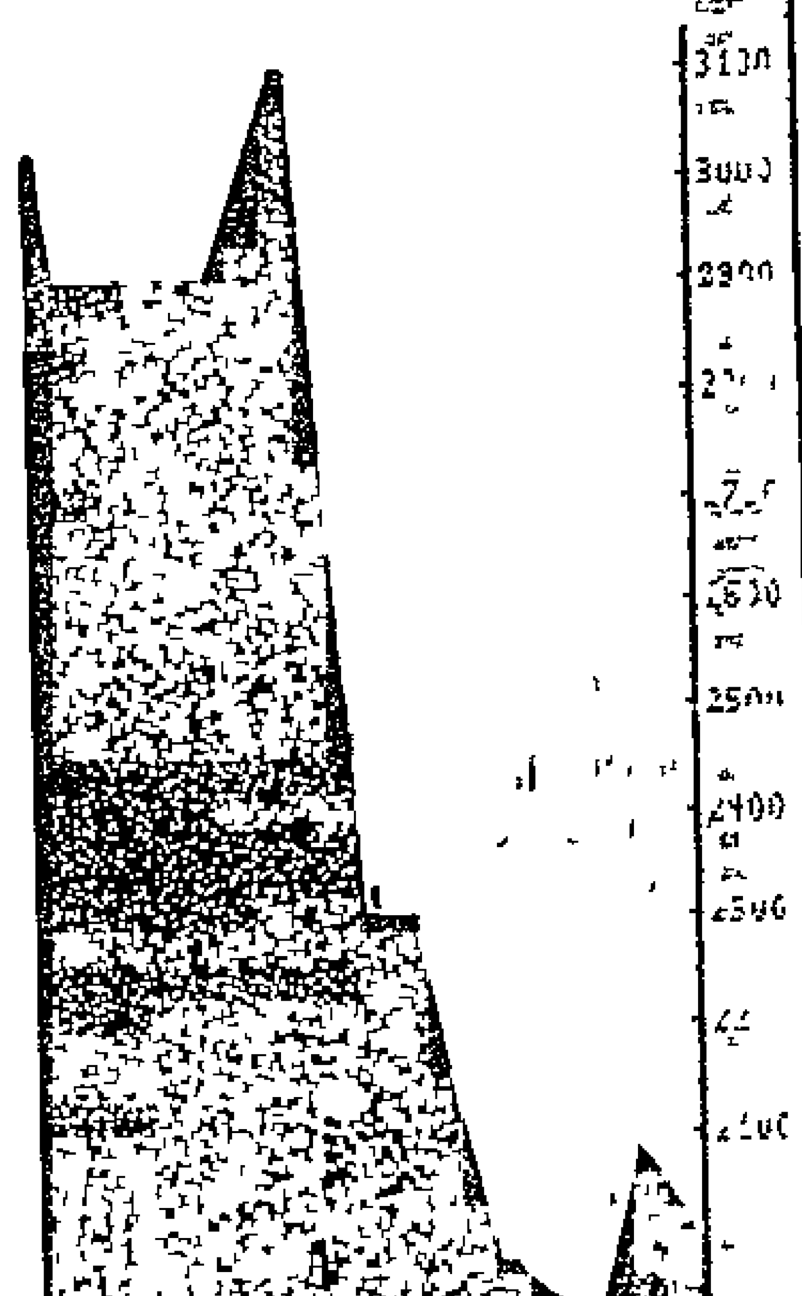
Samancor's main profit centre is the manganese products division (particularly ore) and future profits will come more from this division and less from chrome

John Clemmow, mining analyst at brokers George Huysamer & Partners says 65-70 percent of group profits will come from this division next year

Manganese ore dollar prices increased 50 percent last year The higher prices and the weaker rand resulted in a substantial increase in the profits from manganese products

The supply and demand situation should remain in balance this year as the few players in the market continue to keep the market artificially tight

Samancor shares are now trading at R21 down from the high of R31,50c reached in August this year This places the share on a prospective price-earnings of 7,2 and a prospective dividend yield of about 8,6 percent



Big dip . . Samancor shares have taken a fall this year

B

FINANCE

Growth opportunities for aluminium industry

(189)

B/Day 29/11/90

PETER GALLI

THE "new SA" and emerging new European markets would provide numerous growth opportunities for the domestic aluminium industry, SA Aluminium Federation director Tony Paterson said this week.

Examples were the increased use of aluminium by the SA motor industry and improvement in the quality of life of the black consumer The installation of electricity to black consumers would, apart from increasing aluminium usage, increase the demand for kitchen utensils and appliances, refrigerators and microwaves Preserved foods in aluminium containers would also then become more accessible to the black consumer

To cope with this increased demand, a number of alternatives were available SA could build a new smelter, expand the capacity of the Alusaf smelter or import aluminium, Paterson said However, any decision in this regard would have to be based on economic viability and financial considerations

"It is reasonable to expect that the SA aluminium industry will continue to expand, as it has had an average year-on-year compound growth of 5,5% However, to achieve this SA will have to develop markets not significantly developed before and will have to look closely at the value-added system," Paterson concluded

In its report on SA's mineral industry for 1989, the Minerals Bureau reported that in 1989 aluminium demand in SA increased for the fourth successive year and exceeded 150 000 tons It concluded global aluminium consumption was not expected to fall in 1990, but supply and stocks were likely to increase marginally, resulting in relatively small price fluctuations throughout the year

The general feeling of those in the overseas aluminium market was that the industry had the best years ahead of it Although the industry was fearful during the 1980s when it seemed that it would be plagued by overcapacity, these fears have been dispelled, Kenneth Gooding said recently in a Financial Times survey

The industry would have a great surge of activity in the next 25 years as a result of the metal's recycling ability, he said

The opening up of new European markets would provide another boost to the industry as it expected to benefit from construction customers as the East started refurbishing its crumbling infrastructure, he said

In addition, on the automotive front, the industry had much to gain as car makers attempted to further reduce the weight of cars.

Titanium project should come on stream next year

(189)

JOHN CAVILL and PETER GALLI

THE R925m project to expand titanium production of Richards Bay Minerals (RBM) by a third is expected to start coming on stream during 1991

The Financial Mail reported yesterday that construction on the project began earlier this year

Gencor is the largest local shareholder of RBM, with a 25% stake Rio Tinto Zinc owns about 50% RBM produces titanium slag as its primary product, with secondary products such as iron, rutile, zircon and monazite

About 85% titanium dioxide is yielded from the titanium slag produced by RBM. Most of this is exported, as it is a raw material used in the manufacture of titanium pigments

Rio Tinto Zinc had said previously that its titaniferous slag capacity at RBM was being increased from 750 000 tons a year to 1-million tons. This increased production was expected to come on stream in 1993

RBM was also expanding zircon output from 140 000 tons a year to 300 000 tons and rutile from 60 000 tons to 115 000 tons RBM produces 900 tons of monzanite, but what this will be increased to is uncertain

The project will require an expansion at each of the three main operations at RBM — dredging, separation and smelting The capital programme includes a fourth dredging operation, a new dry mill and a new furnace

The Metals and Minerals Annual Review shows that the three big producers of titaniferous slag in 1989 were Canada (1-million tons), SA (650 000 tons) and Norway (200 000 tons)

Titanium dioxide pigment, which is mainly used in paint, paper and plastics, accounts for 90% of consumption of titaniferous feedstocks

Titanium metal is the next biggest market, where it is used by the aerospace industry, chemical plants and other applications where light weight and corrosion resistance is required

While demand was buoyant in 1989, supplies were tight Pigment production was up 6% in the US and Japan, while sponge output (for metal) was 13% higher in the US and 30% up in Japan

However, the general economic slowdown, especially in the US, with the construction and car industries in recession, points to a softer market this year and next year

According to the Financial Mail, the zircon market has weakened substantially, because of the impending oversupply of materials from new suppliers and expansions

However, long-term demand for titanium slag has grown by about 3% annually, with the trend expected to continue RBM is a major supplier of a high grade product

Vansa share price reels on poor demand

PETER GALLI 189

24/12/90

THE recession in the international steel industry and the resultant plunge in vanadium demand had sent the Vansa Vanadium share price reeling, Davis Borkum analyst Alex Wagner said recently.

The share price of Vansa, owned by Rand Mines, dived from a yearly high of 500c in March to a yearly low of 105c in November.

Savings from an investment in a salt-recovery circuit at the vanadium plant were insufficient to offset the effects of the collapse of the vanadium price, he said

As a result of industry profit margins being eroded and the increasing probability of substitution of other metals, Wagner recommended that holdings in Vansa be liquidated until more positive fundamentals emerged.

Market prospects would be reviewed by management in March. The plant could be reopened should market conditions permit, but at present this was a remote possibility, Wagner concluded

Vansa would keep the vanadium operation on a care and maintenance basis while evaluating options, chairman Allen Sealey said in the annual report.

Production of vanadium pentoxide ceased in November as a result of increased vanadium pentoxide productive capacity recently commissioned around the world and a continuing softer demand for vanadium steels

Sealey said that demand for chrome ore was likely to remain at 1990 levels in the coming year

USKO F/M 26/1/90 (189

Alloyed outlook

Usko's share price has soared and dropped like a rocket with investors' changing perceptions of vanadium's prospects The advance

Activities: *Making steel and vanadium pentoxide*
Control: *Iscor and Metkor 27% each.*
Chairman: *F P Kotzee, managing director J H Kaltwasser*
Capital structure: *29,8m ords Market capitalisation R100m*
Share market: *Price 335c Yields 3,9% on dividend, 21,8% on earnings, PE ratio, 4,6, cover, 5,6 12-month high, 650c, low, 225c Trading volume last quarter, 544 000 shares*

Year to Sep 30	'86	'87	'88	'89
ST debt (Rm)	26,9	22,0	17,1	61,2
LT debt (Rm)	66,9	52,7	38,2	86,2
Debt equity ratio	1,26	0,84	0,56	0,96
Shareholders' interest	0,37	0,45	0,48	0,40
Int & leasing cover	—	2,1	5,1	2,7
Return on cap (%)	nil	7,4	13,7	10,1
Turnover (Rm)	321	378	435	544
Pre-int profit (Rm)	(10,0)	19,9	40,3	40,6
Pre-int margin (%)	nil	5,1	9,3	7,5
Earnings (c)	(28,6)	16,6	90,1	73,1
Dividends (c)	nil	nil	13	13
Net worth (c)	302	350	439	489

came in March as Usko struck its deal with Rhombus Vanadium to use under-utilised plant to process RhoVan's magnetite ore to make vanadium pentoxide flake

The vanadium market was booming but prices for the steel alloying metal fell apart once users realised large production increases were in the pipeline in SA and as destocking got under way Highveld cut production estimates late last year, after announcing plans to increase output early in 1989, and prices remain under pressure.

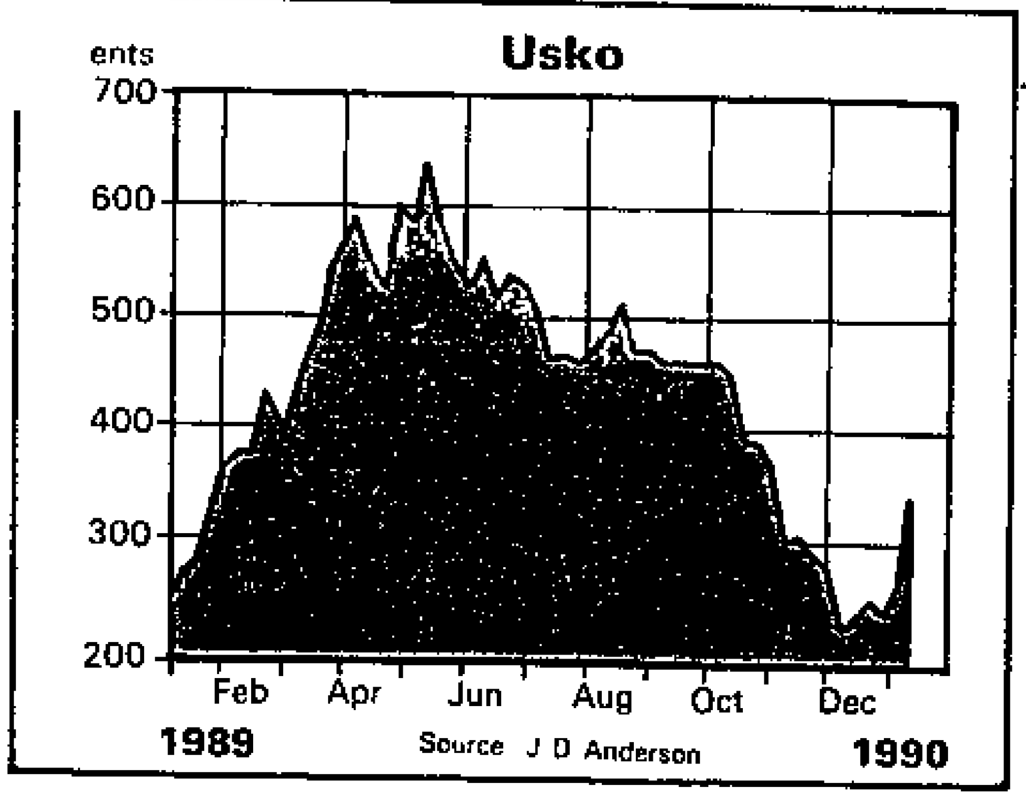
So now Usko's share can be rated realistically Last year's problems have persisted into this financial year Increases in raw materials prices — steel scrap and non-ferrous metals — cannot be passed on to customers, though the steel division managed to remain profitable last year Adding to prospective difficulties is the fact that Usko is tied to buying vanadiferous magnetite from RhoVan on an escalated base price basis Furthermore, Usko has to pay transport costs between RhoVan's mine west of Brits and its Vereeniging plant In other words, most of the vanadium risk will be borne by Usko

Apart from vanadium, the effect on return on capital of last year's difficult trading conditions were exacerbated by the additions to capital employed with construction of the new magnetite plant. The plant's commissioning date has been advanced to early-1990, and production should contribute to cash flow within two years Trouble is that weakening world vanadium prices will reduce the returns on investment in the plant, and investors with long memories will recall the various difficulties Highveld experienced as vanadium prices fluctuated

Chairman Flores Kotzee is far from encouraging on the present year's prospects Eskom's capital spending cuts remain in place and the utility is expected to buy less aluminium cable. The costs of steel raw materials are unlikely to abate and Usko is budgeting for lower earnings this year, in part because of the cost of servicing debt raised to finance the magnetite plant

Kotzee takes a positive view of vanadium's

89) 4



Source J D Anderson

revenue contribution two years hence That is fine as far as it goes, but Usko's production costs are likely to be the industry's highest according to some estimates That will be a major drawback if, as seems likely, Highveld and Vansa offer deep price discounts to hold on to market shares

The share seems fully priced. There is certainly no need to rush to buy until the vanadium market stabilises

Jim Jones

Muck-merchant Enrol makes a minuscule offer

S/Times 28/11/90 (189)

NEVER have I seen a prospectus which says the purpose of a private placing is to pay the expenses of its joining the JSE

Environmental Resources (Enrol) will place 330 000 shares at 50c each, making it the smallest company at listing ever to appear on the JSE's Development Capital boards Of the R165 000 to be raised, an estimated R150 000 will be used to pay for the listing

The balance, if any, will augment working capital The other reason for the private placing is to obtain a spread of shareholders to obtain a listing

RATIONALE

This smallest of small quotations is based on the businesses formerly known as Metalmil Metalmil was involved in metal reclamation — magnetic extraction and sieving of scrap out of steelworks slag

Listing for the sake of it? There is more to it.

Joint managing director Geoffrey Wolf — whose portrait-carrying full-colour business card carries the message, Purveyors of Superlative and Congruous Erections — explains the rationale behind listing a company capitalised at R1,65-million

The fact is, the noble Enrol does not want to take money from shareholders. Logically, if all it raises pays for the listing, none of the interested parties can seriously do a moonlight flit with the proceeds.

Yet to satisfy JSE requirements, 10% of its shares need to be with outside shareholders, hence the minute offer.

Mr Wolf says the share has been oversubscribed already — everyone wants in.

Enrol has two operations At Benoni, it reclaims metal from slag produced by Iscor's Dunswart steelworks years ago A similar operation takes place at Usko in Vereeniging

At Benoni, a front-end loader scoops the muck over a screen and through a magnetic separator About 500 tons a month of scrap metal is delivered to Dunswart each month.

Mr Wolf likens deslagging steel to skimming froth off soup — a little bit of good stuff is always lost. Enrol recovers it more cheaply than scrap-metal merchants can deliver scrap to the steelworks.

Escalation clauses are built in to Enrol's contracts.

The technology looks simple — deceptively so, according to Mr Wolf

His family has been involved with scrap-metal recovery throughout the world for more than 60 years The Wolf family business is Thomas Mouget & Co.

Geoffrey's father, Swiss resident Egon, is chairman not only of Enrol but of many international companies, such as Berimet in Belgium and Remel in Spain.

CALF

Wolf cub says Enrol's business is a cash cow.

Cash calf more likely — turnover for the year to October 1989 was only R881 000, and notional taxed profit R211 000

Wolf Industries is a much larger kettle of fish, including property — hence the enigmatic business card.

Mr Wolf says that only a small part has been selected for the listed company initially, but others will be incorporated later.

There are 96,7-million authorised but unissued shares under the directors' control.

Mr Wolf does not want shareholders to be burdened with unproven businesses.

Enrol would not have been conceived if changes to environmental legislation were not on the way.

"Anywhere that we can do business cleaning up the environment, we'll be there But we will not get into things where we have no expertise"

He has set a compound earnings growth rate of 60% a year for the next four years, which will easily be achieved The prospectus forecasts an increase in taxed profit of 37% for the year to October 1991, but expects more from acquisitions.

EUROPE

I have never seen a balance sheet like Enrol's — capital employed holds only two items, share capital and premium, totalling R1,485-million. Below the line, fixed assets — R1,475-million The fixed assets comprise plant, machinery and vehicles, at cost.

No stocks (Enrol does not own the slag heaps), no debtors, no creditors, no borrowings, no property — no problems

The international flavour prevailing in the company allows Enrol to look beyond SA for business.

Mr Wolf believes Eastern Europe offers many opportunities which might not be attractive to sophisticated Western companies but could be packaged attractively enough for Enrol

He foresees joint ventures requiring only a small capital outlay. On Enrol's side are technological advantages, barriers to entry by newcomers, and 65 years of experience in scrap-metal recovery.

Minority shareholders can expect a fall in their percentage holding in a larger Enrol before long But I think they will not be let down

Tightly held shares and no padding built into the listing surely limit the downside potential of the share price

Old M... in on...

S/Times 28/11/9...

GOING for gold is the Old Mutual's policy.

It has launched a unit trust which will comprise only gold shares, mining houses and gold-related assets

Fund manager Marco Celotti says the gold fund has been launched to fill a market gap

The timing of the fund is right for several reasons

- The political situation in SA is improving
- Foreign investment is returning
- The gold price has turned the corner
- SA gold shares offer better investment opportunities than do American or Australian mines, especially to foreigners through the financial rand mechanism

CAREFUL

Mr Celotti says much must happen before the finrand can be abolished, and that it is simplistic to call for its demise now He believes that the fiscal authorities which previously abolished then reinstated the finrand will be more careful next time

The intention is to remain fairly fully invested. Mr Celotti says people who opt for the fund have already made a decision on gold's prospects, and do not need a fund manager to decide to remain 25% liquid

But they do need to invest through a mutual fund because top-quality golds are too expensive to be bought

Lower tax rate lifts CMI profit (189)

SKr 30/1/90 Finance Staff

Consolidated Metallurgical Industries (CMI), helped by a lower tax rate, increased its attributable income in the six months to December by 5,1 percent to R45,3 million

Turnover fell 9,4 percent to R128,6 million

An unchanged dividend of 35c has been declared out of earnings of 107c (101c) a share

The lower tax rate follows the spending of R29,9 million on upgrading ferrochrome production from 150 000 tons to 200 000 tons a year

The company will spend R30,2 million (R60,7 million) this year

It reports a worldwide reduction in demand for ferrochrome as a result of a drop in stainless steel usage

Attributable income this year is expected to be less than that of last year

Selling prices have declined and are unlikely to improve in the short term Sales volume are also expected to be below last year's second-half figures

Rising debt and share conversion will lower Seardel's earnings

Star 2/1/90

Bottom Line

MICHAEL MENOF

Seardel's automatically convertible pref shares became ordinaries in July 1989, increasing ordinary share capital by 39 percent This made Seardel's net asset value R3,70 compared with the current JSE price of R2,70 a share. Why such a difference?

Chairman Aaron Searll was happy to report record sales and earnings and a strong demand for the group's products, in the latest annual report.

Inflationary factors affected trading with input costs increasing 25 percent during the year. So, too, wages and employee benefits have created a heavy demand on working capital, he says But working capital actually improved to R143,02 million (1988: R113,42 million) at end June 1989.

Dividend cover is pegged at six times in an attempt to improve the debt to equity ratios. Debt has increased almost 27 percent to R120,44 million (1988: R95,07 million) and interest expense has more than doubled. At year end the borrowings to equity ratio was 110 percent (target set 80 percent) and debt to equity 221 percent (target set 180 percent).

High reporting standards have been maintained, according to Mr Searll but nothing is said about significant changes in various subsidiary shareholdings and loans.

Seardel is owned 61 percent by pyramid Searcon where Mr Aaron Searll holds control.

Main divisions

Seardel has four main divisions — apparel, consumer and business electronics, quilting and textiles, and toys, located predominantly in the Cape.

The first two divisions contributed 91 percent of sales and 87 percent of operating profits. Sales increased to R740,45 million (1988: R566,44 million) with operating income R61,65 million (1988: R39,82 million). Net interest more than doubled to R19,77 million (1988: R9,77 million) and directors' salaries increased 24 percent.

After deducting tax of R17,67 million (1988: R9,87 million), insignificant gains/losses in associated companies, minorities shareholders profit R900 000 (1988. R1,01 million) and pref dividends R1,87 million (1988: R1,95 million), the bottom line totalled R21,23 million (1988: R17,67 million).

saw prices increase by around 25 percent, which is unacceptable to manufacturers and consumers, says Mr Searll.

Surely local industry needs protection if jobs are to be created and unemployment reduced. But with his record profits and increased operating profits percentage to sales (1989 8,33: 1988 — 7,03) what is Mr Searll moaning about.

Despite the Government surcharge, consumer electronics increased sales to R119 million (1988. R100 million) with operating profits R10,6 million (1988: R7,61 million). Toys, non-woven textiles, properties and travel contributed only 10 percent of sales and virtually unchanged operating profits of R8,08 million (1988. R7,36 million).

On page 57 the annual report features subsidiary shares and loans. The R9,09 million investment in wholly owned Desiree International in 1988 has disappeared. Two new subsidiaries were acquired in 1989 — Fun Frill for R1,32 million and Bibette for R2,75 million. Jocorost Properties, costing R68 500, was sold and dormant companies shares, with a R3,99 million cost in 1988, was suddenly reduced to R258 000.

Sharp Electronics shares' book value of R3,76 million and loans R8,24 million in 1988 are now only R241 000 with no loans. A joint venture stake in Airspeed Charters appeared in 1989.

Material changes

Nothing is said about these material changes.

Ordinary shareholders interest increased to R87,93 million (1988: R72,5 million) and group equity increased to R107,8 million (1988. R92,71 million) at end June 1989

Goodwill of R10,97 million (1988. R8,66 million) has been deducted from non-distributable reserves. Plant, with a R41,1 million book value, has an insured replacement value of R163 million.

Seardel has a joint interest in associated property companies along with financier Nefic Ltd which has advanced loans to them of R9,5 million (1988: R1,75 million)

Mr Searll predicts sales of be-

CMI hit by rising costs and weakening demand

BDay 30/1/90 189

LOWERED demand for stainless and speciality steels has taken the shine off the half-year results of Consolidated Metallurgical Industries (CMI), JCI's stake in the ferrochrome industry

After announcing an unchanged 35c dividend to December, the group's financials disclose a slight increase in earnings to 107c (101c) a share on a scant 5% rise in attributable income to R45,3m (R43,1m) Retained income rose marginally to R30,5m (R28,2m)

The income rise was achieved on the strength of a R7,8m (R2,4m) hike in "other income" — enabled by larger cash balances and higher interest rates — and a reduced tax rate of 32,6% (42%), due to the capital allowances on the expansion programme

However, operating income dipped by 17,1% to R59,5m (R71,8m) on a 9,3% drop in turnover to R128,7m (R142m)

BRENT MELVILLE

Capital expenditure — aimed at boosting CMI's ferrochrome production capacity by 33% to 200 000 tons — amounted to R29,9m for the period, with commitments still totalling R30,2m

MD Barry Davison attributed the decline in operating profit to increased production costs

In addition, he said the group experienced a 26% decline in sales volumes as a result of the depressed demand for ferrochrome, though the "significant" weakening of the rand helped cushion the effect on turnover

Volumes

Davison said that though there was a sharp decline in the US dollar price of ferrochrome over the third and fourth quarter of calender 1989, the average price exceeded that of the comparable six-month period last year

He added that sales prices negotiated for the first quarter of calendar 1990 were lower and were unlikely to improve in the short term As a result sales volumes for the second half of the financial year were not expected to reach the level of those for the comparable period last year

"In these circumstances, attributable income for the year will not match that achieved in the previous year," said Davison

However, analysts have predicted an earnings rise of about 8,5% for the year, which would put attributable income at R109,1m (R100,6m) and translate into earnings of 256c (236c) a share

On its current price of R12,50, this would put CMI on a P E rating of 4,9

On the balance sheet the current ratio increased to 2,5 1 (2,1 1) mainly as a result of a rise in current assets to R191m (R182m) Fixed assets jumped by 117% to R65,4m (R30,3m)

CMI F|M 2|2|90 (189)

Prices tumble

Latest of SA's major commodity exporters to show the effects of sliding product prices and a firmer rand is ferrochrome producer Consolidated Metallurgical Industries (CMI).

In the six months to end-December, turnover and operating income were sharply down Apart from prices, a 26% decrease in the volume of sales saw turnover fall 9,4% It was only thanks to the drop in the effective tax rate, resulting from the capital allowances on the expansion programme, that attributable income was up by 5%.

The half-way dividend was pegged at 35c, but there can be little prospect of an increased pay-out for the full year The ability to maintain the total pay-out will depend largely on profitability during the second half and that outlook does not look greatly encouraging now

A worldwide decline in demand for stainless steel has translated into a dwindling demand for ferrochrome Destocking abroad has contributed to over-supply and CMI has already seen prices slide from a peak of more than US80c/lb to less than 60c/lb The spot price has dropped to between 41c/lb and 45c/lb

"We are anticipating further declines until the fourth quarter," says Allan MacConchie, GM finance and admin of JCI's platinum division "Thereafter it should plateau and hopefully start to firm again" Much may depend on the resilience of overseas producers. CMI is among the lowest-cost producers in the world and there have been reports of closures abroad recently

CMI COOLS

Six months to	Dec 31 '88	Jun 30 '89	Dec 31 '89
Turnover (Rm)	142,0	182,4	128,7
Operating income (Rm)	71,8	99,3	59,5
Attributable income (Rm)	43,1	57,5	45,3
Earnings (c)	101	136	107
Dividends (c)	35	80	35

The expansion programme, which lifted capacity from about 160 000 t a year to 200 000 t a year is complete However, output will have to be matched to market demand and the directors note that sales volumes for the second half of the financial year "are not expected to reach the level of those achieved in the second half of the previous financial year"

The implication is that production can be expected to drop below the levels attained before the expansion was embarked upon. Lower turnover and inflation boosted unit

F|M 2|2|90 (189)

costs in the first half and the same will happen over the next 12 months The capex programme was completed in time to qualify for the 50 30 20 capital allowances, but expenditure has reduced to minimal levels and the tax rate will rise from here onwards

The share price has slumped to a 12-month low of 1 250c, down from the peak of 2 250c set last March There is little reason to expect a recovery yet *Andrew McNulty*

Highveld income soars

189

RIAAN SMIT

HIGHVELD Steel and Vanadium's attributable income and dividend soared as the group recorded its highest-ever turnover and profits for the year to end-December. BDay 13/2/90

Attributable income after extraordinary items increased by 169% to R321,9m (1988 R119,5m). The dividend was lifted 128% to 130c a share (57c).

Group chairman Leslie Boyd yesterday attributed the results to the "exceptional export prices" for certain products.

Earnings rose 163,7% from 170,6c a share to 450c on a marginally higher weighted average number of shares in issue during the year.

Turnover, which breached the R1bn mark for the first time in the 1988 financial year, increased 35,7% to R1,6bn (R1,2bn).

Profit before tax also more than doubled to R566m from R224,5m for 1988, while the group's deferred tax provision has increased to R306,6m

Cash on hand of R319m at the year-end compared with borrowings of R54,3m at the end of 1988

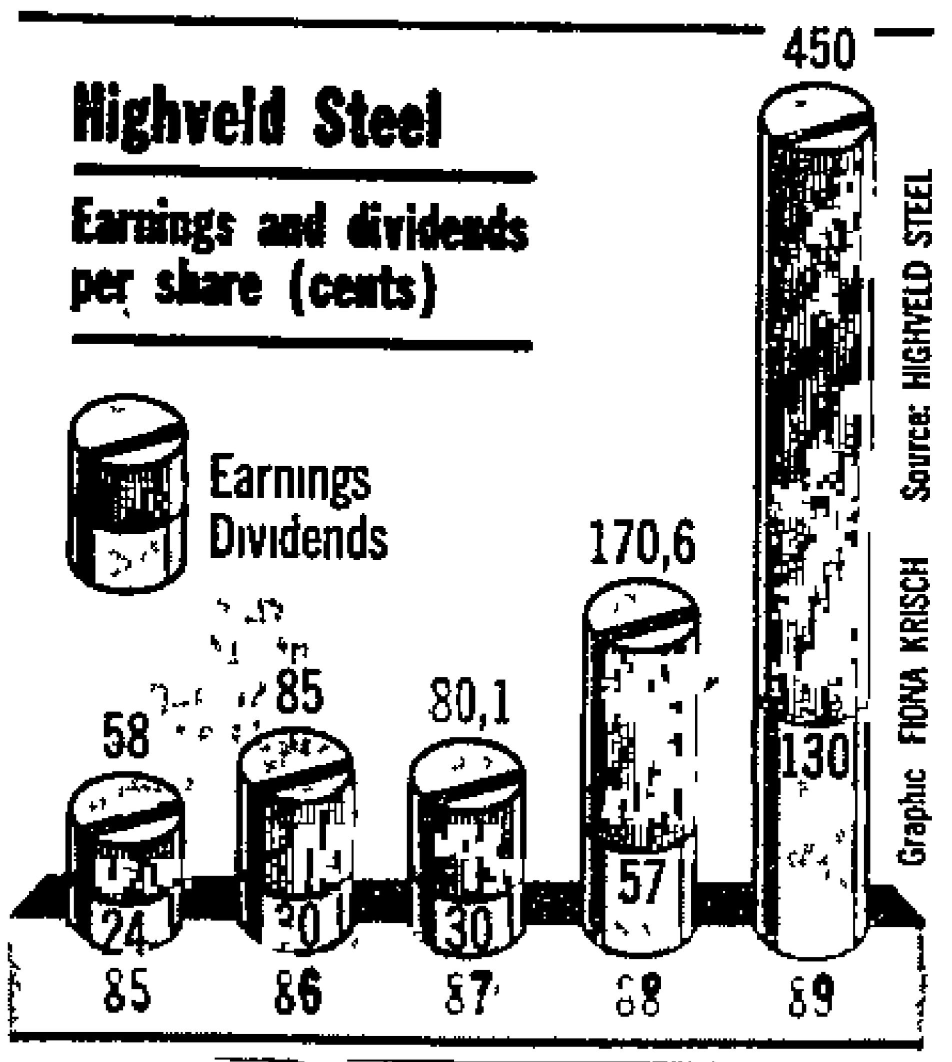
Boyd declined to identify the products which fetched exceptional prices on world markets, but said exports accounted for more than 60% of turnover

Highveld's earnings for the current financial year would be "significantly" lower than 1989, but he expected it to be better than 1988, Boyd said

MD John Hall said the collapse in the price of vanadium in the second half of 1989, due to panic buying and a consequent build-up of stocks in the first half, had bottomed-out and demand has increased "enormously" in the past few weeks

Boyd said a 1% decrease in world steel consumption was forecast for 1990 and that this would have an adverse effect on US dollar prices of steel and ferro-alloys in international markets, "but volumes should stay at reasonable levels".

He said the "far-reaching" announcements by President F W de Klerk and the release of Nelson Mandela should "lead ultimately to the lifting of sanctions and the reopening of Highveld's steel markets in North America and the European Economic Community" which would increase Highveld's output significantly



RHOVAN/USKO FIM 23/2/90

Work continues

189

Development of the Usko/RhoVan vanadium pentoxide project is on schedule and both partners say the project remains profitable at current vanadium pentoxide prices — though these are below figures used in the original financial evaluations

The RhoVan prospectus forecasts were made last April, on a base case of US$3,80/lb vanadium pentoxide (V2O5) and an optimistic case of $4,10/lb V2O5 At that time Highveld Steel and Vanadium (Hiveld) had boosted its vanadium price to $7,50/lb for second quarter delivery, responding to free market prices which had soared as high as $10/lb

The price subsequently collapsed to current levels around $2,40/lb Hiveld (*Fox* February 16) reckons the market has bottomed for this year, but it will not forecast into 1991 because of new supplies coming on stream Usko/RhoVan will be a big contributor to the new supplies

RhoVan director Rob Still says that the company should still meet its prospectus forecasts on revenue for the financial year to September 1991 That is because the contract to supply magnetite to Usko — which will process it to produce vanadium pentoxide — is not affected by the vanadium price However, Rhovan's royalty income from Usko will be badly hit at current price levels

FINANCIAL MAIL FEBRUARY 23 1990

FIM 23/2/90 189

RhoVan negotiated a 14% royalty of Usko's vanadium profits before interest, depreciation and tax for the first 24 months after the initial supply date That dropped to 10% for as long as magnetite supplies ran at 250 000 t/year and to 8% from six months after Usko exercised its option to increase required production to 500 000 t/year

Still tells the *FM* "At $3,80/lb, about 60% of RhoVan's profits would have come from the supply contract, but at $2,40/lb virtually all the company's profits will come from it, though we will still get something from the royalty However, we were extremely conservative in our estimates on the profit margin on the supply contract. We used a R22/t margin but the way things are going we are now looking to get a R30/t margin "

Commissioning of RhoVan's magnetite beneficiation plant is under way and the plant should be fully commissioned by about the middle of April Still says the pre-production phase will run to the end of June and the first indication shareholders will get on operating performances will be for the quarter to end-September

Usko chairman Floors Kotze says "The current vanadium market situation is negative because the price is less than what we based our justifications on It's not going to stop us going ahead because we will still get positive returns from the project "

Some 30 000 t of magnetite meeting required specifications were supplied to Usko from a pilot mining venture to test the roasting plant ahead of schedule Kotze says this work proved the efficiency of the roasting plant is much higher than the rotary kilns used by other vanadium producers This gives a better yield from the ore Usko eventually plans to produce 9 000 t of vanadium pentoxide, but when this will be reached is going to depend on market conditions

Brendan Ryan

Stainless steel output expected to decline

BDay 1/3/90 RIAAN SMIT (189)

MIDDELBURG Steel and Alloys (MS & A) expects the Western world's 1990 stainless steel production to drop below 10-million tons — a 7% decrease over 1989.

But looking ahead to 1995, production was forecast at 12,5-million tons, with expansions of more than 2,5-million tons projected to come on stream in the next five years, the first-quarter edition of MS & A magazine, Chromsa, said

It added that stability in raw material costs was critical to sustaining market growth Long-range forecasts predicted world demand would resume its average annual growth of between 3% and 4%.

It said dramatic increases in raw material costs, particularly nickel, as well as high inventories saw demand levels, both in SA and internationally, drop sharply during March 1989.

Effects

Although the drop had been anticipated for some time, Chromsa said, it was more sudden and sharper than most producers had predicted This had resulted in a significant decline in the price of stainless steel over the past eight months.

"Producers feel that the price has bottomed, but the market is currently overstocked and producers have cut back production. The real effects of this have yet to be felt"

It said a direct correlation existed between world economic growth and stainless steel consumption, and although the US economy was entering a recessionary phase, developments in Eastern bloc countries and the unification of the European market in 1992 held potential for growth in stainless steel demand

Another encouraging trend was the environmental awareness which was gathering momentum. Several pollution reduction projects utilised large quantities of stainless steel

FM 2/3/90 (189)

LEVELLING OUT?

Six months to	Dec 31 '88	Dec 31 '89
Turnover (Rm)	801,5	1 003,2
Operating income (Rm)	362,1	518,3
Pre-tax income (Rm)	360,0	578,6
Attributable income (Rm)	224,8	325,7
Earnings (c)	150,0	194,6
Dividends (c)	85,0*	70,0

* Nine-month period

SAMANCOR FM 2/3/90

Prices sliding (189)

Samancor's phase of super profit growth appears to be nearing an end It continued to show momentum in the six months to end-December, when attributable income rose by 45%.

But sliding prices of some major products and the firmer rand mean that profits will slump in the second half and there will be no bottom-line growth for the year as a whole Already the group has been facing tough price competition, and has seen volumes for certain commodities declining

Demand has weakened particularly for chrome ore and ferrochrome, with prices of the latter dropping to levels where some overseas producers have announced closures. When the recovery will come may depend on further closures, and on the severity of competition. MD Hans Smith reckons that all local producers, with the possible exception of Middelburg Steel & Alloys, are now producing at about 65% of capacity.

While SA producers are low-cost and could comfortably live with ferrochrome prices at 40c-45c/lb, he does not believe that foreign suppliers will accept prices close to these levels "I feel strongly that the price will not drop significantly below 53c, which was the price for the last quarter of 1989," he says "If it does weaken further I would expect it to bottom and pick up again later this year"

Samancor, meanwhile, has been using the slack market to carry out essential maintenance that would have been done when the market was booming

Demand for chrome ore has remained "reasonably firm" and, though the group has seen volumes decline, the amount was not considered particularly material. High-grade manganese ore, on the other hand, is in short supply and Smith believes there will be a "significant long-term price hike" this year — against the trend of most other commodities.

Demand for manganese alloys has also been solid; the one weak market in the manganese sector has been that for silico-manganese. Whereas at the beginning of the current financial year chrome and manganese each represented about 45% of the group's business, the current outlook indicates this will swing to 55% from manganese and 35% from chrome

What will help during the year to end-June is that the group remains highly liquid. It holds funds on call of about R540m and the net interest income for the six months was R60,3m compared with the year-ago R7,9m. An announcement on the joint venture stainless steel project with Highveld Steel is expected by financial year-end Meanwhile, capital spending has been cut to essential items and is forecast at slightly more than R200m for the year.

The directors are forecasting full-year profits exceeding the annualised R453,7m attributable figure for the last 15-month period, but say the group will be pressed to maintain the annualised EPS. With the share capital increased to 167 345 (149 845) shares, that suggests earnings of 280c-300c.

Since release of the results last week, the share price has remained at R19, down 24% on the 12-month high of R25 set last September.

Andrew McNulty

Channel Mining posts a poor set of results

Bday 8/5/90 (189)

BRENT MELVILLE

DCM-LISTED Channel Mining has posted disastrous results for the six months to December. This follows its acquisition of a majority holding in Steelchrome and the subsequent cancellation of an agreement to sell it to Pinnacle Holdings.

A net loss of R1,0m (+R443 600) was recorded, translating to a loss of 1,7c (+0,8c) a share, not taking into account 7,5-million new Channel ordinary shares in issue after the purchase of the additional 25,4% in Steelchrome.

FERROCHROME FM 9/3/90

Market paradox (189)

Local ferrochrome producers are sighing with relief as world demand for the steel alloy tumbles and prices continue to soften This is despite the fact that most producers are raising capacity while newcomers are starting to commission new facilities

The apparent paradox is easily explained Last year, plants were run full out to cope with demand and normal maintenance had to be deferred Now stainless steel makers round the world are cutting output and ferrochrome inventories and local chrome makers can close furnaces for maintenance

Early last year, SA's ferrochrome producers were selling the alloy for US80c/lb or more, as panicky steel makers scrambled for deliveries Tumbling nickel prices have led to pared stainless steel prices and forced steel makers into cutting inventories of raw materials SA's producers are selling ferrochrome at US53c/lb in Europe and about 54,5c/lb in the US

As the second quarter price negotiating round looms, prices seem still under pressure According to *Metals Week*, bulk ferrochrome is available at 46c-47,5c in the US Though that might be for poor grade Turkish or Albanian material, it is a benchmark US steel makers could use when negotiating deliveries from SA

Tumbling prices are not all bad In recent months, one Swedish ferrochrome plant has been closed, ironically because sanctions prevented purchases of cheap SA chrome ore, and a Norwegian facility is slated for closure. These have raised the bleat among hard-pressed US producers that SA operators are depressing prices to force competitors to close

"Not true," says CMI's Barry Davison "SA has only 40% of the world market and prices find their own levels " Presumably, if SA was trying to force competitors into bankruptcy, low-cost producers here would be pushing alloy on to the market to drive prices below competitors' break-even levels That is not so

Paddy Probert, of Middelburg Steel, reckons ferrochrome supply will reach 3 Mt this year against 2,75 Mt in 1989, but that a 10% drop in Western stainless steel demand will cut demand for ferrochrome to about 2,4 Mt from last year's 2,65 Mt A poll of local ferrochrome makers indicates that, if anything, production will be restrained

CMI is bringing a new furnace on stream to lift annual capacity to between 200 000 t and 210 000 t (150 000 t-160 000 t) Its start-up will permit phased closure of the other two for maintenance and Davison reckons CMI's annual output rate will not exceed 150 000 t for the next four months

Samancor has added furnaces at Tubatse, which lift annual capacity to 620 000 t from 560 000 t, but phased maintenance closures at Tubatse and Ferrometals facilities will leave production at a 450 000 t rate for several months, says marketing manager Pieter du Plooy Middelburg is due to test a new R260m direct reduction furnace in June but expects to take other, less-efficient furnaces out when the new one is commissioned

Chromecorp Technology is another CE John Vorster says a third furnace is being commissioned, which will lift total capacity to 200 000 t (120 000 t), but commissioning will be accompanied by closure of a furnace for maintenance Vorster believes lower output arising from closures will help support export prices He hopes first-quarter prices can be maintained into the second quarter, though European markets are difficult given ready availability of comparatively cheap stainless steel scrap

Newcomer Purity Minerals will bring two new 50 000 t a year chrome smelters on stream in May and June It has a marketing deal with an Austrian distributor and expects no difficulty selling all it can produce

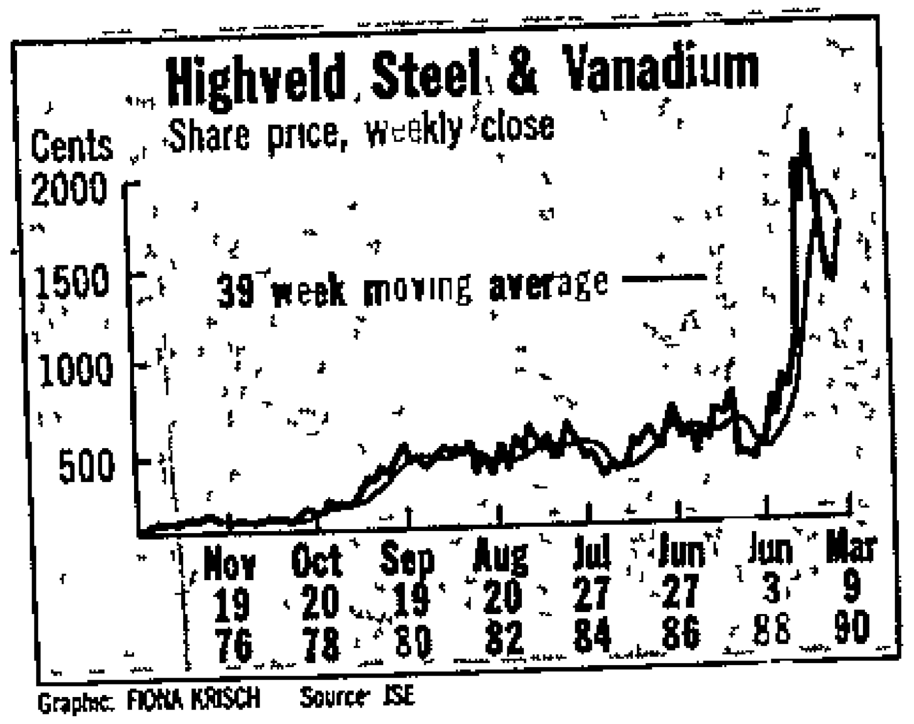
US metals traders are not convinced They believe SA producers will not prolong maintenance closures and that once existing capacity is restored SA material will flood on to the market at any price *Jim Jones*

UNIT TRUSTS

Record results hard to repeat, Highveld Steel warns

189

Bday 12/3/90



Graphic: FIONA KRISCH Source: JSE

HIGHVELD Steel and Vanadium enjoyed a record performance during 1989, but the directors are warning shareholders that it will be difficult to match these figures in the current year

In the group's latest annual report, Highveld points to the forecast by the International Iron and Steel Institute that world apparent steel consumption is expected to decline by 1% in 1990, from the previous year

If this prediction proves accurate, then steel consumption for the current year would equal 1988 levels

STEPHEN RICHTER

Volumes should, therefore, remain at reasonable levels as 1988 was the second best year on record But this situation will cause US dollar prices of steel and ferro-alloys to soften further on international markets.

There has been a noteable uptrend in world apparent steel consumption

Earnings during 1988 more than doubled to 170,6c a share (80,1c), while the dividend rose to 57c (30c) In 1989, earnings jumped to 450c, while the dividend rose to 130c a share.

During this three-year period dividend cover has been raised from 2,67 times to 3,46.

The latest dividend consisted of a normal payout of 70c, and a 60c extraordinary payment.

The demand for vanadium reached extraordinary levels last year as consumers of this product embarked on heavy buying programmes which were in excess of consumption

This resulted in excess inventories being accumulated by both converters and consumers of vanadium during the middle of the year. A downturn in vanadium prices followed

The group is in a very strong financial position at year-end with cash on hand and on deposit leaping to R325m (R21m) There is virtually no debt to speak of and consequently interest income soared to R38,7m (R6,8m)

Trevor Jones, who will take over the position of MD from John Hall on March 31, says it is unlikely the extraordinary dividend payments will continue because of the market situation

HIGHVELD STEEL & VANADIUM FM 16/3/90

After the party

(189)

Activities: *Produces steel, vanadium products, ferro-alloys, carbonaceous products and metal containers and products*
Control: *Amic 51,8%*
Chairman: *L Boyd, MD T Jones*
Capital structure: *71m ords, 911 711 'S' ords Market capitalisation R1,19bn*
Share market: *Price 1 680c Yields 7,7% on dividend, 26,8% on earnings, PE ratio, 3,7, cover, 3,5 12-month high, 2 230c, low, 1 330c Trading volume last quarter, 1,4m shares*

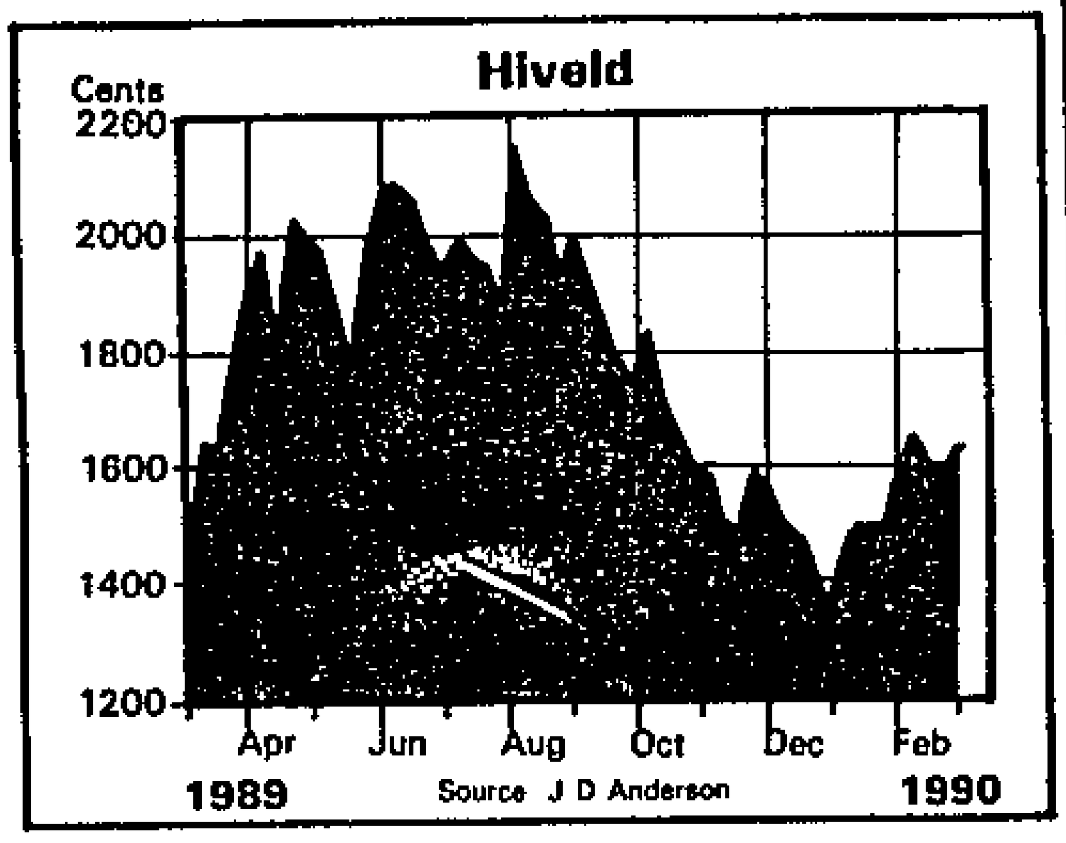
Year to Dec 31	**'86**	**'87**	**'88**	**'89**
ST debt (Rm)	31,6	10,3	25,2	6,1
LT debt (Rm)	150	—	—	—
Debt equity ratio	0,60	0,69	0,01	n/a
Shareholders interest	0,39	0,36	46,3	43,0
Int & leasing cover	3,8	8,0	13,1	n/a
Debt cover	0,74	10,4	10,5	68,3
Return on cap (%)	14,1	10,9	23,6	34,8
Turnover (Rm)	816	850	1 189	1 614
Pre-int profit (Rm)	133,3	103,7	243,1	534,4
Pre-int margin (%)	16,3	12,2	20,4	33,1
Taxed profit (Rm)	60,1	56,8	121,6	322,4
Earnings (c)	85,0	80,1	170,6	450,0
Dividends (c)	30,0	30,0	57,0	130,0
Net worth (c)	436,2	486,4	596,8	916,5

The 1988-1989 commodities boom has left Hiveld with earnings and dividends at record levels. The group also holds a net cash balance of R319m in readiness for the expected joint venture stainless steel project with Samancor.

Profits were driven last year by an upswing in demand for both steel and vanadium, and the ferro-alloys and Rheem divisions Chairman Leslie Boyd says the upward trend in total world apparent steel consumption in 1987 and 1988 continued in the 1989 year and the estimate for the year of 791 Mt is about 9 Mt higher than the 1988 record

Though there was a fall-off in some countries, notably the US, Canada and a number in Latin America, growth elsewhere more than compensated It was only in the last quarter that downward pressure on steel export prices became evident

Domestic consumption of long products fell but the supply of flat products remained



Hiveld's Boyd ... significantly lower earnings expected

tight The net result was that support from established export customers, and the firm foundation in the local market, enabled Hiveld to continue operating at optimal capacity in the rolling mills and in the iron and steel plants, with both iron and steel production exceeding 1 Mt.

Vanadium demand lifted off when consumers embarked on heavy buying programmes in excess of consumption, and prices were pushed to unprecedented levels In the second quarter Hiveld introduced a surcharge on the basic quoted vanadium pentoxide price Once it became apparent that costly, excess inventories had been built up by both converters and consumers, a process of destocking started, prices tumbled and the surcharge was eliminated by the fourth quarter

By year-end it was clear that the party was over Even though overall consumption remained high both primary producers and intermediate processors of vanadium saw sales drop sharply in the second half A number of producers, including Hiveld, have cut output. The group's new rotary kiln, commissioned in the Vantra division at the end of the year, will provide lower-cost pentoxide and the roasters taken off-line in the second half of 1989 will be held in reserve to meet exceptional demand

The pattern was similar in the ferro-alloys division Ferrosilicon prices in overseas markets peaked in the first quarter of 1989, then dropped sharply through the remaining three quarters

Boyd says that the International Iron and Steel Institute is forecasting a 1% decrease in world apparent steel consumption in 1990, to the same level as 1988 This will have an adverse impact on $US prices of steel and ferro-alloys in international markets but volumes should remain at "reasonable" levels. For the SA economy, slower growth but a soft landing can be expected for 1990

He believes that recent political developments will not only have a positive effect on the economy but should also lead ultimately to the lifting of sanctions and re-opening of Hiveld's steel markets in North America and the EEC In the short-term, however, the result could be a stabilising effect on the rand, which would curb the group's export earnings

Overall, the forecast is for 1990 earnings "significantly lower" than the extraordinary results of last year, but an improvement on the 1988 performance is expected — though that leaves a wide range after last year's 165% EPS advance Taking a middle line between the two years' earnings places the share on a prospective p e of 5,4 times

Investors should assume there is little prospect that the extraordinary dividend of 60c will be repeated this year Given the market uncertainties, the share looks fully priced on the 4,2% yield, based on the 1990 normal payout of 70c *Andrew McNulty*

HAGGIE FM 16/3/90

Sluggish demand

Activities: *Steel rod conversion, non-ferrous metals and light engineering*
Control: *Malbak and Amic each have 36%.*
Chairman: *G S Thomas, MD J Feek*
Capital structure: *19,5m ords Market capitalisation R583m*
Share market: *Price 2 990c Yields 5,2% on dividend, 13,6% on earnings, PE ratio, 7,4; cover, 2,6 12-month high, 3 100c, low, 2 200c Trading volume last quarter, 117 000 shares*

Year to Dec 31	**'86**	**'87**	**'88**	**'89**
ST debt (Rm)	19,6	26 1	76	108,3
LT debt (Rm)	13,8	10,4	3,5	5,6
Debt equity ratio	0,12	0,16	0,22	0,26
Shareholders' Interest	0,64	0,66	0,70	0,71
Int & leasing cover	18 3	157,6	44	12,1
Return on cap (%)	18,5	22,3	22,9	25,3
Turnover (Rm)	707	794	875	1 180
Pre-int profit (Rm)	93,8	116	116	150,2
Pre-int margin (%)	13 1	14,5	13,2	12,7
Earnings (c)	237,4	285 4	320	406
Dividends (c)	95	114	128	157
Net worth (c)	1 302	1 488	1 684	1 938

Haggie has successfully sidestepped the effect of US sanctions and diversified its export markets to more than 60 countries According to group MD John Feek, exports

Cape Times 8/1/90

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Steel industry expects 2% growth

Own Correspondent

JOHANNESBURG — The steel industry is expecting a turnover of around R49bn for 1990 which in real terms would be a 2% increase in the value of production volumes compared with 1989, industry sources said on Friday.

Steel Engineering Industries Federation of SA (Seifsa) economist Michael MacDonald said though the increase would probably be higher than the general economy, a marginal downturn would be evident in the industry due to governments efforts to keep the balance of payments (BoP) in check.

He said in an interview, particular sectors in the metals industry which would feel the downward trend was the automotive engineering and components industries, light engineering and the electrical industries.

The heavy engineering sector was expected to do well and would continue to be supported by the the Mossgas project.

But, he added, the secondary market would also benefit from the project.

The changed management style of Sats, which previously bought its equipment in splurges, would also ensure a steady market for the industry.

Exports were expected to remain strong in 1990, but it was early days yet for the export of value-added products.

Finished products could not be profitably manufactured because labour productivity was too low, he said.

Political uncertainty together with threats of more sanctions made forward planning, particularly for export-orientated industrialists, difficult, said Seifsa director Brian Angus.

However, the most important difficulty faced by the industry over and above sanctions and the economic downturn would be labour productivity and the manpower shortage, he said.

The difficulty lay in finding workers for senior and managerial jobs.

Large groups had their own training courses, but over 50% of Seifsa's members were companies which employed less than 20 employees.

It cost an employer between R15 000 and R16 000 to train an apprentice.

The root of the problem lay in poor secondary education and people who had never been given an opportunity to better themselves, said Angus.

However, Seifsa experienced a slow but steady increase of apprentices in the past year, and the Seifsa's levy grant system, which spread the cost of training among all its members, would add further impetus to this increase, he added.

Steel industry set for R49bn turnover

BDay. EDWARD WEST (189)

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He said sectors in the metals industry that would feel the downward trend included the automotive engineering and components industries, light engineering and the electrical industries 8/1/90

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☐ To Page 2

Steel industry

(189) ☐ From Page 1

particularly for export-orientated industrialists difficult BDay 8/1/90

However, the single most important difficulty faced by the industry over and above sanctions and the economic downturn would be labour productivity and the manpower shortage, he said

The difficulty lay in finding workers for senior and managerial jobs Large groups like Dorbyl and Iscor had their own training courses but more than 50% of Seifsa s members were companies that employed fewer than 20 employees

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Part of the problem lay in poor secondary education said Angus

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BD 8/1/90

Staalchem sale knocks confidence

BRENT MELVILLE

THE sale of Staalchem's steel division, the terms of which were announced last week, has apparently knocked any market confidence the share might have enjoyed since it peaked at 50c last June

Analysts feel the historical p.e rating of 2,3, at which the current 12-month low of 28c has placed the share, is closer to its true market value "The share has been artificially elevated by speculation," says one

Staalchem is shedding its steel division to ex-MD Kobus du Toit for R9,9m Shares in it were disposed of for R855 000 The balance covered claims against subsidiaries

Du Toit will move division subsidiaries Hyperdek, Staalchem Import & Export and Stricker Holdings to Vanderbijlpark. He is also taking Staalchem financial director Piet Venter and company secretary Martin Loubser with him

Du Toit refused further comment on terms of the deal

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Contributed

Staalchem acting MD Frank da Serra said the group had decided to sell the division because it was not providing adequate return on investment, and that the group would concentrate on its core agricultural/chemical activities

During the last financial year the steel arm had contributed 44% to turnover (R74,9m) — but only 20% to net profits (R2m), he said

Speculation that the group would be delisted was "nonsense".

Earlier last year diversified industrial holding group Farm-ag sold its agricultural/chemical division and subsidiary Agroserve to Staalchem

The end result was a 35% holding in Staalchem. Underwriting Staalchem's subsequent R4m rights offer — at 45c a share — left Farm-ag with 53% A Farm-ag spokesman said recent developments would leave Farm-ag with more than 77% of Staalchem

B/Day 6/2/90

Joint VRN MD Nicholls to sell stake

189

BRENT MELVILLE

JOINT MD of Van Reenen & Nicholls (VRN) Patrick Nicholls is to sell his interest in the East Rand-based specialist steel merchant

And it seems likely that unlisted steel giant Macsteel is to become joint controlling shareholder with VRN co-founder John van Reenen, who will become sole CE.

While details were sketchy yesterday industry sources say it is likely Macsteel will end up with a 50% holding, with Van Reenen upping his stake to 50% At present Van Reenen and Nicholls control 70% of VRN, management 10% and Reichman's 20%.

Sources believe Macsteel would insist on purchasing management's 10% holding, partnering Reichman in a 50% shareholding Van Reenen yesterday refused to divulge details of the acquisition but said Macsteel would make the "ideal partner"

"VRN provides a ready-made cut-to-size division for Macsteel, while our group would derive the obvious benefits of more competitive pricing and a greater buying power," he said

Van Reenen said he and Macsteel chairman Eric Samson, a long-time friend, had discussed getting together if the opportunity ever presented itself

Biggest

Samson was unavailable for comment last night.

"Although Nicholls has sold his shares, he will still be around on a part-time basis and retains an option to buy back in, should his health improve to the extent that he is able to become 100% involved once more," said Van Reenen

VRN was founded by Van Reenen, a chartered accountant, and steel marketer Nicholls in 1977 It operates what is believed to be the biggest cut-to-size steel plant in the world and turnover is expected to exceed R400m this year.

Macsteel is the largest family-owned corporation in SA and has turnover rumoured to be in the vicinity of R4-5bn

It is also understood the Wadeville-based group has considerable foreign interests.

Last year it purchased two of its competitors, Cape-based UME and struggling DCM steel group Wedge.

UME was subsequently delisted and Wedge left as a cash shell with Samson adamant that JSE-listed subsidiaries did not make useful bedfellows.

An announcement would be made this week, a VRN spokesman said yesterday

STAR (189) 17/2/90

Cost of stainless steel plant put at R2-bn

By Sven Lunsche

The joint stainless steel plant project of Highveld Steel & Vanadium and Samancor could cost as much as R2 billion, says Highveld chairman Leslie Boyd

Presenting Highveld's results for financial 1989 yesterday, Mr Boyd said a final decision on the project would be made towards the middle of the year

The decision was not so much on whether to go ahead with the project, but rather to resolve what processes the plant would incorporate and to finalise financial details, he said

The initial cost estimate was in the region of R1 billion, but the project could cost as much as R2 billion

He confirmed that a foreign investor, thought to be the Taiwanese group, Chun Yuan Steel, was still considering participation

No final decision had yet been made on the location of the plant, but Mr Boyd said the companies were looking at sites near Witbank and in the coastal regions

Burgeoning prices for most of Highveld's products lifted the contribution of exports to earnings to over 60 percent last year

Earnings per share soared from 170,6c in 1988 to 450c last year and attributable profit by 165 percent to R322,44 million

An extraordinary final dividend of 40c has been declared

Combined with a final dividend of 40c, it lifts the total payout for the year to 130c (57c)

Mr Boyd said turnover, up 35,3 percent to R1,61 billion (R1,19 billion), and profits were at their highest-ever levels

Every division had performed well, with record profits in all areas Cash inflow had resulted in cash on hand of R319 million at the end of 1989 (borrowing of R54 million at the end of 1988)

The outlook for the current year was less favourable and Mr Boyd expected a decline in profits 'A one percent decrease in world steel consumption is forecast for 1990 This will have an adverse affect on prices of steel and ferro-alloys, but volumes should stay at reasonable levels"

He said that in the longer term a possible lifting of sanctions in the wake of President FW de Klerk's reform moves could ultimately lead to the reopening of Highveld's steel markets in North America and the EC

The vanadium division had experienced record prices in the early part of 1989, but stock reduction by customers had led to a significant reduction in sales in the second half, necessitating production cut-backs.

MD John Hall added there was no reason why vanadium prices should not rise again over the remainder of the year as consumption increased, but he added that a number of new sources of vanadium supply were currently being developed worldwide.

Highveld Steel a major contributor to Amic earnings

CAPE TIMES 9/3/90

By ARI JACOBSON

ANGLO AMERICAN INDUSTRIAL CORPORATION (Amic) notched up a 26% increase in attributable earnings to R653m (R517m) for the year end-December with a major contribution from its subsidiary Highfield Steel

This translated into earnings a share of 1 211c (963c) with total dividends for the year jumping 21% to 350c (290c) a share — covered 3,5 (3,3) times by earnings

Amic's chairman Graham Boustred, said in his annual statement, an extremely buoyant first half led up to a slowing in earnings growth towards the year end

"This reflected subdued demand in the local market, and lower commodity prices in world markets, although the latter were offset by the weakening of the rand/dollar exchange rate"

● Highveld Steel was a major contributor to the group's improved performance Attributable earnings increased by 165% to R322m, equivalent to 450c a share

These results were brought about by high levels of output for all Highveld's products and by exceptionally favourable prices realised for steel and ferro-alloy products, particularly vanadium

● Scaw Metals' earnings for the year increased by 24% from R62m to R77m These earnings were supplemented by a commendable performance by Haggie, in which Scaw has a 35,3% stake

● Weaker demand for paper and timber products locally and softening world prices for pulp and paper towards year-end saw Mondi Paper's operating earnings increase at a lower rate than last year Mondi's attributable earnings increased from R162m to R163m

● Boart International experienced a severe downturn in demand for its exploratory drilling equipment and services brought about by substantial reductions in prospecting activities

As a result, attributable earnings fell from R97m to R87m

● AECI increased earnings by 23% from R255m to R314m with the group experiencing a firm demand in most divisions and a substantial increase in exports

Construction of the R920m Sua Pan soda ash plant in Botswana has commenced and is scheduled for completion in early 1991

● In its year to March 1989, the Tongaat group increased earnings by 32% to R157m The group has forecast earnings of R176m to March

Substantial development programmes are under way at core businesses in the Amic group particularly at Mondi, Highveld and Scaw

In spite of high levels of capital expenditure the debt equity ratio of the group was reduced to 20% (25%)

The initiatives undertaken by the State President and the political process which is now underway will hopefully result in the normalisation of SA's relationships with its overseas trading partners, says Boustred

"While it is not possible to forecast when sanctions will be lifted, once Amic's exporting companies are able to trade freely throughout the world, particularly in North America and Europe, the group should benefit significantly"

Strike action stops smelting

Cape Times 27/3/90

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Staff Reporter

TENS of thousands of rands' worth of damage was caused at the Cape Foundries metalworking plant in Paarden Eiland on Friday when the workers walked out on a legal strike in the middle of the production process.

Mr Brian Williams, spokesman for the Nactu-affiliated Metal and Electrical Workers' Union of SA (Mewusa), said workers had not finished the production run they had been busy with.

"It is a smelting process which would not normally be stopped in midstream," he said. He believed it would take some time to get the plant going again even after the strike was settled.

New spurt of interest boosts CMI shares

B Day 22/3/90

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THE reduced demand for ferrochrome has been responsible for the recent poor performance of Consolidated Metallurgical Industries (CMI) on the JSE

In the past two trading sessions, the share has snapped back to gain 10,1% or 115c to close yesterday at 1 250c. This turnaround came after the share had fallen to its 12-month low of 1 100c on March 12.

Investor interest in CMI appears to have been sparked by this week's announcement that Samancor and Highveld Steel have signed a letter of intent to establish a R1bn cold rolled stainless steel plant in Taiwan and a R2bn hot-rolled plant in SA.

CMI's share price has been under pressure following the release of its interim figures for the six months ended December 1989. The group is affected by the reduction in demand for ferrochrome due to the slowdown in the international stainless steel market. Consequently, the directors have informed shareholders that attributable income for the financial year ending June 30 1990 will not match that achieved in the previous financial year.

ANALYSIS
STEPHEN RICHTER

But the Samancor/Highveld Steel joint announcement seems to have put new life in the share since the majority of CMI's output, which consists exclusively of ferrochrome, is used in the production of stainless steel. However, that does not change the fact that the near-term outlook for the group remains unencouraging.

JCI holds a significant stake in CMI, and Allan Kuhnert, who is JCI's senior marketing manager for base metals and ferrochrome, questions if the joint venture will have a positive impact on CMI in the future

Samancor has not indicated whether it intends building a dedicated ferrochrome facility to satisfy the needs of the new stainless steel plant or if Samancor will supply ferrochrome

In the case of a new dedicated ferrochrome facility, Kuhnert sees no benefit accruing to CMI. But if Samancor decided to supply ferrochrome out of its own production, he speculates CMI could benefit since Samancor would have to abandon some of its export customers, leaving the door open for CMI.

... are required to declare "any payments or material benefits or advantages received from or on behalf of foreign governments, organisations or persons".

Metalworkers back at work

CAPE TIMES 5/4/90

Labour Reporter

NEARLY 130 metalworkers at a Paarden Eiland plant who had been on strike for more than three weeks, returned to work yesterday.

The company, Cape Foundries, will negotiate wages and working conditions at plant level, following the agreement reached this week between Cape Foundries management and the Metal and Electrical Workers' Union of SA.

Cape Foundries has also agreed to pay a R3 000 death benefit and has negotiated a health and safety agreement with the union.

CAPE TIMES 5/4/90

Picket: Popcru members held

EAST LONDON. — About 80 people, many of them members of the Police and Prisons Civil Rights Union (Popcru), were arrested in the city centre here yesterday.

According to an official of Popcru, those arrested were students from various coloured schools in East London and Popcru members who had been picketing.

A senior Border police spokesman confirmed the arrests, but said he could not say when those held would appear in court. — Sapa

WIt Arg (a) 7/4/90

BUSINESS

Metal workers reject offer

By DICK USHER
Business Staff

ANNUAL wage talks in the metal and engineering industries reached the second round with unions rejecting employer offers of wage increases ranging from 10 percent to 12,9 percent

The talks involve about 15 unions representing about 350 000 employees and employer associations representing about 9 000 firms

At the talks on Wednesday employers responded to trade union demands made at the first meeting on March 22. They proposed across-the-board increases of 46c an hour for labourers and 83c an hour for artisans, which would raise minimum wage rates in the industry to R4,02 an hour and R9,14 an hour respectively.

Employers also offered to grant apprentices guaranteed minimum increases, an agreement in principle to increased living out allowances, and agreement to continue regarding June 16 as a paid holiday

According to a statement from the Steel and Engineering Industries Federation of South Africa (Seifsa), the unions indicated that the employer offer was not acceptable.

The next round of negotiations was set for April 26

R120 million mill nears completion

Star 11/4/90 (189)

Finance Staff

A joint venture between steel giant Iscor and engineering group Dorbyl — a R120 million seamless tube mill — will be completed later this month and could save South Africa up to R50 million in foreign exchange per annum.

The mill is owned and operated by Tosa Seamless Tubes, in which Dorbyl has a 60 percent stake and Iscor 40 percent, and is located at Tosa's existing works in Vereeniging.

Iscor is the mill's main supplier of feedstock, in the form of 100mm to 160mm diameter steel billets, allowing the mill to produce seamless tube and pipe at an initial capacity of 60 000 tons a year.

The decision to build the plant was taken two years ago, but building only started at the end of last year. State President FW de Klerk will officially open the mill.

New R120m seamless tube mill to open

BRENT MELVILLE

A JOINT decision by Dorbyl and Iscor boards two years ago is to have a sequel later this month when President F W de Klerk unveils a R120m seamless tube mill BDay 11/4/90 (189)

The mill is expected to save SA at least R50m a year in foreign exchange

Dorbyl and Iscor, with 60% and 40% holdings respectively, are running the venture under Tosa Seamless Tubes.

Iscor will be the mill's main supplier of feedstock in the form of 100mm to 160mm-diameter steel billets

Capable of producing seamless tube and pipe to a wide range of international specifications, the Vereeniging-located mill will have an initial capacity of 60 000 tons a year

"Seamless tube has special applications in areas where thick wall tubes for high pressure applications and high strength steels for structural applications are required," a Tosa spokesman said

Usko looking sluggish

16/4/90

Bottom line

MICHAEL MENOF

In 1998 Union Steel officially changed its name to Usko.

With the conversion of its A and B preference shares to ordinary shares, Iscor is no longer the holding company.

Usko is now jointly controlled by Iscor and Metkor and will continue to be managed on an equal-partnership basis by both.

Despite increasing turnover 25 percent, net income declined 15 percent.

The income statement only looks respectable thanks to huge past tax losses resulting in no tax payable At end-September 1989, R37,4 million in assessed losses could be carried forward.

More disturbing is that debt of R55 million a year earlier has trebled to R160 million.

This has caused net interest expense to double, making it now less than three times covered by income.

The unfavourable decrease in profitability is mainly attributable to the exceptional price increases of raw materials used for the manufacture of Usko's main products, says chairman FP Kotzee.

Large increase in the prices of steel scrap, copper, aluminium and alloys could not be fully recovered in product prices, he says

Does this mean that management was fast asleep or that something was wrong with costing.

With sales of more than R0,5 billion, but attributable earnings only 3,66 percent of it and no tax to contend with, (the effective tax rate would be 50 percent), something is not quite right.

Looking back on the five-year review period, Usko was showing an improving bottom line trend

The losses of 1985 and 1986 were replaced by increasing profits in 1987 and 1988, but 1989 has spoilt it.

Perhaps the sluggish performance is due to the directors' lack of commitment — they hold only 100 shares (1988: 5 000 shares) out of the nearly 30 million ordinary shares in issue

If management had a decent piece of the action, would it be better motivated?

Turnover increased to R543,8 million (1988: R434,9 million), but operating income hardly changed at R48,2 million (1988. R47,2 million).

Income from investments increased to R4,2 million (1988. R3,1 million) Depreciation of fixed assets was the same in both years at R10 million, but net interest expense doubled to R14,9 million (1988: 7,3 million).

The extraordinary loss of R1,04 million was due to start-up costs of the special metals division

After preference dividends of R5,7 million (1988· R5,6 million), income attributable to ordinary shareholders was R19,9 million (1988· R26,9 million).

Earnings per share declined to 73,06c (1988. 90,55c), but the annual dividend was an unchanged 13c.

Steel sales increased to R295,4 million (1988 R249,3 million), the steel division operating profitably, says Mr Kotzee.

Increased raw material prices for commodities such as scrap and alloys, as well as an unfavourable sales mix had a negative effect on the division's profitability

The shipments of export billets increased substantially and helped increase plant utilisation.

Non-ferrous sales increased to R249,3 million (1988: R185,6 million) and realised satisfactory income

The special metals division begun in 1989, mainly for the production of vanadium pentoxide flakes, had a R1,84 million deficit

The income contribution and comparatives for both years would have been useful for investors. Usko employs only 3 871 people today, compared with 4 225 in 1988, so where are the new jobs?

Magnetite ore will be supplied to Usko under a supply agreement with Rhovan in which the group hasacquired a 20 percent indirect holding for R5,28 million.

Capex was R10,6 million at September 1989 and is expected to decline in 1990

Total shareholders' funds declined to R155,8 million (1988: R169,8 million) at end-September 1989 due to R30 million preference shares being repaid.

Debt of R160 million should decline marginally when Usko is repaid its R26 million losses deposit utilised for the financing of the direct reduction plant

Current assets rose significantly to R253,5 million (1988 R165,4 million), with stock at R133,7 million (1988· R82 million)

Funds on deposit were R34,2 million (1988. R10,1 million). Overall working capital increased to R105 million (1988: R88 million), with the illiquid position compounded by rising year-end stocks

With a net worth per ordinary share of R4,55 at end-September 1989 and a current JSE price of around R2,80, investor confidence is lacking

Sales of non-ferrous products are expected to be lower Sales of vanadium pentoxide will start in 1990 and are expected to boost the bottom line.

Overall profit for 1990 will not differ materially from 1989, says Mr Kotzee

It is puzzling that Usko should perform so sluggishly in a resource-rich country such as SA

It needs to wake up and aggressively make things happen.

Metal employers increase wage offer

WIL-AFRIW 28/4/90 189

Business Staff

EMPLOYERS slightly increased their wage offer at the third round of talks with unions for a new agreement in the engineering and metal industries this week

The new offers range from 11,5 to 15,7 percent, amounting to 51c an hour for labourers and 96c an hour for artisans, according to a statement from the Steel and Engineering Industries Federation (Seifsa)

Employers also offered to increase living-out allowances by between 44 and 72,4 percent

They also agreed in principle to union demands that the scope of the main agreement be extended, if legally possible, to cover all areas in South Africa, including independent and self-governing areas

Extensive discussions focussed on employer proposals for the exclusion or exemption of small businesses from the agreement

Metal bosses push up pay offer to workers

Star 30/4/90 189

By Drew Forrest

The giant Steel and Engineering Industries Federation (Seifsa) raised its wage offer by 1,5 percent in the third round of annual pay negotiations, which will affect 380 000 metalworkers

The offer now stands at between 11,5 and 15,7 percent — which means an hourly rate of R4,07 for labourers and R9,27 for artisans

The largest union which is party to the metal industrial council, the National Union of Metalworkers, has demanded a R5,50 minimum for unskilled workers and an across-the-board rise of R2.

Seifsa said in a statement that further employer concessions included an agreement in principle to extend the wage deal to all parts of South Africa, including the homelands, "if legally possible"

This is subject to provisos that the extension be phased in over a period, and that small businesses were excluded

Employers also offered to increase living-out allowance by between 44 and 72,4 percent

Seifsa said much of last week's negotiations focused on the proposal that small businesses — possibly defined as having eight or fewer employees — be excluded from the wage agreement Employers indicated that the success of the talks might depend on a positive response to the proposal

The next round of talks is on May 10

Employment Act changes hailed

Star 30/4/90

Labour Reporter

The employer body Saccola has welcomed Government moves to regulate the basic employment conditions of farmworkers and has urged the participation of employers and unions in the framing of new law

Last Friday, Manpower Minister Mr Eli Louw announced in Parliament that following extensive discussion with the SA Agricultural Union and parliamentary representatives of farmworkers, the Basic Conditions of Employment Act and the Unemployment Insurance Act would be amended next year to apply to farming

The particular circumstances of agriculture would be taken into account in adjusting the laws and all interested parties would be consulted

Mr Louw also said that he had asked the National Manpower Commission to probe and make recommendations on the extension of the Labour Relations Act and the Wage Act to farming

The NMC would also be asked to investigate "whether the rights of domestic workers should be protected in legislation and if so, in what form"

The "unique circumstances" of these employees called for special consideration, he said

Welcoming the moves, Saccola chairman Mr Bobby Godsell stressed that the involvement of the SAAU and unions was vital if new legislation was to meet the needs of all parties

On the Labour Relations Act, SAAU president Mr Nico Kotze stressed that the NMC was investigating a separate legal dispensation for dispute-settlement in agriculture

He warned that the Wage Act — which provides for the setting of minimum wages — could have serious financial implications for farming

Tighter markets trim RIH's growth

Star 9/5/90

(189)

By Magnus Heystek, Finance Editor

The steel industry is normally ~~an~~ accurate barometer of economic prospects That the widely forecast soft-landing is now a reality is apparent from the half-year results for Robor Industrial Holdings (RIH), a steel trading company in the Barlow-fold

Turnover for the period to end-March was up by 17 percent to R402,7 million compared with the same period a year ago Operating profit before interest rose by a slightly better margin of 20 percent from R24,6 million to R29,6 million

The sharp rise in the interest bill, up 132 percent from R1,9 million to R4,4 million, together with a slightly higher tax bill, kept the increase in attributable earnings down to a more pedestrian 15 percent, up from R19,4 million to R22,3 million

Clearly, as an indication of even tougher conditions, the interim dividend has been held at 19c per share

Mr Mike Gahagan, managing director of RIH, said yesterday that it must be borne in mind that these results come off a high performance base

"Considering that the group achieved an average annual compound growth rate of 38 percent per annum since its listing six years ago, the 15 percent growth achieved over the six months to end-June is satisfactory in the prevailing economic and socio-political climate inside and outside South Africa

"In view of the worldwide de cline in steel and stainless steel prices, both the domestic and export markets help up well during the first half of the year Labour strikes at the harbours, however, caused significant backlogs in export shipments," he said

Mr Gahagan added that the decline in international metal prices and the resulting increase in competition has been sharper and more prolonged than expected Both steel export and domestic stainless steel margins were affected adversely Prices seem to have stabilised, he indicated

The steel industry is always among the laggards when entering a recesssionary period Much of the sector's business is attributable to capital projects which started declining during the period under review

RIH claims that its concerted corporate producitvity drive is largely the reason for the widening of operating margins, which rose from 7,1 percent to 7,4 percent over the reporting period Further improvements are widely forecast

Interest costs increased as a result of higher interest rates, capital expenditure programmes and increased stockholding during the period Working capital, however, remains well-controlled enabling a reduction in borrowings and the debt-ratio since year-end

Focusing on prospects, Mr Gahagan expects a further deterioration in demand in the second half, but earnings are expected to marginally exceed those of last year

On yesterday's closing price of 850c a share RIH is offering investors an 18,6 percent earnings yield and a 7,3 percent dividend yield This compares with the engineering sector's averages of 15,8 percent and 5,7 percent.

B/Day 9/5/90

Vansa plunge on oversupply of vanadium

(189)

RIAAN SMIT

VANSA Vanadium's interim earnings plunged to 3,3c a share from 23,8c for the corresponding period last year, reflecting over-supplied world markets and lower dollar prices

The group did not declare an interim dividend for the six months ended March 31nor did it do so in the corresponding period last year

Sales volumes of its chrome operations, on the local and export markets, were significantly down due to high stockholding of stainless steel and ferrochrome throughout the world, directors said yesterday

Similarly, vanadium pentoxide prices were well below last year's levels as a result of final consumers' excessive stocks

The increase in the price of vanadium pentoxide to $4,20 a pound for the second quarter of this calender year showed an improvement in demand, but market conditions remain uncertain, directors said

They also did not see rising demand for chrome ore in the near future

Vansa's Winterveld chrome operation was to construct a R4m metallurgical plant to recover platinum group metal concentrates from discard material and this revenue would only accrue in 1991

Operating profit for the six months fell from R14,7m to R3m on a 7% decline in turnover

Pre-tax profit was boosted by R1,2m from interest received and taxed profit was R1,5m compared with R13,9m for the corresponding interim period.

Robor boosts profits by 15% off high base

NEIL YORKE SMITH 189

BARLOWS subsidiary Robor Industrial Holdings (RIH) has boosted attributable profits by 15% to R22,3m for the six months to March 31, it was announced yesterday. B/Day 9/5/90

At 19c a share the interim dividend was unchanged from last year's figure

Earnings growth for the group — which manufactures and markets steel products — was generated from turnover of R402,7m, 17% up on the previous year

"It must be borne in mind that RIH's results follow a high performance base," MD Mike Gahagan said yesterday

The performance was satisfactory in the prevailing economic and socio-political climate within and without SA, he added

Domestic and export demand for steel held up well in the first half of the year but labour strikes caused backlogs in export shipments, Gahagan said

"The decline in international metal prices and the concomitant rise in competition have been sharper and more prolonged than expected," he said

Operating margins increased impressively from 7,1% to 7,4%, reflecting RIH's recent productivity drive, Gahagan said

He was optimistic that further productivity gains would be made

Sowetan 10/5/90

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A chance to take a step forward in SA's steel industry

Sowetan 10/5/90

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By THAMI MASWAI

JOHN van Reenen has an offer than can't be refused. He is calling on black entrepreneurs whose activities can be utilised by his steel company to come forward. If they have what he wants, he will offer them contracts.

"I do not believe in giving a man a contract for the sake of it, he must work hard and justify my giving it to him," he said.

The tall and medium-built Van Reenen is chairman and chief executive of Van Reenen and Nicholls, a medium-sized steel company whose profits were R400 million last year.

It is situated at the Alrode Multipark, Alberton. It has branches in Welkom, Rustenburg, Port Elizabeth, Durban, Witbank, Klerksdorp, Cape Town, East London and Pretoria.

Company

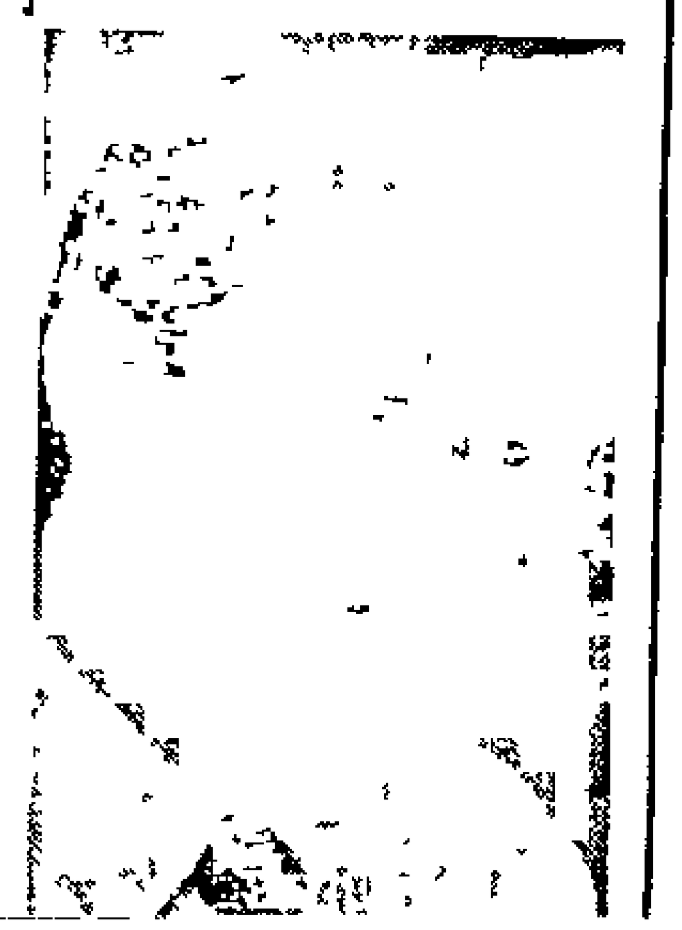
The company will spend up to R500 000 a month in business to independent black operators. These include welders, panelbeaters, mechanics, plumbers, window cleaning, and any other activity needed by a steel company.

Recently two black contractors cleaned the company's Alrode offices and carpets.

Why the interest in black business?

"I have now reached where I wanted to be and want to put something into the community. Black entrepreneurs were suppressed for too long and I must now help in their development.

"They need the breaks, and these must be provided by companies like ourselves. All of us must make the country prosper," he said.



Mr John van Reenen

Van Reenen, a 41-year-old trained accountant started his concern 12 years ago. This was after he failed in three other initiatives.

The first was a concrete company, the second in showbiz promotion and the third as a consultant.

As a showbiz promoter he brought Jimmy Smith, Lou Donaldson and Willis Jackson into the country.

Before going it alone he has also worked for three companies. He lasted three months in an electrical company, a year in a concrete company and three in one manufacturing TV sets.

"They considered my management philosophies too radical.

His steel company cuts steel for the mines and the industrialised countries.

When he started out with his partner they stocked steel, selling it to buyers needing urgent supplies.

"As it took time for orders to be delivered, we could satisfy many customers wanting emergency supplies. We later bought Amsteel and Jackson, and this increased our activities.

"With us the customer is king. We differ with many companies in that they say we produce this and that. We ask the customer what he wants and deliver it. Because of our reliability and service we got plenty of orders. It is the customer who decides how fast you can grow.

"We compete with 32 other companies. We must thus make sure we do it right," he said.

His staff understands this philosophy. To achieve this, a programme to make workers understand the workings of the business world has was introduced.

"They must understand that good customer service decides their paypackets. If more people like our service they will obviously keep buying from us and this means we grow as a company," he said.

Van Reenen, who has three children, also has interests in West Germany and the United States.

Van Reenen says a shortcoming of black businessmen is that they do not sell themselves.

"They are too shy to come forward. Even those manufacturers who long wanted to give black entrepeneurs contracts could not find them readily. I now want them to come forward and talk to my company.

"With other companies in this area also interested in giving some of their contracts to black operators, the operator may find himself kept busy seven days a week.

As many black entrepreneurs do not have the expertise in dealing with major companies, we will help as much as we can," he concluded.

All those interested must telephone Martina Henshall at 908-1540.

Frustration at slow pace of metal talks

MATTHEW CURTIN

THE fourth round of talks in annual wage negotiations for the metal industry has ended in stalemate

Spokesmen for the Steel and Engineering Industries Federation of SA (Seifsa), and the National Union of Metalworkers of SA (Numsa) said yesterday they were frustrated by the slow pace of talks

B/DAY 15/5/90

At the talks on May 10, Seifsa made no move on its April 26 offer of an increase ranging from 11,5% to 15,7% in the various wage categories

Numsa's demands stand at a R2 an hour across-the-board increase — a 56% increase on the lowest rates

Seifsa executive director Brian Angus said little progress had been made in narrowing the divide between the offer and trade union demands

Seifsa made a range of concessions, from increases in overtime rates to meeting union demands over education and training

Angus said the unions involved had made no concessions to moderate their wage demands

But Numsa national organiser Alistair Smith said Seifsa's minimum wage offer fell several points short of the annual inflation rate

Employers were not serious about addressing racial discrimination in the industry, and had back-tracked on joint plans to restructure the National Industrial Council, he said

He warned if progress continued so slowly, there was a chance of industrial action which would be discussed at Numsa's mid-June national bargaining conference

All parties agreed to hold a special meeting on May 30 to discuss peripheral matters before the next formal round of talks on June 7

Build-up in excess steel stocks

(184)

B/DAY 15/5/90

BRENT MELVILLE

THE SA steel industry is still struggling to handle excess stocks of primary steel, latest Central Statistical Service (CSS) figures indicate

The CSS report shows stocks of basic primary steel products, profile products and flat products to be up by 6,2%, 7,1% and 43,5% respectively

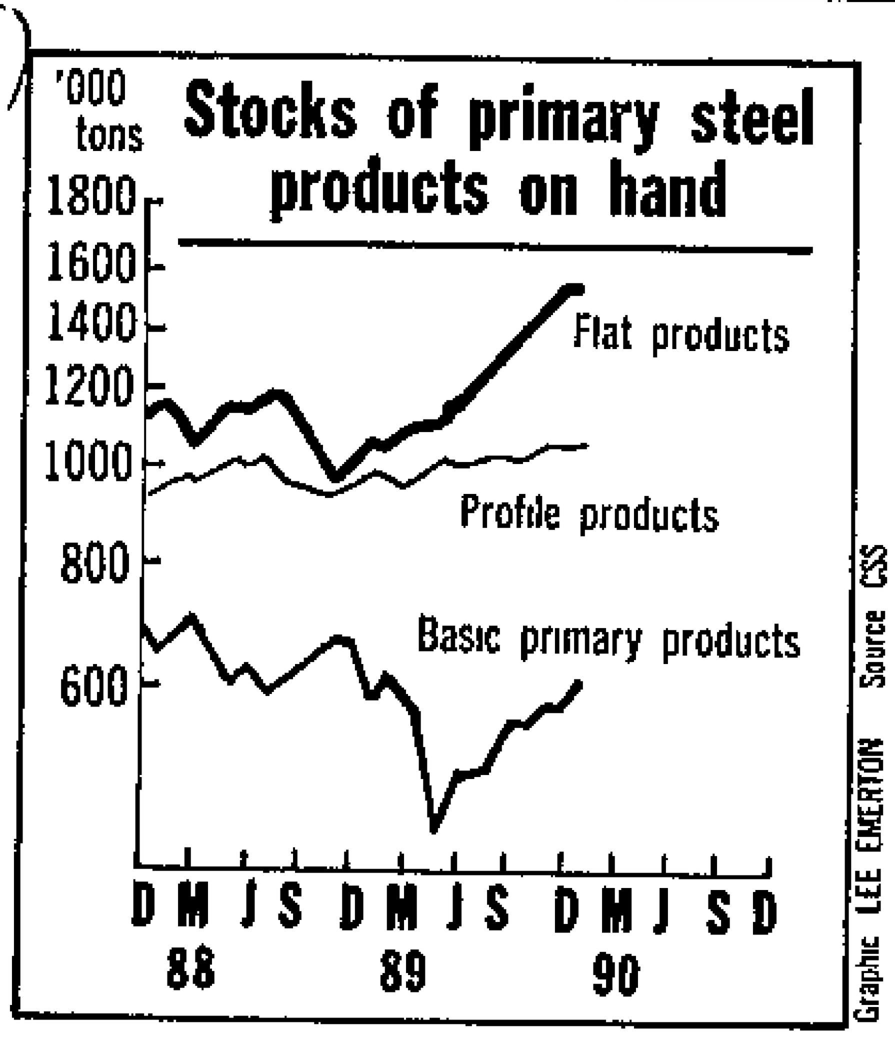
The increase in flat products was due to a 60% increase in stocks of slabs and coils, a 22,7% increase in plates, 43,6% more sheet and 31,4% more tin-plate.

The January total shows stocks of flat products rose to 1,53-million tons compared with 1,1-million tons in January 1988 However, stocks were slightly down from the December total of 1,6-million tons

The rise in primary flat products, used mainly by the motor industry and in "white" goods, was attributed by an Iscor spokesman to the downturn in demand from the motor vehicle and durable goods markets

In addition, he said, Iscor was producing record amounts of steel and was having "logistical" problems with exports

Steel industry spokemen were expecting an upsurge in demand by the beginning of the third quarter



GIC earnings a share shows healthy rise

PIERRE DU PREEZ

BRITISH-controlled steel-strip supplier Goldfields Industrial Corporation (GIC) has posted earnings per share of 92c (70c) — a healthy increase of 31% for the year to end-March.

189

A final dividend of 30c (20c) was declared bringing the total to 50c (40c).

Attributable income has also risen by an impressive 40% from R2,6m to R3,7m, following hard on the heels of September figures, which reflected low turnover but sound growth. Turnover increased 12% to R76,2m (R67,9m).

Chairman Michael Frye says achieving in an increase in profits and sales reflects an excellent performance given adverse trading conditions.

The business is soundly based, the steel position has improved and order books are also up and continue to rise.

In March last year GIC's results were seriously affected by disrupted steel deliveries as result of production problems at Iscor. BDay 11/5/90

Frye says the company will benefit from newly-introduced major training programmes, new capital equipment and plant rationalisation.

METAL CLOSURES FM 15/5/90

Losing fizz (1989)

Activities: *Manufactures metal and plastic closures and moulded plastic products*
Control: *Wassall Plc 76 9%*
Chairman: *A K Steyn, MD D Crisp*
Capital structure *2,6m ords Market capitalisation R54 6m*
Share market *Price 2 100c Yields 6,7% on dividend, 13,8% on earnings, PE ratio, 7,2, cover, 2,1 12-month high, 2 100c, low, 1 750c Trading volume last quarter, 5 667 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	—	—	3 60	9 08
LT debt (Rm)	0,49	0,49	0,49	0 49
Debt equity ratio	n/a	n/a	0 10	0 19
Shareholders' interest	0,68	0 60	0,60	0,60
Int & leasing cover	n/a	n/a	43 4	10 2
Return on cap (%)	21 6	23 4	27 5	20,2
Turnover (Rm)	73 0	97,9	123 4	133,3
Pre-int profit (Rm)	10 1	14,1	19,4	16 1
Pre-int margin (%)	13,8	14,4	15,7	12 1
Earnings (c)	210 0	272 7	367 0	289 9
Dividends (c)	86,0	99,0	122,0	140 0
Net worth (c)	1 218	1 391	1 636	1 852

Metal Closures' growth phase of the past five years appears to be ending There was no real growth in turnover in 1989, earnings fell and the dividend was maintained only by a cut in the cover

Growth in the past two years was boosted by introduction of the Duet plastic closure With the conversion from aluminium to the Duet virtually completed, Metal Closures needs new product development to re-establish its previous growth performance The ending of a large injection moulding contract, labour disruptions and falling demand from the beverage sector in the first part of the year further limited turnover growth

A slide in margins and higher finance charges saw attributable earnings fall 21% Margins were hurt by higher unit costs as production activity fell and by price resistance as competition increased

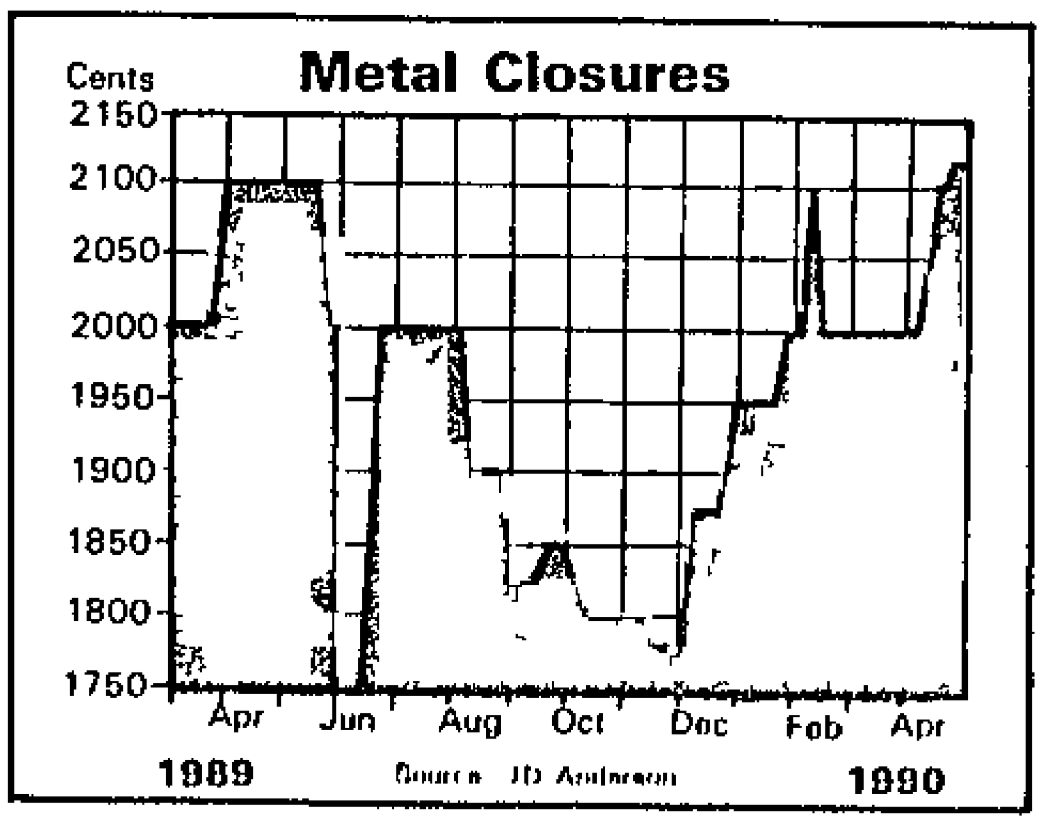
Higher short-term debt boosted finance charges and resulted in a deterioration of the debt equity ratio, interest and debt cover, but the group remains very conservatively financed With earnings down to 289,9c (367c) cover was reduced to 2,1 (3,0) to

FM 15/5/90 (1989)

maintain the dividend

The change in control in early 1989 may indicate a change in course The holding company, Metal Closures Group Plc, was taken over by Wassall Plc Wassall said at the time there was no intention of selling the SA interests but some operational changes could be made

Though the group expects higher profits in 1990, it is difficult to understand from the



fundamentals why the share is at a 12-month high This could be on speculation of a buy-out or other structural changes Last week's cautionary notice helped encourage market talk along these lines *Pam Baskind*

MANAGEMENT BUY-OUT FM 18/5/90

Value added (189/70)

Standard Merchant Bank recently structured and financed its second biggest management buy-out The largest, in July 1986, was Transport Technical Industries, bought from Darling & Hodgson by management for R65m The price of the latest MBO is undisclosed but thought to be R20m-R40m

In the deal, local management bought stainless steel distributor Fagersta Steels from Interoc, part of the Swedish Uniroc group, which is involved mainly in making and marketing rock-drilling equipment

Interoc is using the funds to strengthen the rest of its SA business "We decided to sell to focus on rockdrilling, the major part of our business, in line with worldwide company policy," says MD Rolf Soderman

Fagersta's new controlling shareholders are Alex Skea, an ex-employee and founder of distributor Alloysteels, and present employee Chris Visagie Seven other employees and SMB will have minority holdings

The company will operate under the Fagersta name and continue as major distributor for Middelburg Steel & Alloys, with which it renewed a contract on Friday Fagersta has merged with Skea's Alloysteels to make it one of SA's three major stainless steel distributors (189) (70)

One benefit of this MBO is that Sweden's 1976 ban on capital investment in SA will

FM 18/5/90 (189, 70)

now no longer apply The company may, if it needs, invest in new assets

Funding, as in most MBOs, is primarily through debt but SMB is confident the company can trade out of it soon ■

Company briefs

MIDDELBURG STEEL & ALLOYS

Paving the way for what undoubtedly will be a substantial drop in earnings in the six months to end-March, Middelburg Steel & Alloys group managing director John Gomersall said yesterday that the overheated steel market had collapsed.

Commenting on the stainless steel and ferrochrome market and their prospects for the second half of the financial year, he said the boom came to an end abruptly in the second half of 1989 as the decline in commodity prices triggered inventory reduction programmes

"The pessimistic forecast expressed when announcing last year's results has unfortunately materialised, and the first half resulted in losses in the steel division"

He added, however, that the global inventory adjustment phase was nearly over But while some stability appears to be returning to stainless steel markets, there was still excess capacity among producers Prices and profitability therefore remained severely depressed.

"The outlook for the second half of the year is better and we see a small profit recovery towards year-end, but on balance, probably a small loss over the half," Mr Gomersall said. Star 23/5/90 (189)

USKO

Higher interest payments impacted on the performance of steel and ferro-alloys producer Usko in the six months to end-March

Net interest paid soared by 141 percent to R13,47 million (R5,59 million) as the group invested R18 million in a joint vanadium venture with Rhombus Vanadium. Commissioning costs of the plant, which made no contribution towards income, totalled R4,9 million

The rise in interest payments affected an otherwise good performance with turnover up by 18 percent to R294,2 million (R249 million) and operating income 23 percent higher at R17,76 million (R14,47 million)

However, attributable income fell by 45 percent to R4,09 million (R7,45 million) while no interim dividend was paid on the ordinary shares

METROPOLITAN LIFE

Metropolitan Life reported satisfactory earnings in the six months to end-March with earnings per share rising by 24 percent to 20,5c (16,5c) while the interim dividend was raised by 23 percent to 13,5c (11c).

Total income was up by 25 percent to R381,48 million (R304,29 million), boosted by a 32 percent rise in investment income to R130,88 million (R99,47 million) and an increase in premium income of 25 percent at R250,6 million (R204,83 million).

Usko's interest up by 141%

B/Day 23/5/90 RIAAN SMIT (189)

STEEL and ferro-alloy producer Usko's interim income attributable to ordinary shareholders dropped 45% to R4,1m due to a 141% increase to R13,5m in interest paid

The R7,9m rise in interest resulted from a board decision to finance with loans a R18m investment in a vanadium plant — a venture with Rhombus Vanadium

The commissioning of the plant, which amounted to R4,9m for the six months to end March 31, was in progress and no income was generated from it during the period under review, directors announced today.

BIDM 23/7.90 (189)

Declining prices rein in production of stainless steel

EDWARD WEST

THE boom in the stainless steel market came to an abrupt end in the second half of 1989 as declining commodity prices triggered drastic inventory reduction programmes

Middelburg Steel and Alloys (MS & A) MD John Gomersall was commenting in a statement on the stainless steel and ferro-alloy markets at Barlow Rand's half year

On Monday Barlow Rand reported a 9% drop in interim earnings off a high base and forecast continued difficult trading conditions during the second half of the year

The ferro-alloys and stainless steel division, of which MS & A was a subsidiary, was forecast to produce much lower results

Gomersall said the pessimistic results forecast when announcing last year's results had materialised and operations in the first half of 1990 resulted in losses in the steel division

Global inventory adjustments were nearly over, and while some stability appeared to be returning to the market, there was still excess capacity among producers Prices and profitability would remain depressed, said Gomersall

"The outlook for the second half of the year is better and we see a small profit recovery towards year-end, but on balance, probably a small loss over the half," he said.

Ferro-alloys results for the first quarter of the year were still good due to better volumes, prices and the prevailing rand exchange rate

However, events in the stainless steel market affected ferrochrome demand in the second half, causing a marked downturn in results

"New ferrochrome capacity long forecast by MS & A as a threat to market instability is now coming on stream," he said The result was significant overcapacity

Difficult market conditions would prevail until uncompetitive producers were forced out of business and production and demand reached equilibrium

These factors together with the stronger rand would have an adverse impact on the alloys division's profitability, he said.

BARLOW RAND FM 25/5/90 (187)

The party's over

Middelburg Steel has been a major driving force for Barlow Rand over the past few years but its volatile profits have also proved to be an Achilles heel for the group

A 46% slide in the contribution from Middelburg was a major reason for the 9,3% drop in Barlow's EPS in the six months to end-March At last year-end the ferro-alloys and stainless steel producer accounted for R216m, or 22%, of the group's attributable earnings, so a slump of that severity was bound to bruise the overall performance — particularly as it coincided with the weaker figures from a number of divisions exposed more directly to domestic markets

Whether Middelburg has yet bottomed is unclear Barlow deputy chairman Derek Cooper says the company will produce "substantially lower" profits this year but does not expect it to report a loss He attributes its profit decline to much lower ferro-alloy and nickel prices, softer world demand for stainless steel and a firmer rand Middelburg's tax rate actually rose, owing to the lower profit, but the company has continued to accumulate export and other tax allowances which can be drawn upon later

Other unlisted divisions — including earthmoving equipment, motors, consumer appliances, building materials, steel and paint — were either slightly better or roughly stable

In rand terms, J Bibby, the major offshore arm, contributed the largest percentage increase to the after-tax profit Its contribution rose by 16% to R56,8m, but, says Cooper "Bibby has obviously been a disappointment But what is gratifying is that we've arrested the deterioration and are hoping for more growth" Bibby has made two acquisitions — Eurofilters, which makes filter bags for vacuum cleaners, and Lamson, a materials handling company — which are expected to contribute in the current six months

The only other major segment whose contribution did not decline was food and pharmaceuticals, which rose by only 2% to R210,7m Mining and mineral beneficiation was down 13% at R220,5m, industry was down 9% at R154,4m, packaging and textiles fell 8% to R115,6m and property, finance and admin dropped 10% to R22,4m

EARNINGS DIP

Six months to	Mar 31 '89	Sep 30 '89	Mar 31 '90
Turnover (Rm)	12,41	14,03	13,83
Operating profit (Rbn)	1,23	1,48	1,23
Attributable (Rm)	443,0	557,8	404,1
Earnings (c)	240,8	303,0	218,4
Dividends (c)	51	119	51

Notably, in the computer and electronics interests, continuing strong growth from Reunert was offset by a disappointing result from the computer group TSI, whose earnings slumped 33,3%, TSI also laid off about 150 people recently

Cooper, who is also chairman of TSI, says the computer industry in SA is maturing but does not agree that his company tends to produce volatile profits He says customers deferred investment decisions in the face of the downturn "We have not lost any market share, the margins are high and it's a cash producer currently holding R80m cash"

On the whole Barlow's tax charge was not much affected by the various changes in tax legislation since late last year The charge was increased as a result by R18m — worth

Barlow Rand's Cooper ... capex to continue

no more than 5c per Barlow share — but, on the other hand, allowances, capex and exports reduced the average rate to 35,2% (36,3%) The lifo reserve payback is not expected to affect profit significantly, though it would have a temporary cash effect

In general, plant utilisation remains below capacity, but Cooper says stodgier markets have not persuaded management to tone down any capital spending programmes The group expects capex this year will be about in line with earlier projections of around R1,7bn

That, as was the case four years ago, should help when the upturn comes Meanwhile, Barlow remains sensitive to volume throughput, commodity prices and exchange rates — all of which have turned unfavourable The market has already pushed the share down to 3 815c, from the 12-month high of 5 475c, and the forecast is for a drop in earnings for this year *Andrew McNulty*

RAND MINES

Sword of Damocles

Just what is going on at Rand Mines? Attributable profits have fallen despite chairman Dammy Watt's forecast of an increase in his last statement to shareholders, the group is highly illiquid, with net current liabilities soaring to R193m from R144m in the past six months despite the R276m rights issue, and management is scrambling to raise cash by selling residue dumps and to collect State aid needed to save a critically ill ERPM from pegging out completely

Watt has tried to sugar the pill by talking of an unchanged final dividend to follow the unchanged interim Investors are unimpressed as the hint of a maintained dividend is hedged with caveats and it is well nigh impossible to find a portfolio manager persuaded that Watt's forecast of unchanged profits will be achieved It was only in November that the chairman was cheerily expecting a profit increase for this year

The market's view is unequivocal Rand Mines' tightly held shares are trading at R105, down about a quarter from practically R140 only a month ago

Management lays the blame for the slow 8,9% working profit increase at the door of poorer trading conditions in the base minerals market and narrower coal mining margins That is strange, as 71%-owned subsidiary Witbank Colliery reported profits of R10,21/t in the first half of this year against R6,44/t in the corresponding period of financial 1989 Given that, portfolio managers ask, what the heck has been going on at 50%-owned Rietspruit to reduce coal mining margins? FM 25/5/90

The unchanged profit prediction is doubly strange as Vansa is already benefiting from higher vanadium prices and the fact that its plant is at last operating at full design capacity

ERPM's problems have been extensively chronicled The latest disavowal of responsibility is from the consulting geologists, Venmyn, which claims that underground gold grades disclosed by development in the new areas are in line with those predicted initially "It's a pity," one exasperated portfolio manager says, "the geologists couldn't have

Metal union talks hit by snags as deadlines loom

By DICK USHER
Business Staff

PROPOSALS to exclude smaller employers from two major industrial council agreements are causing problems at negotiation and could have wider implications across other sectors

The National Union of Metalworkers (Numsa), which is renegotiating agreements with employers in four related sectors, rejects as deregulation proposals to exclude smaller employers in the metal and motor industries from the agreements

Union spokesmen said the issue was causing serious problems in both sets of negotiations — with the Steel and Engineering Industries Federation (Seifsa) in the metal industry which employs about 380 000 workers, and at the National Industrial Council for the Motor Industry covering about 160 000 workers in component factories, workshops, garages and filling stations

Seifsa is seeking to exclude smaller employers from the agreement, arguing that unless this were done Manpower Minister Mr Eli Louw might refuse to extend the agreement to non-parties because Seifsa was not sufficiently representative

Motor industry employers want to exclude operators in smaller towns and rural areas from the agreement, arguing that wages should be related to the supply and demand for labour

With several other issues including wage demands still separating the parties, Seifsa and Numsa, the largest union in the sector, agree that conclusion of a new agreement is unlikely by the expiry of the current agreement on June 30

Mr Alistair Smith, Numsa's chief negotiator in the Seifsa talks, which also involve 15 other unions, said a special meeting of all parties would be held May 30 before the next round of talks scheduled for June 7

Union spokesman Mr Les Kettledas said the situation in the motor industry talks was serious

"We are very far off an agreement here," he said The motor industry agreement expires August 31

In two other sectors in which Numsa is renegotiating agreements, the automobile industry and the tyre and rubber industry, Mr Kettledas said negotiations were still at an early stage

The wider implications of the metal and motor talks derive from Numsa's national bargaining conference in February

This compiled a set of central demands as the basis for all Numsa negotiations with the aim of achieving uniformity in wages and conditions of service across all sectors

Numsa also decided at the conference that individual sectors could not take independent decisions — on either settlement or industrial action — but progress at negotiations would be discussed at another national bargaining conference

This is due in late June

Union spokesmen said the key issue would be whether negotiations had shown satisfactory progress towards uniformity

Slowdown in pouring profits

(189)

S Times 27/5/90.

Middelburg hit hard — but it's not all gloomy

By DAVID CARTE

JOHN GOMERSALL . . . only the fittest will survive Picture: GARTH LUMLEY

MIDDELBURG Steel & Alloys — Barlow Rand's biggest profit contributor last year — has fallen on hard times and the immediate outlook is grim.

MS&A earnings were down 46% in the six months to March — an important reason for Barlows' 9% decline.

Right now, say chairman John Hall and managing director John Gomersall, MS&A is only marginally profitable. Last year, Middelburg made R216-million after tax, so Barlows' shareholders are looking at a staggering slowdown

It's therefore something of a surprise to discover Mr Gomersall and team in pretty positive mood

Mr Gomersall says "We are on our way to becoming by far the lowest-cost producer of ferroalloys and stainless steel in the world The lowest-cost producer is king

"Our sales guys are pounding pavements in dozens of countries to great effect"

The stainless-steel division sustained a loss in the first half, but is working at capacity again and is marginally profitable However, it will not break even for the year The ferro-alloy division's contracts are at about break-even prices

Unprecedented

As a result, MS&A is likely to suffer an earnings reverse of much more than 46% for the year

"The R200-million we earned last year was the product of unprecedented world prices and a low rand Last year's profit exceeded our wildest expectations and we don't expect that kind of return on equity for some time," says Mr Gomersall

Mr Gomersall and Mr Hall warn that world ferro-alloy markets are overcrowded The price of ferro-chrome is down from $0,82 to $0,47 a pound, and the rand has firmed from R2,90 to the dollar to R2,63 The price is thus about 40% down in rand terms

In the longer term, MS&A is counting on marginal ferro-alloy producers being forced out of business World overcapacity is a million tons — 35% of demand

Middelburg management is far from despondent about longer-term prospects While competitors are losing millions, it is at least breaking even at present world prices

Mr Gomersall says. "Through totally new technology, we expect to beat our competitors even more on cost"

Many competitors have already closed ferro-alloy plants, but apart from a few essential maintenance shutdowns, MS&A's ferro-alloy and stainless-steel divisions are working at capacity

Middelburg has long been a technological pioneer It developed corrosion-resistant 3CR12 steel and its single-stand hot rolling mill is unique

Now, together with Krupp of West Germany, it has pioneered a lower-cost method of ferro-alloy production

MS&A claims major energy advantages Previously wasted gases are channelled back into the plant and burned The new system permits use of fine chromite ores, as well as of powdered chromite — a by-product of UG2 Reef from Barlows' Crocodile River platinum mine. Rivals have to compress chromite fines into brickettes

MS&A is not unduly worried about the plans of Highveld and Samancor to put up a R2-billion stainless-steel semis plant It takes the view that long-term volume growth in world demand of 3,5% to 4% a year will ensure that the proposed plant does not cause a glut

Cyclical

MS&A believes that through a phased extension of existing plant, it can build up capacity of its stainless-steel division from 190 000 tons a year to 400 000-500 000 at a capital cost of $700 an annual ton That seems considerably lower than the capital cost envisaged by Highveld and Samancor

Middelburg is a highly cyclical operation, but returns on shareholders' funds have been outstanding The company earned R500-million in the past four years and funded its R330-million plant extensions with own resources

Although it is a valuable asset, it has made Barlows significantly more cyclical as an investment — and that could hurt Barlows' market rating

With 20/20 hindsight, it seems Barlows should have listed and sold off half of the operation shortly before it announced its taxed profit of R216-million,

Like Iscor, it might conservatively have asked for four times earnings for half of Middelburg, bringing in R430-million cash

This week, instead of reporting a fall in earnings because of Middelburg's 46% decline, Barlows might have held steady, earning 20% on the cash (R86-million in a year)

Mr Gomersall, incidentally the youngest director on the Barlows main board, laughs at the suggestion.

"Barlows is an ethical company — and besides we're in business for the long term"

Cafca benefits from strong copper price

STEPHEN RICHTER

CENTRAL African Cables (Cafca) benefited from the strong copper price and achieved record results in the year to end-December BDay 1/6/90

In the group's latest annual report the directors indicated this performance caused a significant cashflow improvementand by the end of the year all borrowings were repaid

Turnover jumped to Z$68,9m during 1989, compared with Z$54,6m for the 18 months ended December 1988 The improved turnover resulted from the higher copper price and productivity gains. But aluminium volumes were low for the fourth consecutive year (189)

Earnings advanced to a record Z$7,6m from Z$4,4m and this translated into EPS of 149 Zimbabwe cents (87c) The group's dividend policy is to show an increasing trend in payments while providing for the company's needs to finance future expansion Dividend cover was maintained and the payout rose to a new peak of 37c (21c)

Cafca has welcomed the Zimbabwe government's projected measures for trade liberalisation of the chart, the pattern starts looking rather like a

Metal industry talks hit snags

6/6 AE64 9/6/90 (189) 34

By DICK USHER
Business Staff

IT is now extremely unlikely that the main agreement for the metal industry will be renewed before expiry on June 30

The Steel and Engineering Industries Federation (Seifsa) and the National Union of Metalworkers (Numsa), the largest union in the industry, agreed that the fifth round of talks held on June 7 made little progress

Apart from Numsa, 15 other unions are involved in the talks

A Seifsa statement said that employers tabled another wage offer, the third in this year's negotiations, which would increase pay by 55 cents an hour for labourers and R1,04 for artisans

Numsa said the employer offer was in the minimum wages only, bringing the lowest rate to R4,11 an hour

More than 380 000 direct production workers were affected by these increases

A further 100 000 indirectly who, although not covered by the agreement, were usually paid similar increases, said Numsa

Seifsa said the unions indicated the employer offer was not acceptable

Two unions "moderated their demands slightly" but Numsa had made no concession to moderate its demands

Numsa said it had attempted to reduce the number of issues for discussion by agreeing to refer many demands to a separate session scheduled for June 12

According to Numsa, demands for job creation made significant progress when Seifsa agreed to discussions aimed at producing a programme for job creation before December 1990

Exceptional year for Highveld

Bottom Line

MICHAEL MENOF

11/6/90 (189)

Highveld Steel's annual report has all the elements of "the good, the bad and the ugly". The good describes an exceptional year, with turnover and profit at an all-time high, resulting in cash on hand of R319 million (debt of R54 million at end-1988).

The bad is the steel price hike in March and October, using inflation as an excuse and saying SA's domestic steel prices remain among the lowest of in the world.

The ugly is that sanctions cut off Highveld's markets in the US and EC countries, but actually were the reason for the amazing results since high export prices prevailed in the first part of 1989.

More good news is that management and employees are working positively together — over the last two years there have been no strikes or stayaways. Shareholders benefited from an extraordinary bonanza dividend of 60c in addition to higher normal ones. Directors also scored, their salaries rising from R1,73 million to R3,06 million.

Held 51,8 percent by Anglo-American, Highveld's integrated steel works and various divisional works performed well, with record profitability in all areas. But can management sustain 1989's bumper year?

Chairman L Boyd says no as 1990's earnings will be significantly lower, but should still exceed 1988's then-record results. This will be no mean achievement, considering the tidal wave of change.

Sales rose to R1,61 billion (1988: R1,19 billion), with operating profit at R534 million (1988: R243 million).

Expenses included the provision for renewal and replacement of fixed assets of R181 million (1988: R141 million) and depreciation of fixed assets of R43,2 million (1988: R41 million). After adding a net finance gain of R31 million (1988: net finance charge deduction R18,87 million) and deducting tax of R243,6 million (1988: R103 million), attributable earnings were R322,44 million (1988: R121,47 million) — 265 percent higher.

With such impressive results, why did Highveld have the audacity to raise prices twice in 1989?

Earnings per share were 450c (1988: 170,6c), with the total dividend payment, including the bonanza, 130c (1988: 57c).

There were no sales and income contributions disclosed for steel, vanadium, ferro-alloys or rheem. Steel benefited from the world steel consumption increasing by nine million tons in 1989 to 791 tons.

With strong support from export customers and firm foundations in the local market, Highveld operated at optimal capacity, both iron and steel production exceeding one million tons. Vanadium had a strange year, with customers' initial heavy buying programmes exceeding consumption.

Domestic ferro-alloy sales reached slightly higher levels than in 1988 and sales of carbonaceous products from Rand Carbide were higher than previously. After a slow beginning, Rheem had another promising year, improving on 1988's results.

Capex was R45,71 million (1988: R179,37 million). The three major projects approvedm in 1988 progressed according to plan. The new kiln at Vantra was commissioned in December 1989 and the fifth silico-manganese furnace at Transalloys started up in February 1990. The pelletising plant should operate in 1990's third quarter.

The balance sheet has benefited substantially from 1989's record results. Ordinary shareholders' equity was R658,6 million (1988: R426 million) at end-December 1989. Pref shares of R50 million a year earlier were redeemed in 1989. The deferred tax provision has increased to R306,6 million, ensuring that future tax does not absorb a disproportionate amount of income earned.

Working capital rose to R121 million (1988: R37 million) and included cash resources of R325 million, with debt (short term) only R6 million. Net asset value per share is just over R9 (less than R6 a year ago).

The current JSE price of around R18 reflects investor confidence.

In 1989 Highveld produced more than one million tons of iron for the first time. In 1988 it exceeded one million tons of steel output. With 1989 being Highveld's 21st anniversary, shareholders and management must be walking tall.

Steelmen to talk wages on Thursday

14/4/90 Pretoria Correspondent 189

Wage negotiations between employers and trade unions in the steel industry are to be resumed on Thursday.

Brian Angus, the Steel and Engineering Industries Federation of South Africa's (Seifsa) executive director, said yesterday there was still no agreement in the metal industry's annual negotiations.

Mr Angus said employers tabled another wage offer — the third in this year's negotiations — ranging from 12,5 to 16,7 percent in the various wage categories

The latest offer would increase wages by 55cents an hour for labourers and R1,04 an hour for artisans, raising wages to R4,11 and R9,35 an hour for labourers and artisans respectively

Employers also made further concessions on some of the trade union demands

Two union groups moderated their wage demands marginally.

No concessions

"However, the National Union of Metal Workers of SA (Numsa), the largest trade union in the industry, has, after five rounds of bargaining, made no concessions whatsoever."

The parties agreed to establish subcommittees to investigate job creation strategies.

B'Day 26/6/90

Nickel trend seen as bright after 1990

(189) (217)

RIAAN SMIT

ALTHOUGH nickel consumption was expected to fall by around 1,5% this year to 64 000 tons — the second consecutive year of decline — the trend thereafter appeared bright, CRU special steels and alloys research manager Jim Lennon told a recent Metal Bulletin conference in Spain

Consumption in the short term was likely to continue to suffer from the effects of the stainless steel stock cycle. Stainless steel production accounted for about 60% of demand.

During 1988 and the first half of 1989 buyers accumulated large stocks for speculative reasons

This pushed demand to levels well above those justified by underlying fundamentals, thus prolonging and intensifying the nickel shortage, Lennon said.

Study

He put the growth rate for nickel in the 1990s at 2,5% to 3,5% London-based MB magazine said this percentage growth translated into a trend consumption figure of between 725 000 and 765 000 tons by 1995

Lennon said there would be nickel to supply the projected level of demand.

Meanwhile, Anglo American has completed a feasibility study of the 17 000-tons-a-year Uitkomst nickel mine in the Eastern Transvaal A spokesman has denied that a decision whether or not to go ahead with the project would be influenced by Highveld Steel's and Samancor's decision on a proposed joint stainless steel plant venture, expected in July

GIC FM 29/6/90

Cash in hand (189)

Activities: *Supplies flat-rolled steel strip*

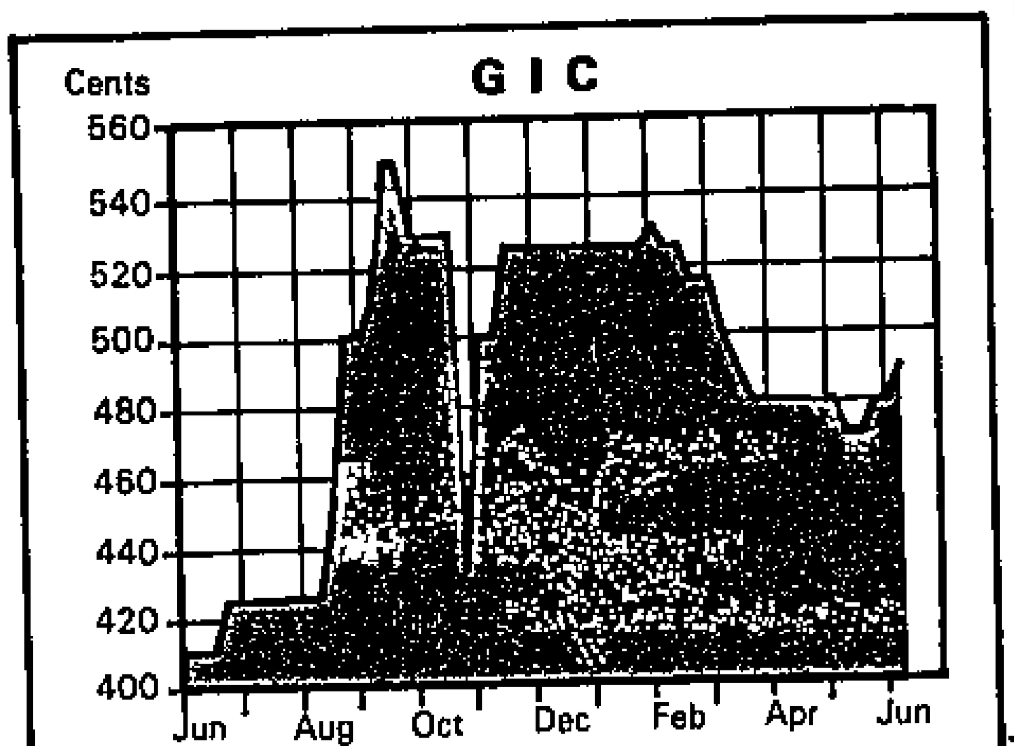
Control. *B Elliott Plc 62%*

Chairman: *M J E Frye, MD A P Crawley*

Capital structure. *4,081m ords Market capitalisation R20m*

Share market: *Price 490c Yields 10,2% on dividend, 18,8% on earnings, p e ratio, 5,3, cover, 1,8 12-month high, 550c, low, 490c Trading volume last quarter, 35 000 shares*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	—	1,9	—	—
LT debt (Rm)	—	—	1,0	2,7
Debt equity ratio	—	0,12	0,03	—
Shareholders interest	0,66	0,45	0,54	0,44
Int & leasing cover	16,1	16,7	4,9	6,2
Return on cap (%)	17,8	12,9	19,4	16,7
Turnover (Rm)	37,4	50,2	68,0	76,2
Pre-int profit (Rm)	3,9	4,5	6,4	7,7
Pre-int margin (%)	10,3	8,9	9,4	10,1
Earnings (c)	92	105	70	92
Dividends (c)	40	40	40	50
Net worth (c)	364	396	457	503



Source J D Anderson

FM 29/6/90 (189)

Goldfields Industrial succeeded in turning a muted 12% increase in turnover into a 34% improvement in after-tax profit in its 1990 financial year, thanks to higher operating margins and a lower effective tax rate

Turnover growth was restricted because the company is largely exposed to cyclical industries such as building, automotive and packaging Steel supply problems, which hampered GIC in 1989, were mostly overcome and the completion of plant rationalisation and installation of a new slitter for producing finished products improved productivity and efficiency This, together with better management controls, boosted margins for the second consecutive year, says chairman Michael Frye

Completion of the capital spending programme and a healthy cash flow allowed cash resources to be replenished The company is now sitting on R7,3m cash but this will be used to reduce creditors and bills payable which had risen by 74% to R19,2m at the financial year-end Only limited capital spending is planned for this year

Attributable profit benefited from a fall in the effective tax rate to 42,7%, from 46% on a rise in capital allowances

Frye indicates that the installation of the new slitter provides opportunities for introducing high-quality finished products and entering new markets This, in turn, should provide something of a buffer against restricted growth for GIC's conventional primary products in a year of economic decline With limited scope for a further margin improvement, the outlook for 1991 appears unexciting

Pam Baskind

189 FM 29/6/90

CLYDE INDUSTRIAL FM 29/6/90

Tighter controls 189

The profit squeeze on the mines is spreading to their suppliers, as mining houses adopt more aggressive buying policies Low margin contract business from the mining sector was one reason why Clyde Industrial Corp, a manufacturer and distributor of secondary steel products to mining and industrial markets, showed an 11% decline in after-tax income in the 1990 year

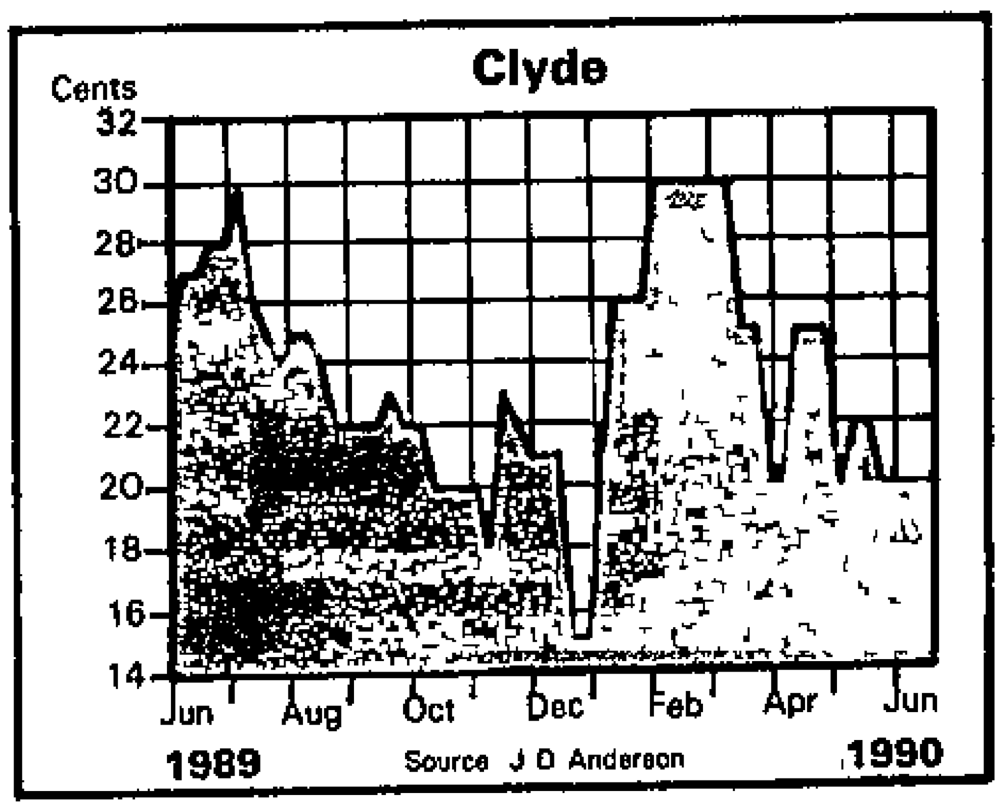
Activities: *Manufactures and distributes secondary steel products to the mining and industrial markets*
Control *Directors 70%*
Chairman and group MD. *G D Wilson*
Capital structure: *17,6m ords Market capitalisation R3,52m*
Share market *Price 20c Yields 10,0% on dividend, 38,5% on earnings, p e ratio, 2,6, cover, 3,8 12-month high, 32c, low, 15c Trading volume last quarter, 159 600 shares*

Year to Feb 28	†'88	'89	'90
ST debt (Rm)	1,2	4,9	0,9
LT debt (Rm)	0,7	1,4	1,1
Debt equity ratio	0,14	0,63	0,18
Shareholders interest	0,45	0,40	0,43
Int & leasing cover	8,6	3,81	3,11
Return on cap (%)	*18,9	12,9	14,1
Turnover (Rm)	51,8	62,0	67,2
Pre-int profit (Rm)	5,6	3,3	3,7
Pre-int margin (%)	10,9	5,4	5,5
Earnings (c)	*19,4	8,5	7,7
Dividends (c)	*5,0	2,6	2,0
Net worth (c)	66,2	60,7	66,1

† 17 month period
* Annualised

Other problems included a 42% rise in the interest bill, which rose despite a reduction in year-end debt and an increase in the effective tax rate from 40% to 46,6% — the result of reduced capital expenditure and a consequent decrease in tax allowances

The group was restructured and rationalised after the previous poor earnings performance — pre-interest profit plummeted 67% in 1989 Unacceptable margins from the industrial piping section at Benbrew Steel, one of the group's four divisions, and labour unrest in the strata control section, led to the closure of these operations Three divisions, which had earlier been merged into one under Benbrew, were again separated last year to improve controls



Chairman and MD Gordon Wilson says this resulted in an 11% increase in operating income at Benbrew and a reduction in gearing to 17% The division has now entered new markets where margins are said to be better

The other division — stainless steel processor Clyde Steel — experienced problems with the quality of raw materials received from suppliers, as well as with getting new machinery going Wilson believes this has been rectified and turnover is exceeding breakeven He says profits will be significantly higher this year as "the problems that resulted in a sharp decline in operating margins in 1989 have been largely resolved "

Wilson believes it is prudent to increase the dividend cover to 3,6 times to establish a sound financial base So investors have received a dividend which has slipped to 2c from last year's 2,6c This should eventually help earnings, which the group gives as 7,7c a share (8,5c), based on net income after taxation of R1,3m before amortisation of R64 000 goodwill *Heather Formby*

Middelburg Steel splits management

B/Day 3/7/90 (189)

BRENT MELVILLE

BARLOW Rand subsidiary Middelburg Steel and Alloys (MS & A) has split the management of its chromium and stainless steel operations into two wholly owned subsidiary companies — MS & A Chromium and MS & A Stainless — it was announced yesterday

MS & A produced much lower interim earnings for the period to end-March

Group financial director Mike Coward said yesterday market problems during the current year had slashed half year attributable earnings to R50m (R92m).

For Barlow's financial year to end-September, MS & A upped its contribution by more than R100m to R215,7m of Barlow's bottom line of R1bn on the back of a strong market for ferroalloys

Coward said both divisions contributed about equally to group profits last year, although profits were likely to be slightly down in the alloys division this year because ferrochrome prices had "come off substantially".

He said that while the two divisions did not exactly complement one another, their markets were similar and moved in the same basic commodity cycle — meaning that steel would traditionally be hit first by market forces with chromium lagging behind by roughly nine months

MS & A group MD John Gomersall said the creation of the two separate entities, effective July 1, was aimed at putting in place "the appropriate structure to manage the exciting business opportunities the MS & A group faces in the future"

"The boards of MS & A Chromium and MS & A Stainless would manage their respective operations while the board of the MS & A group would continue to be responsible for the strategic direction of the group and for exploiting synergistic opportunities," said Gomersall

Former MS & A alloy's division GM Paddy Probert has been appointed MD of MS & A Chromium, which takes over the management of MS & A's ferrochrome business Probert said yesterday he was looking forward to the challenge of building on MS & A's position as a world-leading ferrochrome producer.

"We are committed to being the world's best producer and most competitive supplier of quality chromium products We have a team in place which I am confident will attain this global vision," he said.

Former MS & A Steel division GM Keith D Luyt has been appointed MD of MS & A Stainless, which takes over the group's stainless steel operations management

Luyt said that although MS & A Stainless produced only 1,5% of the world's stainless steel, it was intended that the division should become one of the world's lowest cost producers

Reject Metalclo offer, brokers say

189 Star 9/7/90

By Sven Lunsche

Stockbroking firm Martin & Co has urged shareholders to reject an offer by UK-based Wassall Plc to acquire the minorities in Metal Closures SA.

In advertisments placed today Martin & Co says it could use Section 252 of the Companies Act — which provides for shareholders protection "in case of oppressive or unfairly prejudicial conduct" — to prevent the deal going ahead.

Wassall Plc recently acquired UK Metal Closures and with it the 77 percent that Metal Closures Plc owns in Metal Closures SA.

Wassall subsequently offered the minority shareholders in the South African company R23 an ordinary share. It plans to convert the ordinaries into redeemable preference shares and redeem them out of the company's fund.

To achieve this a special resolution, which requires a 75 percent vote, is required.

Martin & Co says "As Metal Closures UK owns 77 percent it is able to steamroller the resolutions through — even if every minority shareholder votes against the proposal."

It adds that a request by the JSE that Metal Closures UK should not vote at the meeting has been ignored.

"In addition, the holding company states that it has been advised by Finansbank that the proposal is fair to shareholders.

"How can any scheme be fair where the shareholders concerned have their shares expropriated without any effective say?"

Martin & Co also doubts that the price of R23 a share is reasonable, arguing that if the price were based on the same pre-tax price earnings ratio as other companies in the packaging sector it would be raised to between R35 and R48 a share.

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CITIZEN 13/7/90

Metalco deal fair, says UK chief

189

Own Correspondent

LONDON — Chris Miller, chief executive of the Wassall group which owns Metal Closures UK, yesterday defended his group's buy out offer for the 23% minority in the SA subsidiary

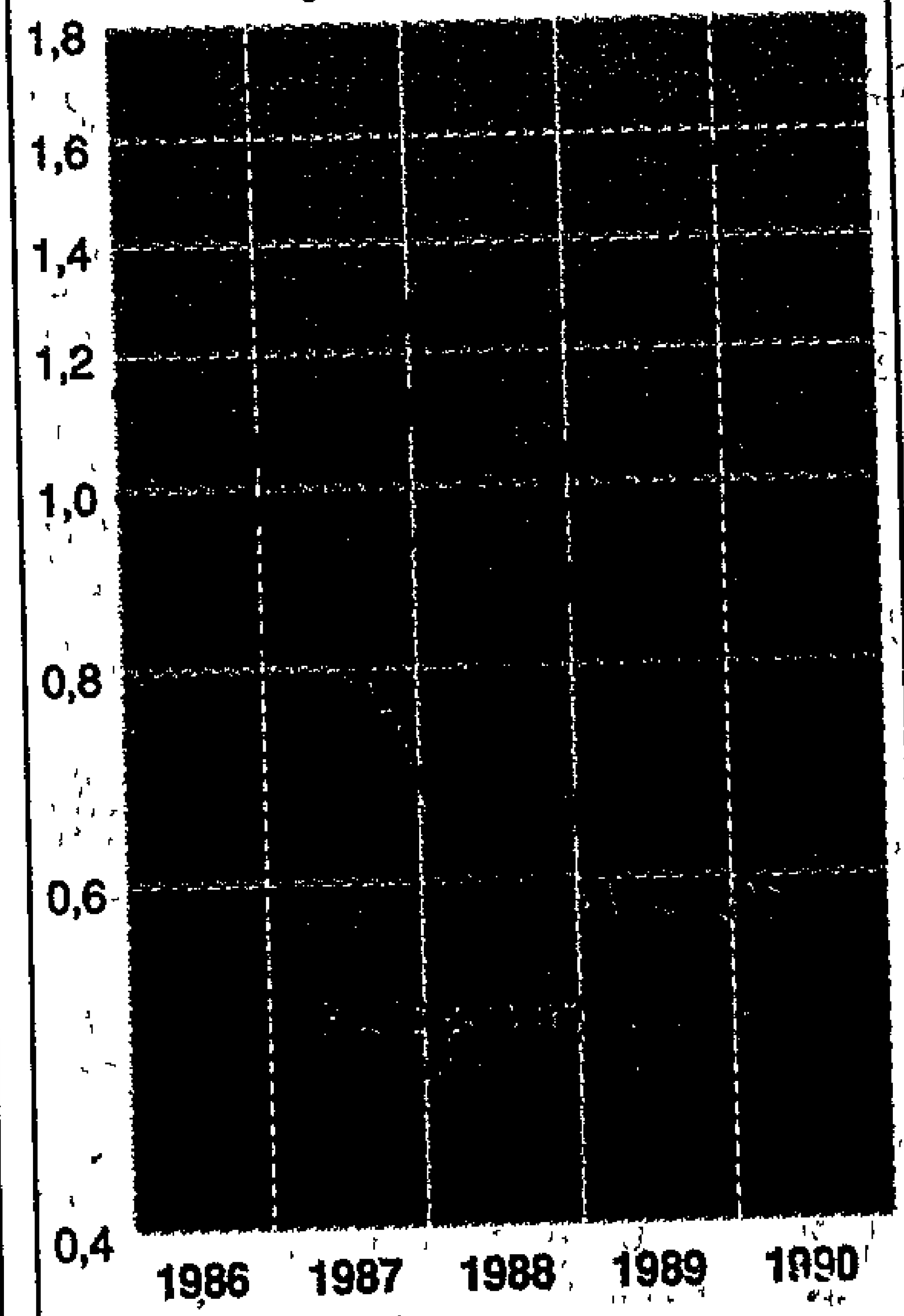
"We think that what we have done is legal, fair and reasonable," he said after returning from Johannesburg where Metaclo SA was taken to court by minority shareholders to try to block the deal which would give the UK parent 100% ownership.

"The matter is now before the Supreme Court and we will have to wait to see what happens But as people who want to invest in South Africa I can only note that disinvestment doesn't seem to attract the same amount of fuss," he said

"I can only repeat that we took a course of action on the basis of valuations by three advisers all of whom concluded that Metal Closures SA shares were worth less than R23 each "

Million tons

Stocks of primary steel products on hand



Graphic: FIONA KRISCH Source: CSS

Steel stocks are still at excessive levels, according to the most recent figures released by Central Statistical Service (CSS), especially stocks of flat steel products used in white goods. B Day 26/7/90

CSS figures show a total average increase of 13,6% in steel stocks over the year to end-April 1990. The stocks of basic primary steel products are up by 0,3%, profile products are up by 5,1% and flat products by 30,6%.

The main contributors to the increases in profile products were a 39,4% rise in stocks of wire rod and wire and an 18,5% increase in stocks of spring steel. A 28,5% increase in stocks of slabs and coils, a 21,1% increase in plate stock, a 43% rise in sheet and a 31% increase in the amount of tin-plate on hand contributed to the rise in stocks of flat products (189)

Total stocks of flat products on hand rose to 1,5-million tons compared with 1,11-million tons for April 1989 The rise was attributed by Iscor to the downturn in the motor vehicle and durable goods markets.

Interim earnings from Hiveld drop by 52%

B/Day 31/7/90

189

LINDA ENSOR

WEAK ferro-alloys markets and low world prices for steel and vanadium products saw earnings of Anglo American's Highveld Steel & Vanadium (Hiveld) slide 52% to 114,4c (237,2c) in the six months to end-June

Excluding the extraordinary dividend of 20c paid at the 1989 interim due to the exceptional results achieved in that period, the dividend was maintained at 30c

The steel giant expects second-half earnings to remain under pressure as world steel and vanadium prices are likely to remain low and ferro-alloys markets poor

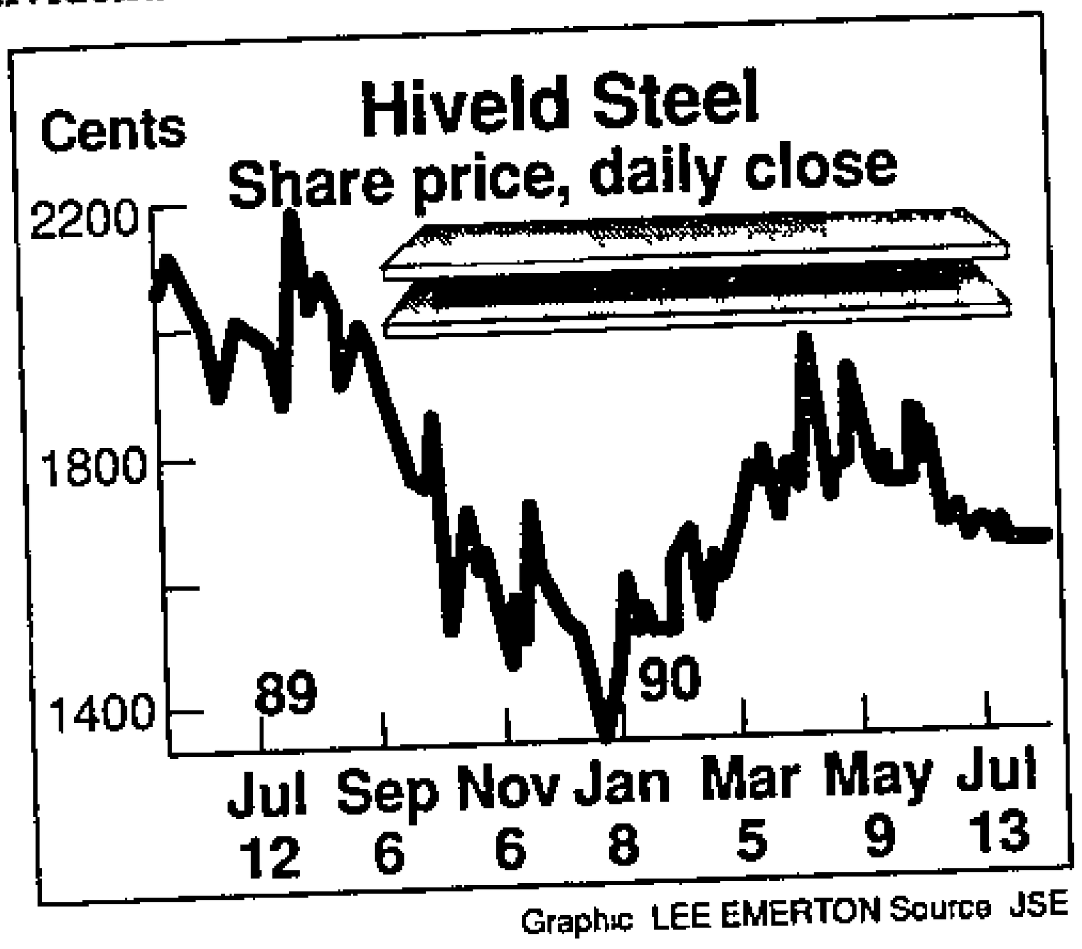
Hiveld chairman Leslie Boyd forecast in his latest annual review that, coming off a high base, Hiveld's 1990 earnings were likely to show a decline over 1989's 450c, but would be higher than 1988's 170,6c figure

Interim turnover fell 12% to R682m (R776,7m), while the pre-tax profit margin plunged to 17% (39%)

"During the six months under review the domestic steel market was characterised by uncertainty centred on the government's attempts to curb inflation," Boyd said

"The impact of a low gold price on the mining sector, customer inventory reductions due to high interest rates and the completion of certain capital projects seriously affected the order load"

Attributable profit fell 52% to R82,5m (R170,2m), after providing R22,9m for depreciation and R20,6m (R42m) in deferred tax



Graphic LEE EMERTON Source JSE

Though prices fell, the volumes of steel exports remained relatively strong, Boyd said, enabling the steelworks to operate at full capacity

As regards its vanadium operations, Hiveld posted a price of $2,50/lb for vanadium pentoxide in the first quarter Due to strong first quarter sales and the upward move in spot prices in the second quarter as inventories were eliminated, Hiveld moved its price to $4,20/lb in the second quarter

"Following a more balanced inventory position and consumer resistance to the high price, this levelled off at $3,35/lb"

Weak export markets for silicomanganese meant the new furnace at Transalloys — brought on stream in February this year — operated at below capacity and other furnaces were taken off line

Rand Carbide continued to operate all furnaces despite continued low ferrosilicon prices Domestic sales of carbonaceous products dropped, while a fall off in demand saw lower-than anticipated results from Rheem

In terms of quantity, the world markets for Hiveld's steel and vanadium products are expected to be satisfactory in the second half

Capex amounted to R28,4m (R36,7m), with a further R12m committed

Boyd said it was possible that a final decision on the stainless steel joint venture with Samancor would be made before year-end

The Hiveld share closed at 1 625c with a bid of 1 600c yesterday This compared with a high of 2 230c in August last year and a low of 1 330 in December The share is trading on an historic dividend yield of 4,3%

CMI hit by falling demand

Star 3/7/90 (189)

By Magnus Heystek

Consolidated Metallurgical Industries (CMI) is feeling the chill winds blowing through world stainless steel markets

Turnover dropped 34 percent to R215,4 million (R324,3 million) in the financial year to end-June

The company ascribes the sharp drop to the marked reduction in the demand for ferrochrome as a result of a worldwide decline in the production of stainless steel that began in the first half of the year

As a result, stocks of ferrochrome were reduced, impacting negatively on the company

The decline in ferrochrome prices in the company's major markets accelerated in the second half of the company's year to June, with average prices received being substantially below those of the first half

However, the company says "Towards the end of the period signs of a recovery were evident in both the US and European stainless steel markets and prices of ferrochrome appear to have stabilised"

Production volumes

Lower production volumes caused the unit cost of sales to rise by 30 percent

This factor, coupled with lower sales revenue, caused operating income to fall by 60 percent to R69 million

Substantially increased interest income limited the decline in pre-tax income to 52 percent

Taxa was reduced to R15,1 million (R79,5 million in the previous financial year) because of reduced profits and and capital expenditure allowances, mainly for a new furnace

Attributable income declined by 29 percent, compared with that of the previous financial year

Capital expenditure for the year was R49,4 million, mainly on the new furnace, which is now in full production

Refurbishment of the two existing furnaces began in June this year and is expected to be completed by the end of the year

A final dividend of 80c (80c) has been declared, to bring the total to 135c per share, the same as in the previous financial year

Earnings at Highveld slump by 50 percent

(189) Star 31/7/90

Finance Staff

Although shareholders in Highveld Steel were warned in the annual report that earnings were set to drop, most analysts were surprised by the decline of over 50 percent in attributable earnings announced yesterday

In mitigation, however, it must be said that the earnings growth came off a high level and it would have been unrealistic to expect last year's buoyant conditions to continue

Earnings per share in the first six months of the current financial year were 114,4c (237,2c in the first six months of 1989).

This has been attributed to weaker world markets for ferro-alloys and to low world prices for steel and vanadium products

An interim dividend of 30c per share has been declared. This compares with the normal interim dividend of 30c paid for the first six months of last year, and the extraordinary interim of 20c paid after 1989's exceptional results

Turnover for the period to end-June was R682,04 million (R776,7 million)

Highveld's unaudited attributable profit was R82,500 million (R170,154 million)

Provision has been made for normal tax of R13,469 million and deferred tax of R20,631 million

In the six months under review the domestic steel market was characterised by uncertainty centred on the Government's attempts to curb inflation

The impact of a low gold price on the mining sector, customer inventory reductions due to high interest rates and the completion of certain capital projects seriously affected the order load

However, volumes of steel exports remained relatively strong and although prices fell to less attractive levels, the steelworks continued to operate at full capacity

After the free market price of vanadium pentoxide had bottomed out at $2 per pound at the end of 1989, Highveld posted a price of $2,50 per pound in the first quarter The elimination of inventories caused spot prices to move up to more economic levels

Based on this and strong sales in the first quarter, the corporation moved its price to $4,20 per pound in the second quarter

Because of a more balanced inventory position and consumer resistance to the higher price, this levelled off at $3,35 per pound

The new silico-manganese furnace at Transalloys was brought on stream last February

However, due to weak export markets for the alloy, other furnaces were taken off line and Transalloys operated below capacity in the period under review

Despite the continuing low level of ferro-silicon prices, Rand Carbide continued to operate all furnaces

Sales of carbonaceous products in the domestic market continued at reduced levels

As the world steel industry continues to perform well, it is expected that the markets for the group's steel and vanadium products will be satisfactory in terms of quantity, but prices will remain low

Weak markets for ferro-alloys are expected to prevail into the fourth quarter of the year

Overall, it is expected that earnings in the second half will remain under pressure

Capital expenditure for the six months was R28,381 million (1989 R36,707 million) The total commitment in respect of further capital expenditure was R12,041 million at June 30 (R45,11 million at December 31 1989)

Highveld is still intent on going ahead with a major stainless steel project together with Samancor

The feasibility study has already defined the capital requirements and a letter of intent has been signed with an overseas partner

A final decision should be possible before the end of the year, Highveld says

Earnings drop sharply at Metal Closures

STAR 3/8/90 (189)

By Ann Crotty

Metal Closures has reported a sharp drop in earnings — down from 145,5c to 74,3c a share — in the six months to end-June. An interim dividend of 25c (48c) has been declared.

The results are worse than the market was expecting and may cause some concern among some of the minority shareholders who were unable to avail themselves of the R23 take-out price that they were being offered last month.

However one analyst argues that the difficult trading conditions relating to the weakness of the economy were aggravated during the review period by market problems caused by a change of technology

It is possible that these technology-related problems are only of a short-to-medium term nature and so are unlikely to affect the company's performance in the next financial year

No mention is made of the aborted offer or any likely deveolpments on this front.

For the six months to end-June turnover was up 10 percent to R64,5 million (R58,6 million). Operating income was down a sharp 44 percent to R4,4 million (R7,8 million).

After allowing for interest and tax, attributable earnings were down 49 percent to R1,9 million (R3,8 million).

According to the directors the disappointing results are attributable to "The depressed state of the economy and to the increasingly competitive nature of the industries we serve" Capacity under-utilisation and increased manufacturing costs — particularly labour — eroded margins.

Some improvement is expected in the second half but full year profits will be down on last year

CMI mum on ferrochrome acquisition

BRENT MELVILLE

JCI's Consolidated Metallurgical Industries (CMI) — which issued a cautionary announcement on Friday — could be upping its stakes in the ferrochrome business, some market analysts believe (189)

Although CMI MD Barry Davison confirmed that the cautionary announcement related to an acquisition, he refused to furnish details B[Day 6/8/90

Market speculation is that CMI may have resurrected negotiations with Swiss-owned Chromecorp, or shifted its attention to Purity Metals Analysts thought it probable that CMI was looking at Chromecorp

While the asset value of Chromecorp is unknown, a figure in the region of $120m has been bandied about

However, another analyst said Purity Metals could not be discounted as the target

"As SA's other major independent producer, it provides a very attractive proposition to CMI," he said.

CMI's year-end results to June disclosed a sharp drop in operating income to R68,9m (R171,2m) on the back of poor demand for stainless and speciality steels

Go-ahead for steel project 'is likely'

184

BDay 17/8/90

BRENT MELVILLE

INDICATIONS are that the R2,8bn Columbus Stainless Steel venture will go ahead despite a glum outlook for the stainless steel market, say industry sources who are anticipating an announcement to that effect within the next month

The Columbus joint venture, to establish a stainless steel manufacturing facility in SA for the production of hot rolled coil, is made up of a partnership including Highveld Steel & Vanadium and Samancor, in conjunction with Taiwanese group Yieh Loong, which will be responsible for establishing a cold rolling facility in Taiwan.

Simpson, McKie analyst Hennie Vermeulen said on Friday it seemed almost certain the project would go ahead despite the depressed state of the ferrochrome and stainless steel markets, but the decision would be based more on a strategic level than immediate return on investment.

He said no significant upturn was expected over the next two years in the markets for ferrochome (75% of the world's supply of which is used in stainless steel production) and stainless steel

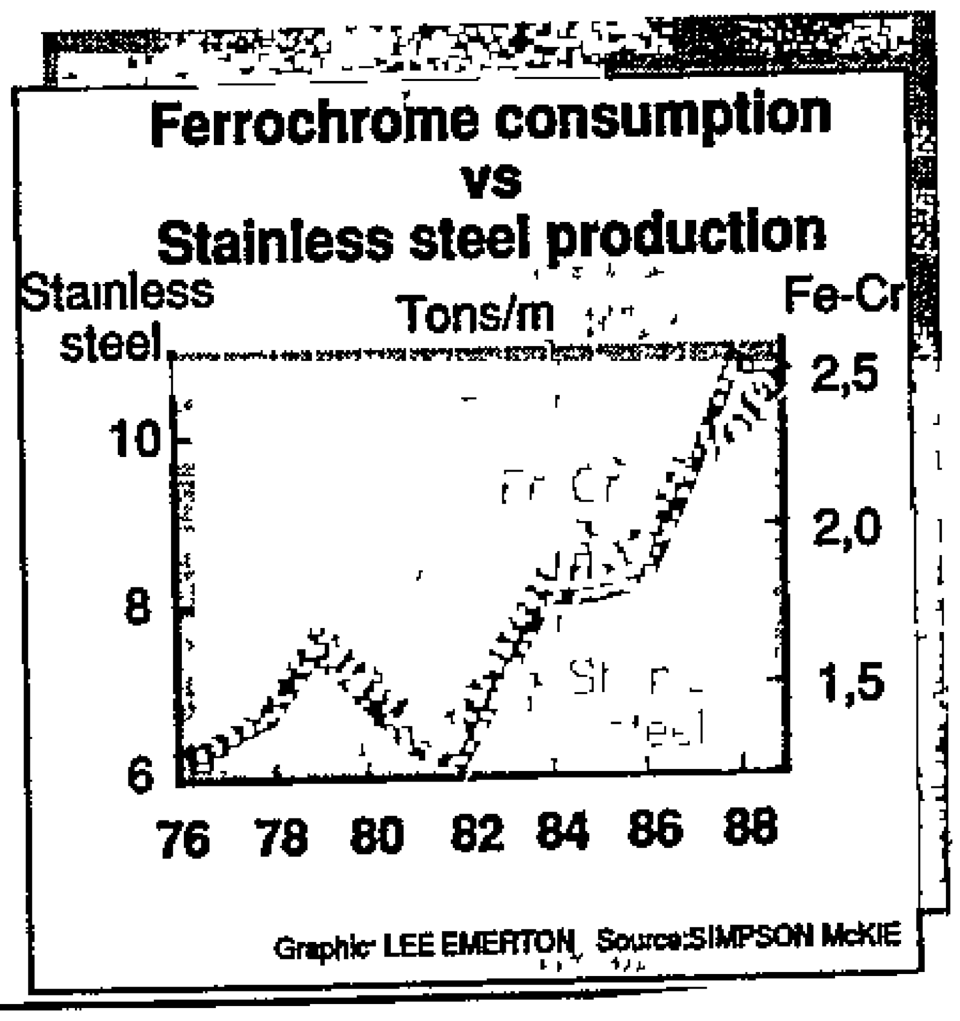
Stainless steel demand fell to 10,3-million tons last year from 10,7-million tons in 1988 and Vermeulen said it could come off by as much as 6% this year

A well-placed analyst said there was very little doubt left that the project would go ahead, especially in view of the fact that Samancor would be putting out some "very good results" this month. He said the plant was due to be commissioned in mid-1993

He suggested the Taiwanese operation might be completed in 1993

The SA joint venture (SAJV) is expected to cost about R2bn, and to supply about 218 000 tons a year to the Taiwanese cold-rolling plant. Yieh Loong will have about a 7,5% holding in the SAJV which in turn would have a 40% stake in the Taiwanese side of things

A Highveld Steel source said at the weekend that assuming the project was given the go-ahead, it was expected the SAJV would become profitable from 1995 onwards



Samancor shares dip 150c

BDay 16/8/90 (189)

MERVYN HARRIS

SAMANCOR shares continued to ease on Diagonal Street yesterday with the 150c decline to R22,50 bringing losses to 28,5% since touching a high of R31,50 10 days ago

Analysts attributed the downtrend of the shares to the fact that the ferrochrome market was looking worse than expected because of the glut of supplies

This glut has been caused by the slowdown in world economic growth, which has hit the steel industry, and by new capacity Ferrochrome is an essential ingredient in the production of stainless steel

Simpson McKie's Hennie Vermeulen said the current contract price of ferrochrome was $0,47/lb compared with about $0,75/lb last year

"If the price remains at current levels for 12 months, it will mean that the average price received by both Samancor and CMI (Consolidated Metallurgical Industries) will be 20% lower than last year

"Samancor's ferrochrome pre-tax pro-

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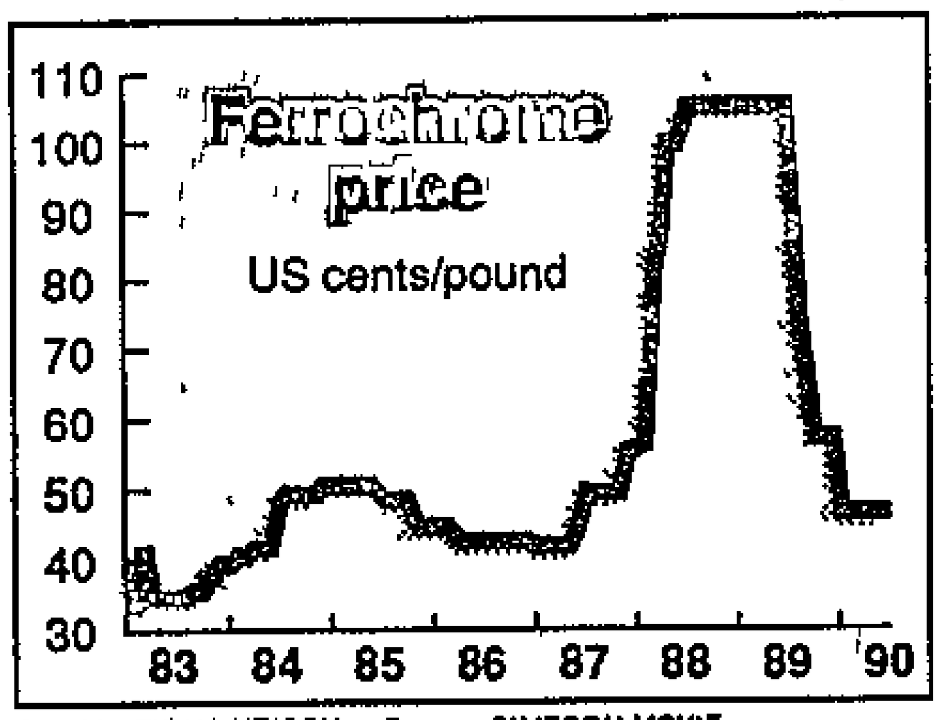


Graphic FIONA KRISCH Source SIMPSON MCKIE

Samancor

BDay 16/8/90 (189)

☐ From Page 1

fits could, therefore, decline from an estimated R230m for the year to end-June 1990, to R30m by June next year CMI's ferrochrome earnings are expected to drop from R69m before tax to R15m"

Vermeulen estimated that, despite the good performance of manganese which would help to cushion the effect of the downturn of ferrochrome prices, Samancor's total earnings for the year to June 1991 would be down by about 16%

He expected earnings of CMI to fall by about 70%

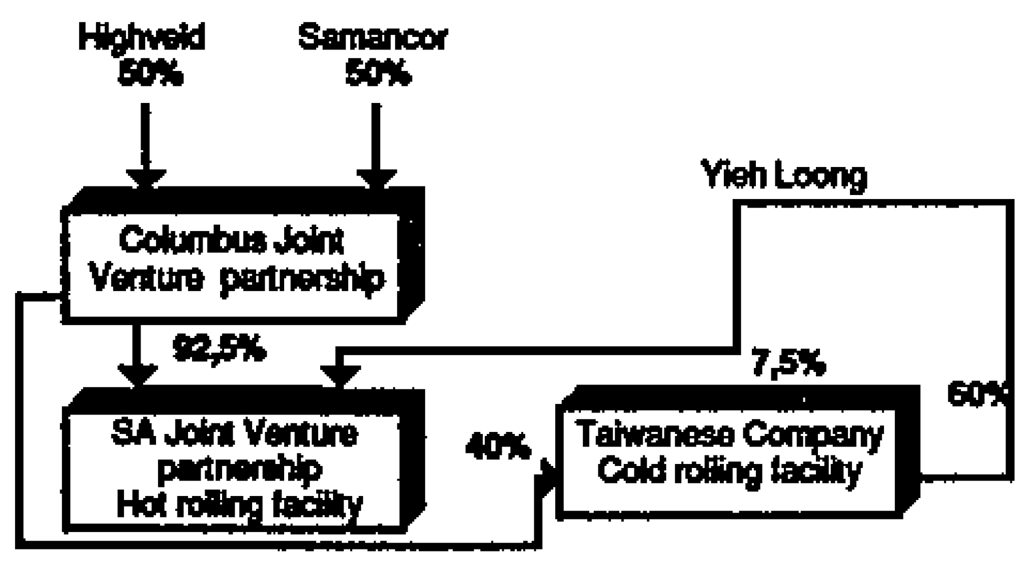
CMI shares have been languishing at about R12,50, after falling to a year low of R11 in March

SA-Taiwan project on the road soon — claim

BDay 17/8/90 189 SSA

RIAAN SMIT

Structure of joint ventures



Graphic: LEE EMERTON

SAMANCOR, Highveld Steel & Vanadium (HS & V) and a Taiwanese partner are expected to announce soon the go-ahead for their R2bn stainless steel plant joint venture which, it is projected, will generate an annual R350m positive cash flow in inflated terms by 1995.

The deal involves two partnerships — the Columbus Joint Venture (CJV) with Samancor and HS & V as partners, and an SA Joint Venture (SAJV) with the two ferrochrome producers and the Yeih Loong Group of Taiwan as partners, a well-placed source said.

According to the source, the SA plant, to produce an initial 270 000 tons a year of annealed and pickled hot-rolled coil by 1995, would be commissioned in mid-1993

This plant would supply about 220 000 tons a year to a Taiwanese-based cold-rolled plant to beneficiate the SA product Construction of the Taiwanese plant was scheduled to start in 1991 and be completed in 1993. It would reach its design capacity of about 220 000 tons a year in 1996

Samancor and HS & V, which each owned 50% of the CJV, would have a 92,5% stake in the SAJV, with the remaining 7,5% owned by the Yieh Loong Group, Business Day's source said The SAJV was formed to establish the SA plant.

The source said the new company would be established in Taiwan to build the second plant The CJV would hold 40% of the equity and the Yieh Loong group the other 60%. The capex in 1990 terms was expected to be R840m

The plant in Taiwan would be financed 55% with loans and 45% through equity from the shareholders The CJV 40% share would amount to about $60m in 1990 money

Capex on the SA plant in 1990 terms was expected to be R2bn, of which about R500m would be spent on imported equipment The partners would each fund its share of the cash requirements of the project

It was understood Samancor and HS & V were currently putting the finishing touches to funding of the two ventures

The R350m positive cash flow from the SA venture was projected to grow to over R1bn in inflated terms by 1998, while the Taiwanese venture would in the same year show a positive cash flow of over $100m

Reichmans' profits plummet

WM&G 24/8 - 26/8/90 (189)

By REG RUMNEY

THE poor performance of steel trader Van Reenen & Nicholls and two bad debts hit international trade finance company Reichmans in the six months to end June Reichmans has 20 percent interest in VRN

An interim dividend of 2c (9c) has been declared

Bottom-line profits plunged to R808 000 in the six months to end-June, compared to R7,44-million in the six months to end August 1989

Pre-tax income was R8,42-million (R9,35-million) A lower tax rate of 15,4 percent meant after-tax income increased slightly to R7,04-million (R6,88-million).

Earnings dropped to 2,2c a share from 16,8c

Reichmans has strengthened its credit procedures in the light of the tightening economy, but earnings in the second half should approximate those of the first half, according to MD Frank Boner.

Steel deals give industry new look

B/Day 3/9/90

(189)

RIAAN SMIT

JCI's Consolidated Metallurgical Industries (CMI) has bought the entire issued share capital of Purity Chrome for R182m in what analysts see as part of an inevitable shake-out in the ferro-alloy industry because of over-capacity and low prices

In another development in the ferro-alloy industry, Iscor and Middelburg Steel & Alloys (MS & A) said yesterday they had signed an agreement for Iscor to roll certain stainless steel and 3CR12 products on behalf of MS & A, a deal which opens the way for the local production of a wide range of currently imported products

Purity Chrome owns a chrome mine and beneficiation plant in the Rustenburg area The plant consists of two 33 MVA furnaces with an annual capacity of 120 000 tons

The company was owned by Roger Ballen, Andrew Nesbitt and Brian Morgan

CMI said in an announcement today the R182m would be paid in cash and included taking over a Purity loan of $43,5m

It said there were no liabilities to third parties apart from the US dollar loan, and the transaction would have no material effect on CMI's net asset value

"In all probability there will be a negative impact on the short-term earnings of CMI, which at this stage cannot be quantified, as outlets are being established for Purity's production in a depressed ferrochrome market and due to interest charges relating to the financial package"

The acquisition would be effective from July 1 this year and was in line with CMI's strategy of increasing its share of the world ferrochrome market, it said

A source at the London-based Metal Bulletin recently told Business Day a shake-out in the industry was inevitable because of over-capacity and the 3% downturn over the past year in world steel consumption

He said with sanctions against SA falling away the type of joint venture proposed by Samancor, Highveld Steel & Vanadium, and a Taiwanese partner — to establish a stainless steel plant — was becoming more likely because of the availability of ore reserves in this country SA has about half of the world's known chrome ore reserves.

These companies are likely to announce a R2bn stainless steel plant in SA and a downstream plant in Taiwan towards the end of this year or early next year Chrome is a key ingredient of stainless steel

The MS & A/Iscor agreement, which makes future co-operation between Iscor and MS & A Stainless in other areas of mutual interest possible, will create new areas and markets for the utilisation of stainless and corrosion-resisting steel products, a statement by the companies said

The agreement provides for the toll roll-

☐ To Page 2

Steel deals

B/Day 3/9/90

(189)

☐ From Page 1

ing by Iscor of a variety of sizes and shapes in stainless steel and 3CR12 not currently produced by MS & A Stainless, such as heavy gauge plate, structural sections, round bar and wire rod

Ballen had told Business Day earlier this year Purity planned to produce charge chrome at full capacity in 1991

Purity's chrome mine had an output of 30 000 tons a month At chrome oxide grades of about 70% this should yield about 22 000-25 000 tons of chromite concentrate a month

Estimated ore reserves were in excess of seven-million tons, equivalent to about 20 years' supply at planned production rates, Ballen said

CMI's purchase of Purity prompts mixed reaction

B10~~1. 7/9/90

PETER GALLI

ANALYSTS differ in their reaction to the recently announced purchase of Purity Chrome by JCI's Consolidated Metallurgical Industries (CMI) for R182m

However, most of those interviewed believed the acquisition would be beneficial to the industry in the long term

(189)

One analyst said no one expected much action from ferrochrome, so the effects would only be felt in the long term

Another felt the industry desperately needed rationalisation, and that the market would change as the number of players was reduced, resulting in less undercutting and a more stable market

CMI's acquisition of Purity Chrome was a large step in this direction and in time could have a positive effect on the market, he said are not exciting *Andrew McNulty*

CMI (189)

BUYING MARKET SHARE

CMI has bought Purity Chrome in a strategic move to increase its share of the world market and rationalise the SA ferrochrome industry FM 7/9/90

Purity Chrome, founded by Roger Ballen, Andrew Nesbitt and Brian Morgan, comprises a chrome mine, with a run-of-mine output of about 30 000 t/month and a ferrochrome plant in the Rustenburg area The plant, two 33 MVA furnaces, has an annual capacity of 120 000 t of ferrochrome and increases CMI's present capacity of 210 000 t/year by more than a third

CMI paid about R182m cash, inclusive of a $43,5m (R112m) existing loan Market analysts consider this a good deal since the plant is practically new — it commenced production in June

Marketing director Allan Kuhnert says CMI now supplies 7% of the world market and the immediate objective is to increase this to 10% This could have been achieved

FOX FM 7/9/90 (189)

through new additions to its existing capacity, but would have increased excess capacity in the industry By buying Purity, CMI can meet its market share objective by absorbing existing capacity in the industry

The acquisition is expected to have a negative impact on CMI's earnings in the short term but will "be of material benefit to shareholders in the longer term" Initial costs of setting up outlets for Purity's production in the depressed ferrochrome market and interest costs relating to the purchase package, will depress earnings this year

But, with world demand for ferrochrome thought to be bottoming out and with further rationalisation among producers — Samancor is said to be interested in buying Chromecorp — the longer-term benefits of controlling a higher market share and more stable prices should flow through to CMI later

Pam Baskind

Competition for SA in Taiwan

RIAAN SMIT

SAMANCOR and Highveld Steel & Vanadium's stainless steel joint venture with a Taiwanese partner has received notice of stiff competition with the announcement last week by Krupp AG of a similar project with the Tung Mung industrial group of Taiwan. B/Day 10/9/90

London-based Metal Bulletin (MB) said today the deal, involving construction of a new cold rolling mill in Taiwan producing 150 000 tons a year, was similar to the proposed SA link-up with Taiwan's Yieng Loong group.

The parties to the SA-Taiwan venture, known as the Colombus Joint Venture, are in the final stages of deciding whether or not to construct a hot rolling plant in SA with a capacity of 270 000 tons a year by 1995, which will supply 218 000 tons annually to the planned Yieng Loong mill in Taiwan.

Samancor MD Hans Smith told MB the prospect of another potential competitor in Taiwan "won't influence our decision at all". (189)

But Smith did indicate that the sudden downturn in the Taiwanese economy had caused problems in arranging finance for the Yieng Loong mill.

"We believe we have a cost competitive advantage, but any venture into Taiwan has to be influenced by the total collapse of the Taiwanese stock exchange," he said. The advantage for Columbus was the local availability of chrome and nickel.

Smith estimated future stainless steel market growth in Taiwan at 7% a year and said it was "wise" of Krupp to get a foothold on the island.

The bulletin said with the Tung Mung mill and Taiwanese steel producer Tang Eng's plans to double cold rolled ouput, Taiwan's production was set to hit 600-700 000 tons in the mid-1990s.

SA-Taiwan steel plans suspended

ROBERT GENTLE 189

NEGOTIATIONS on the proposed R2,8bn Columbus stainless steel project between SA partners Samancor and Highveld Steel & Vanadium, and Taiwanese partner Yieng Loong, have been suspended

A statement issued last night by the SA partners said the suspension had arisen because of "problems experienced with finalising the agreement", and that alternatives were being explored

Samancor MD Hans Smith said the two partners had not agreed on a number of issues ranging from capital expenditure and quality to tonnages and transfer pricing

B 1029 11/9/90

"We are not mad with each other, but going ahead now would not be in the best interests of Samancor shareholders "

Smith said the decision was not connected with the agreement, reported in Business Day yesterday, between West German industrial group Krupp and Taiwanese partner Tung Mung on the setting up of a similar venture

"We were aware of the possibility of a Krupp deal

"Negotiations had been going on for the past two years "

There would have been a degree of competition between the two ventures, Smith said, but not on bulk tonnage Moreover, SA had a cost advantage over Krupp

Apart from "a few million rands" spent on the feasibility study, the SA partners would not be out of pocket if they walked away from the deal, Smith said

However, that there was still a place in the market for such a project

VALARD F(M 14/9/90

TAX BENEFITS (189)

Activities: *Manufactures and sells industrial products*

Control: *Directors 60,6%*

Chairman: *D R Makins, MD S J Connelly*

Capital structure: *53,6m ords Market capitalisation R41,3m*

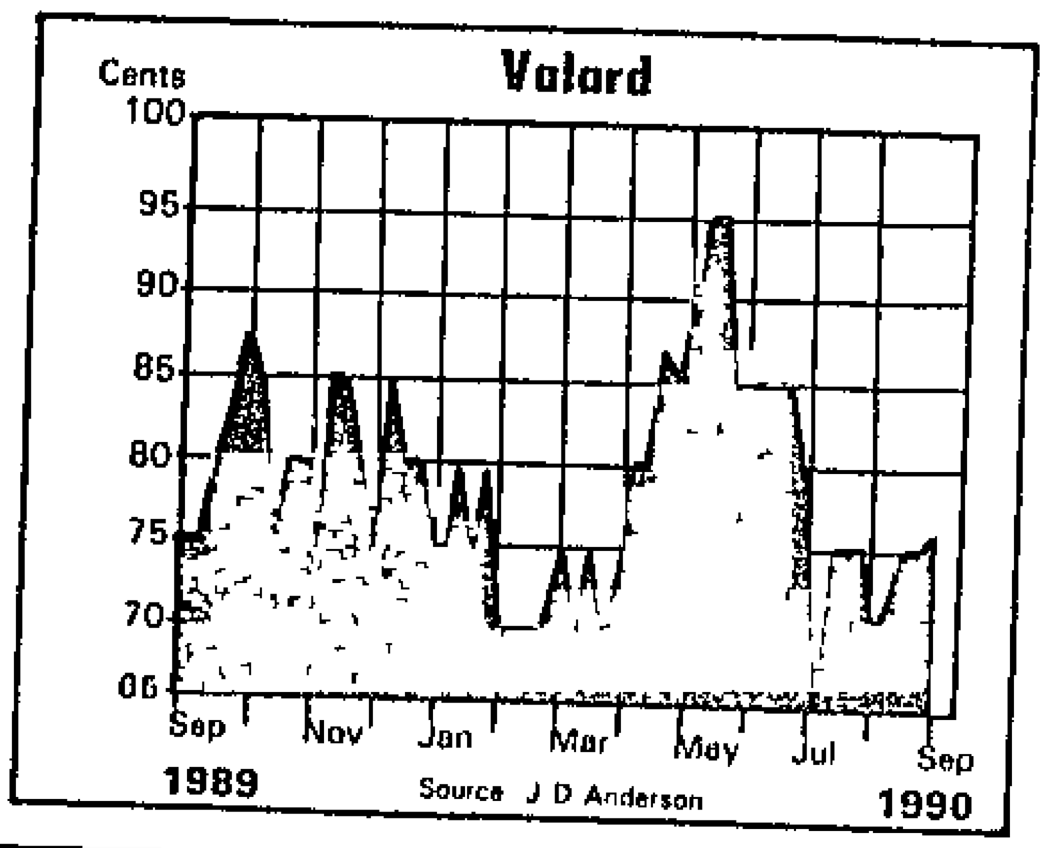
Share market: *Price 77c Yields 7,2% on dividend, 18,2% on earnings, p e ratio, 5,5, cover, 2,5 12-month high, 95c, low, 65c Trading volume last quarter, 55 000 shares*

Year to March 31	'87	'88	'89	'90
ST debt (Rm)	1,76	5 62	7 39	9 33
LT debt (Rm)	1 30	1,89	3 77	3,50
Debt equity ratio	0 32	0 60	0 56	0 52
Shareholders interest	0 50	0,41	0 45	0 50
Int & leasing cover	1,68	7,4	7 0	5 1
Return on cap (%)	17 1	21,9	23 4	24 3
Turnover (Rm)	41,3	51 2	78 8	106 5
Pre-int profit (Rm)	3,3	6,6	10 3	12 5
Pre-int margin (%)	5,3	13 0	13,0	11,7
Earnings (c)	3 0	8 6	11,3	14,0
Dividends (c)	2,0	3 5	4,48	5 60
Net worth (c)	15,0	20,0	40,6	42,6

Valard's record of consistent improvement in operating profit and earnings remained intact in financial 1990, as did management's reputation for restoring non-performing companies to enduring profitability The acquisition of loss-maker Landlock's assets this year is expected to boost profit at the operating and attributable levels

During the 1990 year, Valard made only one small acquisition — Global Mining Equipment — but increased its operating profit 21% on turnover growth of 35% The acquisition was made for cash and did not affect the debt equity ratio

The group's engineering division account-



ed for more than half of turnover and operating profit, with the trading and pump divisions accounting for the rest

Since year-end, the group has undergone a major restructuring Valard sold all its operating subsidiaries to automotive engineering group Landlock, for which it received cash and shares Valard became a holding company, whose only asset is an 82% stake in the new Landlock, and changed its name to Valhold The new Landlock, which holds all the former Valard companies and three out of four Landlock companies, changed its name to Valard

The fourth Landlock division, Girlock, was sold at a premium to net asset value for R28,4m which was used to reduce group borrowings But Valhold's gearing has risen to about 0,95

Executive director Simon Nash says three months under new management has stemmed the losses in the former Landlock divisions and the R1m/year head office has been closed Operations are centred in the automotive industry, but 85% of turnover relates to essential spares where demand is not considered cyclical

The reversal of Valard into the former Landlock provides big tax advantages — Landlock was sitting on a R20m assessed loss Valard's effective tax rate in financial 1990 was 23% on the R12,5m operating profit and the tax advantage acquired will provide substantial earnings benefits

Nash indicates trading this year has been tighter but he is confident the group's 25% return on total assets, including those acquired, will continue to be met The acquisition documents promise earnings of no less than 17c to Valhold shareholders, a fifth more than the 14c earned last year and substantially up on the 10,4c that would have been earned had the transaction been in place throughout financial 1990

At 77c, the share offers a prospective 4,5 p e and 8,8% dividend yield, below the sector averages

Pam Baskind

A world first on stream

189

R260m for chromite processing

S Times 16/9/90

MIDDELBURG Steel & Alloys' world-first chromium direct reduction (CDR) ferroalloy furnace began producing pre-reduced chromite this week.

After R260-million of capital spending, six years of research, design and construction, plus a four-week start-up procedure, the first product emerged from the huge plant on Tuesday

Chairman John Hall says the furnace will reinforce Middelburg's position as the world's lowest-cost ferroalloy and stainless-steel producer

By DAVID CARTE

Getting the plant to capacity of 120 000 tons a year will take several months Construction by more than 30 sub-contractors took two years

The revolutionary technology was developed by Middelburg in association with Krupp of West Germany

Tunnel

When it attains capacity, the furnace will lift Middelburg's ferrochrome production from 280 000 to 400 000 tons a year The computer-controlled plant will be run by 128 men, implying productivity of nearly 1 000 tons a man annually

Parts of the plant are 50 metres above ground and others are 9m below A 6m-wide underground tunnel connects the plant to the neighbouring steel works

With a refractory-lined cylinder 4,8m in diameter and 80m long, the front end of the furnace resembles a cement kiln Fine chromite ore and fine coal are introduced up front

Gases heated to 1 200-1 400 deg Celsius cause a reaction between coal and chromite Fine droplets of metallic ferrochromium emerge The chromite, 90% pre-reduced, is cooled to 850 deg before being further purified in an electrical furnace

Managing director John Gomersall says "The plant cost twice as much to build as an equivalent submerged arc furnace. But its operating costs will be far lower

"Electricity and ore are our two biggest expenses The plant uses only 25% of the electricity of the submerged arc that it replaces It also uses ordinary coal and char instead of expensive coke

"Its variable costs are only 30% of those of a submerged arc In the old furnace, chrome recovery ran to 75% In the new furnace, we are looking at 95% recovery

"The new technology enables us to use fine chromite ore, which would otherwise have to be pelletised at great expense CDR will enable us to use ore from the UG2 Reef being mined at Rand Mines' Crocodile River platinum plant"

Teething

Molten charge chrome will be transferred directly to the stainless-steel meltshop, resulting in reduced electrode, refractory and oxygen consumption, increased meltshop output and improved product quality and consistency

Mr Gomersall is confident that apart from normal teething problems, the ground-breaking plant will work Krupp has given technical guarantees for the plant, so even if teething problems are acute, Middelburg is covered

MSA spent R30-million on control of air and water pollution With a near-absence of smoke, the furnace is in stark contrast to similar ferroalloy and steel plants in the Middelburg and Witbank areas

Mr Gomersall says that in the long run Middelburg wishes to more than quadruple its stainless-steel production from 120 000 tons to 500 000 tons a year As steel production rises, more and more ferrochrome capacity will be committed to in-house use

Sweetener offer

ROBOR COASTAL, a major distributor of steel, has announced incentive schemes for companies exporting fabricated stainless-steel products S Times 16/9/90

Robor Coastal believes that SA needs to change from being an exporter of raw materials to a producer of finished goods. Robor Coastal offers incentives over and above those from the general export incentive scheme (GEIS). (189).

Together with sister company Robor Metals, it is the largest distributor of stainless steel in SA.

The GEIS project signals the Government's commitment to reward SA industry which adds value to primary materials, says Robor Coastal director Duncan Loynes

The SA Stainless Steel Development Association and Middelburg Steel & Alloys have shown their commitment to encourage the stainless-steel industry to take advantage of this growth opportunity

A great deal of support is available for potential exporters who want to research markets and who need advice on documentation, finance and trade links

Companies wishing to take advantage of Robor's assistance should make contact with the company before exporting The incentive is offered only on proof of export

Middelburg puts the worst behind

(189)

By DON ROBERTSON

S Times 16/7/90

PRODUCTION of stainless steel at Middelburg Steel & Alloys (MS&A) is returning to normal after operating at about 65% of capacity between November and March

Full production is expected in the second half of this year because it takes time for output to build up, says group managing director John Gomersall

There was a downward correction in the stainless-steel market last November after a sharp rise in prices on the back of spiralling nickel Nickel peaked in early 1989 at $9,50 a pound and stainless steel at $3 250 a ton

New production came on stream and world production rose to 10,4-million tons

Earlier, consumers had built up stocks, but the decline in nickel to $3 a pound forced destocking and a sharp fall in prices Stainless steel fell to $1 400 a ton, but has recovered to more than $2 000

Game

Mr Gomersall says "Stocks are returning to more normal levels, although they might be a bit on the high side Volume is the name of the game in stainless steel, so we need more stability in the market"

MS&A has a steel capacity of 120 000 tons of finished product

"World production next year is expected to rise to 11,5-million tons, but there are varying views as to what it will be by the year 2000 It could be 14-million tons"

Plant capacity at MS&A could be increased to 400 000 or 500 000 tons of finished product at a cost of R600-million to R900-million

The domestic market is not looking good because of economic problems and Mr Gomersall fears the authorities could "overkill" the economy

Nevertheless, margins should be a bit better next year and most of the world's steel producers should be back in the black

"MS&A's stainless division has moved back into the black — the worst is past," says Mr Gomersall

Assessing the group's other major product — ferrochrome — Mr Gomersall says demand is looking good for the rest of the year and perhaps into 1991 But overproduction is possible

SA had a capacity of between 800 000 and 900 000 tons a few years ago, but it could rise to almost 1,6-million tons soon

"A lot of capacity is coming on stream and the next nine to 12 months could be difficult

"There could be some international casualties"

Stocks kept on the go

(189)

S Times 16/9/90

AS THE economy dives, so steel stocks are rising

The answer, of course, is to liquidate stocks and turn them to cash A company that can do it is Stansteel Agencies

Managing director Stan Noik says that based on Iscor figures for the year to June 1989, about 3,4-million tons of steel were sold in SA Figures for the past financial year have not been released.

Mr Noik believes that, based on these sales, about 5% could be considered "excess"

"This is equivalent to about 170 000 tons in a single year On a low price of R1 200 a ton, you have at least R240-million worth of steel lying around Stansteel's job is to move this stock"

Lull

Stansteel prints a free computerised list of stock, showing what excess and dormant steel is lying around The list is printed every six weeks and is sent to about 3 000 companies, including merchants

Mr Noik says "Many companies sit on excess stocks for a year or more and some of them even write it off as scrap, not knowing what to do with it

"There is a lull in the market and we believe even more redundant and excess stock is lying around

"Stansteel is able to sell at reasonable prices because most steel mills lift prices every six months But we buy at the old price"

The company deals in all structural steels, reinforcing, rounds, squares, rails, plates, sheets and hot- and cold-rolled steels.

MES FEATURE

BRIGHTER SIDE OF SANCTIONS

CONTRARY to some views, sanctions have brought a few benefits to the SA economy

As it became more difficult to export raw materials, many companies were forced to embark on added value

The decision by specialist steel group Van Reenen & Nicholls (VRN) to follow this route about two years ago means that it is not experiencing the difficulties of a depressed international market S Times 16/9/90

Chief executive John van Reenen says "Gearing ourselves up to become a leading international player was certainly costly because interest rates were high In the long term, however, this foresight will yield attractive returns"

JOHN VAN REENEN .. foresight brings returns

VRN International has secured guaranteed monthly orders of R1,5-million for the next 12 months The two large contracts were secured a few months ago

The first is to supply steel for a bridge in Houston and the second for a large equipment manufacturer in Belgium

Apart from this, there appears to be considerable demand for processed steel here and abroad The incentive is the cost saving in buying processed steel Considerable savings can be achieved in stockholding costs, labour and funding sophisticated machinery

But there are problems in the world market because of the historical unreliability of some SA companies

Mr Van Reenen says "We find it can take a lot of time and effort to convince new clients that we have the infrastructure to compete in service and quality

"There is much room for enhancing the overall image of SA industry abroad In the past few months, business dealings abroad have become much more open It appears there is a genuine wish to welcome SA companies as trading partners once more"

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Inroads

Mr Van Reenen warns that this could be short lived if service is not maintained.

"South Africans still have to work extra hard for orders, but if the price is right and the infrastructure exists to provide good service, we can make great inroads in the international market"

Exporters have many hurdles to overcome and companies should not rely too much on Government export incentives, says Mr Van Reenen

Taiwan link still wanted

STimes 16/9/90 (189)

By DON ROBERTSON

SOUTH AFRICA should become a major producer of stainless steel and for this reason it is a pity that the joint venture between Highveld Steel & Vanadium, Samancor and Taiwanese companies has stalled.

Highveld chairman Leslie Boyd says SA has the world's largest reserves of chrome and an ample supply of nickel, which is almost a by-product of platinum mining Chrome, nickel and iron are the main ingredients of stainless steel. It had been intended to build a R2-billion plant to produce semi-finished stainless-steel coils in SA and to ship them to Taiwan for further processing

Mr Boyd says sanctions in Europe and America against SA steel have been effective and it would be foolhardy to build a plant relying on these markets

Partners

For this reason, negotiations were entered into with Taiwanese companies, which have potential for growth.

Although the negotiations with Taiwanese partners Yieng Loong have been suspended, Mr Boyd says the South Africans are looking for other partners

The SA Government was also keen for the project to go ahead, but was reluctant to assist financially

LESLIE BOYD

"We are speaking to the Government and have indicated that we need some special 'treatment' in the early years to make it more attractive The investment climate is not too good because many incentives, such as allowances, no longer exist," Mr Boyd says.

Although Mr Boyd is "reasonably confident" about prospects for vanadium sales, the Iraqi conflict could result in a rise in international interest rates with a resultant decline in world economies.

Overthrow

Before Kuwait was invaded, it had been expected that major industrialised countries would control inflation and that real interest rates would be low, resulting in stable economic growth in the 1990s

Mr Boyd says "There is likely to be continued downward pressure on prices in the short term, although a recovery can be expected. Prices are not yet uneconomic"

On the positive side, steel production in Eastern Europe has declined sharply since the overthrow of communism and it now has to compete in world markets

By July, East German steel production had fallen by 31% and Poland's by 13,2% In the first seven months of the year, production in Poland fell by 11,6% and in East Germany by 12,9% Steel output in the Western world fell by only 2,7%

Europe 1992 will be positive for the world steel industry, but not for SA until sanctions are lifted

Mr Boyd says "SA is one of the world's most competitive steel producers and we should be expanding But we cannot sell to the US or the EEC because of sanctions It is strange that we can sell to Eastern Europe, but not to the West. I hope that sanctions will be lifted by 1995 and we will again be able to sell to Europe and America."

Challenges facing Highveld include the continuing need to reduce costs, and improve efficiency and productivity

The R80-million pelletising plant due to be commissioned by the yearend will make a major contribution

Mr Boyd says "It will have a favourable effect on furnace operation and will improve efficiency"

The plant will have a capacity of 700 000 tons of ore, about half the iron division's requirements

Highveld will also investigate the further processing of steel, such as cold rolling, to give added value

Negative

Mr Boyd is critical of the new general export incentive scheme (GEIS) because the authorities keep changing the rules and the formula rates Exporters do not know how much of an incentive they have to play with when making a sale.

"It is going to have a negative impact on steel and ferroalloy exports," he says

Gloom in steel as sales fall

By DON ROBERTSON

STEEL merchants are becoming gloomier as sales tumble in the economic downswing

High interest rates also increase the cost of holding stocks Profit margins have been slashed

Abkin's Steel managing director John Coutsoudis says "We are faced with a tremendous juggling act involving the high cost of finance, stocks and the cost of premises

"There is little light at the end of the tunnel and we expect sales to fall by between 25% and 30% by the end of the year. As a rule, little business is done between the beginning of Decemer and the end of March"

ST Times 23/9/90 (189)

Worse

Mr Coutsoudis says it costs the equivalent of R1,40 for every R1 of stock held in the yard for a year at present interest rates

He believes things will get worse and foresees several small engineering firms going to the wall

Many merchants are trying to add value by cutting, drilling, bending and notching steels in accordance with customer requests All are reducing stocks and holding only what is needed Engineering firms order "just in time"

Abkin's Steel has opened small cash-and-carry stores They generated R10-million in sales last year

Samancor fears effect of ferrochrome slump

189

B Day 26/9/90

PETER GALLI

SAMANCOR, the world's largest manganese producer, has forecast that its group profits will be lower than those achieved in the 1989 year unless there is a significant recovery in ferrochrome prices.

However, while the prospects for ferrochrome remained bleak, the group was budgeting for higher profits from manganese, Samancor chairman Brian Gilbertson said in his chairman's review released today

He added that the decline in profits would be aggravated if the rand maintained its strength relative to the dollar.

"Due to the oversupply position and the relentless competition among producers, it is difficult to see any meaningful recovery in ferrochrome prices in the short term," he said "In addition, the group will experience a major reduction in the level of its export incentives"

A decrease in demand coupled with increased supply from new production facilities led to a collapse in ferrochrome prices. Production of ferrochrome and intermediate carbon ferrochrome had been reduced in line with the lower demand, facilitating overdue maintenance work on production facilities, Gilbertson said

On the positive side, manganese and chrome activities were the major contributors to the group's profits in the 1990 financial year, with income from manganese products and ore increasing relative to the income from chrome products Generally higher prices together with a weaker rand caused the operating profits from manganese ore to increase significantly

Concern

However, the sharp price increases over the past two years had evoked concern from long-term customers, and the group was investigating means of increasing output to meet the strong demand and moderate future prices, Gilbertson said

The demand for manganese alloys also remained firm, with the average dollar prices received rising nearly 24%, though the price of silicomanganese came under pressure

The average dollar prices achieved for chrome ore exports in the 1990 financial year also rose by over 20% Nevertheless, Gilbertson predicted that due to the high SA inflation rate, profits from chrome ore are unlikely to increase in the new financial year

In view of the downturn in the ferrochrome market, certain planned capital and other expenditures were deferred However, total group expenditure amounted to R192m, with a small increase in expenditure budgeted for the new financial year

The Samancor Foundation was also established in January 1990 to spearhead the group's community involvement R15m was set aside for investment in a trust fund, the proceeds of which would be used for deserving projects. To date, 11 projects have been approved, amounting to R1m

The 12 months to end-June was a record year for Samancor, with group turnover exceeding R2bn, attributable income increasing by 18% to R538,8m, and cash holdings rising to R638,5m

Samancor in new bid to woo buyers

(189)

BDay 2/10/90

RIAAN SMIT

SAMANCOR is offering ferrochrome on nine-month instead of quarterly contracts at a premium of 3 US cents a pound, divisional manager of chrome alloys Deon Toerien said yesterday.

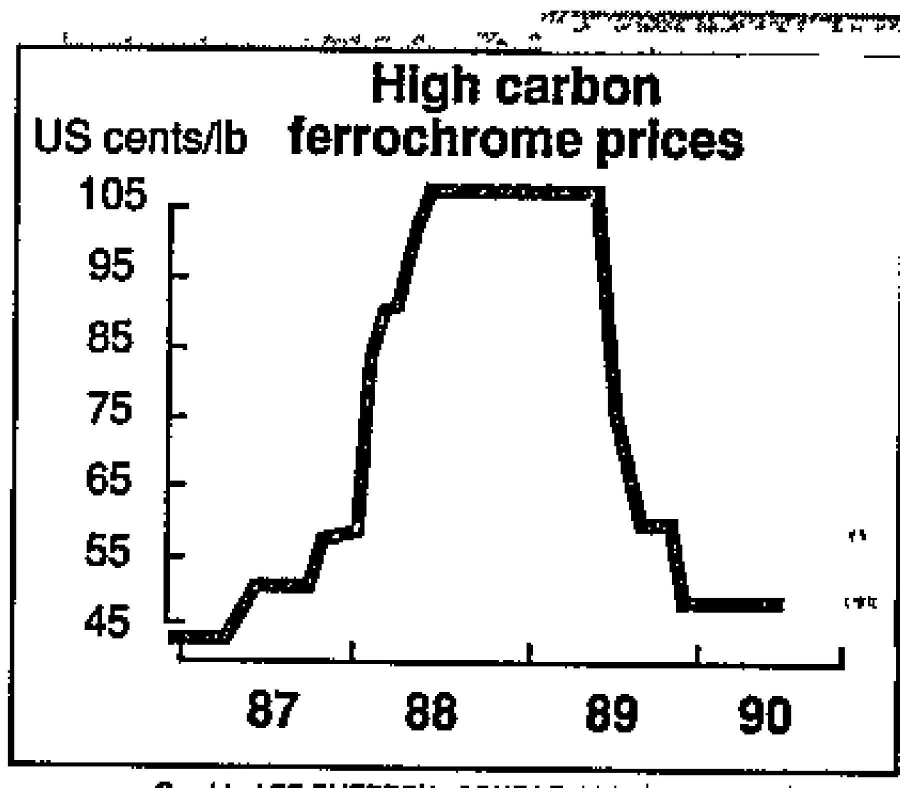
The scheme had attracted favourable comment from the three big ferrochrome markets, the US, Europe, and the Far East, but Samancor had had no takers yet

No ferrochrome producers were making a profit at the current price of 47c/lb and there was definitely a tendency to reduce production, he said.

Samancor expected prices to be about 55c/lb by the middle of next year and had decided to offer ferrochrome at an effective 50c/lb over the next nine months

In terms of the normal quarterly contracts this meant the company was offering ferrochrome at 47c/lb for the fourth quarter, 50c/lb for the first quarter next year, and 53c/lb for the second quarter.

Although market comment on the scheme had been favourable, Toerien believed buyers were holding back on fears of an oil price-driven recession in the world's major economies which would reduce demand for stainless steel.



Graphic: LEE EMERTON SOURCE SBIC ECONOMIC DIV

The ferrochrome price is theoretically determined on the open market, but Toerien said SA producers, which supply about 40% of world demand, dominated pricing in terms of contract supplies.

Following almost a decade of stable prices around 40c-45c/lb as a result of over-capacity in the industry, contract prices rose sharply from late 1987 to mid-1989, peaking at more than 80c/lb High carbon ferrochrome reached a peak of 110c/lb during this period.

Gloomy metal industry expects R50m rise in turnover this year

Bo Day 9/10/90

PETER GALLI

THE metal industry hopes for a rise in turnover of about 13,6% to R50m (R44m) this year, with virtually all sectors having been hit by the economic slowdown which started in early 1989

(189)

In his address at the Steel & Engineering Industries' Federation of SA's (Seifsa) AGM yesterday, president Dawid Mostert said the industry feared a major recession which could last until the end of next year

He attributed the slowdown to a number of factors including the austerity measures taken by government to combat inflation, continuing high interest rates, a fall-off in consumer demand, a general deterioration in business confidence and the drop in labour productivity because of increased social unrest

"It was to be expected that the reform process would negatively affect the economy in the short-term and that little or no growth was to be expected in the next year," he said

"However, while local demand languishes, exports in most sectors are still holding up quite well, but could be adversely affected by developments in the Middle East and an expected slowdown in a number of the economies of the northern hemisphere, particularly the US," he said

Mostert said the industry had had to contend with an unnecessary inhibiting factor, namely the import surcharge on much-needed capital machinery and equipment

"On a number of occasions Seifsa has lobbied for the removal of the surcharge which, ostensibly, was introduced to help the country's balance of payments (BoP)

"Seifsa has argued that such capital equipment could not be sourced locally and would have to be imported, regardless of the surcharge. Therefore, there would be no saving to the BoP and the surcharge would merely prove to be inflationary.

"As was predicted, the latest trade figures indicate almost no drop-off in the importation of capital machinery and equipment during the first seven months of this year when compared with the same period in 1989," Mostert said

CMI F/M 12/10/90

LOOKING AHEAD (189)

Activities: *Produces ferrochrome*
Control: *JCI 49,9%*
Chairman: *B E Davison*
Capital structure: *42,5m ords Market capitalisation R374m*
Share market: *Price 880c Yields 13,1% on dividend, 19% on earnings, p e ratio, 5,3, cover, 1,5 12-month high, 1 700c, low, 865c Trading volume last quarter, 115 245 shares*

Year to June 30	'87	'88	'89	'90
LT debt (Rm)	1,2	1,1	0,9	0,8
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,74	0,62	0,54	0,64
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	32,5	32,9	59,4	24,9
Turnover (Rm)	138	158	324	215
Pre-int profit (Rm)	40,7	53,6	171,2	69,0
Pre-int margin (%)	29,5	34,5	52,8	32,0
Earnings (c)	100	89	237	167
Dividends (c)	55	65	115	115
Net worth (c)	217	241	363	415

After its inception 15 years ago, CMI had to wait a long time to produce robust profits, but the metals boom of the late Eighties fuelled earnings and left the group flush with cash Management has moved quickly to invest aggressively in enlarging capacity, even though the expansion is bound to dent near-term earnings

Little more than a year ago, the group spent some R56m to install a third furnace, lifting ferrochrome capacity from 160 000t/year to 210 000t/year The new furnace came on stream in January 1990, just when demand for ferrochrome had crumbled Chairman Barry Davison says capacity at the Lydenburg plant is being restricted to about 170 000 t for the 1991 year, so that major maintenance can be carried out on the existing two furnaces

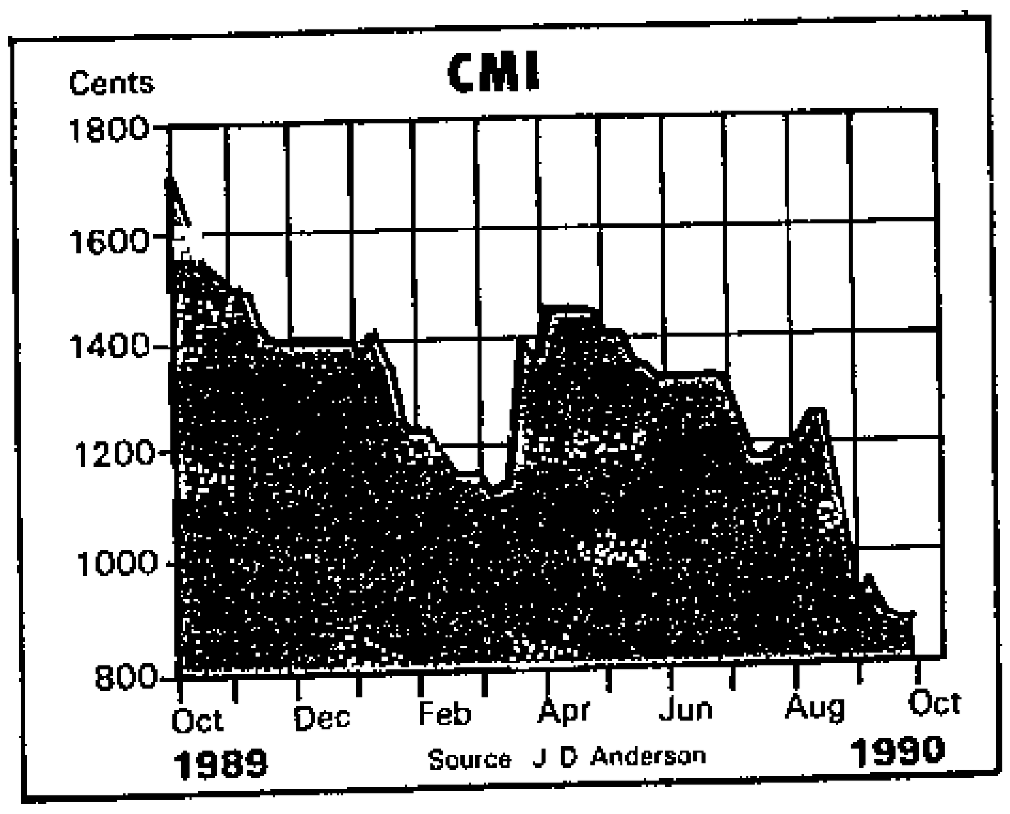
Last month came the announcement that CMI has agreed to acquire the assets of Purity Ferrochrome (Pty), which will give the group control of a further 120 000 t of annual production, lifting total capacity to 330 000 t/year, representing about 10% of western world supply

Assets acquired include a chrome mine, giving CMI direct access to strategic chrome ore reserves and the plant is close to considerable reserves of UG2 chrome ore This ore is said to be ideally suited to the process used by CMI Davison says Purity will enhance the group's position in the world ferrochrome market and is expected to contribute materially to earnings in the longer term.

Total cost is some R182m, payable in cash and by the assumption of an existing loan of US$43,5m (R112m) At year-end, CMI held R95m in cash, of which almost all could be absorbed by the deal In 1990, the group earned interest income of R11,2m — accounting for 13% of pre-tax income — which then would be largely eliminated this year

More important, there is no expectation that ferrochrome prices will recover soon Davison says prices have fallen by some 40% in the past 12 months and are unlikely to rise materially over the next 18 months When demand sagged last year production was cut, causing the unit cost of sales to increase by some 30%, this contributed to the 60% plunge in operating income Unless prices recover against expectations, it would not be surprising to see a further drop in the pre-interest margin this year

Davison believes the underlying trend in the consumption of stainless steel is one of steadily rising demand at an annual rate of 3%-4% Production is forecast to remain at relatively low levels for the rest of this year, before starting to increase during 1991 However, recovery in the ferrochrome market may take longer, as it will lag the recovery in stainless steel — especially as world ferrochrome capacity has been substantially increased



At the current price of US47c/lb, it's estimated 750 000 t of capacity outside of southern Africa becomes unprofitable Closure of some capacity would accelerate elimination of the oversupply, unfortunately, closures large enough to tighten the market may occur later rather than sooner

Given the strong balance sheet, a cut in the dividend will probably be avoided That suggests the share has income attractions at 880c, where the yield is 13% But prospects of capital appreciation over the next couple of years are not enticing *Andrew McNulty*

STAR 25/10/90 (189)

Demand for stainless steel is picking up

By Derek Tommey

Demand in South Africa and in the rest of the world for stainless steel, after being poor for most of last year, and pretty flat for the first quarter of this year, has suddenly recovered, reports Mr Keith Luyt, managing director of MS and A Stainless, the country's stainless steel producer.

Everybody wants to buy stainless steel and although MS and A was rapidly expanding production, it did not expect to meet fully the needs of its export and local customers until the middle of January, he said.

Mr Luyt said that from about May last year most stainless steel producers, including MS and A Stainless, had to curtail production owing to weak market conditions and heavy destocking by consumers

But from the start of the second quarter of this year exports began to improve. Then recently the local market came back stronger than had been expected. Production lead times here and overseas have increased, availability is tight and international prices are strengthening

Here in South Africa the greater demand from the domestic and exports markets has also resulted in a delivery backlog as MS and A has not able to increase production levels as rapidly as it would have liked

However, MS and A was making every effort to rectify the local situation by early 1991

"The installation of a new R3 million production computerised planning and scheduling system will reduce production lead times, and ensure consistent, on-time deliveries. The system will enable MS and A Stainless to react more quickly to similar market changes in the future.

The company and its distributors, Robor, Fagersta and Jacksons -- will do everything possible to assist users in sourcing their stainless steel requirements, he says

Metal industry future looks dull — Seifsa

189

THE slowdown in the economy, which started during the first half of 1989, has continued to affect virtually all sectors of the metal industry throughout 1990, according to the president of Steel and Engineering Industries Federation of South Africa, Mr Dawid Mostert

In his presidential address to the 47th annual general meeting of the association, he says there are now fears of a major recession in the industry which could last throughout much of 1991.

He says: "This has been brought about by a number of factors such as the Government's austerity measures to combat inflation, continuing high interest rates, a fall-off in consumer demand, a general deterioration in business confidence and loss in labour productivity due to increased social unrest.

Sowetan 26/10/90

Negative impact

"It is perhaps to be expected that the reform process will, in the short term, impact negatively on our economy and certainly we can expect little or no growth in the next year "

He adds: "However, these structural adjustments are expected to create a sound basis for a prosperous economy in the new South Africa, and we should therefore be prepared to make some sacrifices now "

An unnecessary inhibiting factor that industry has had to contend with has been the import surcharge on much needed capital machinery and equipment

Global trend

As far as the question of economic policy in the new South Africa is concerned, he made the point that the global trend is towards free market orientated economies.

He said current political developments in South Africa have aroused both hopes and fears, but think most today appreciate that "we could have expected the going to be easy "

Trading partners

"Even though our overseas trading partners are still holding back on the lifting of sanctions, it is hoped, before too long, South Africa will once again take its rightful place in international trade. "

"The opportunity to increase our export performance substantially will be challenging, but also essential if the country is to reach the level of economic growth for a peaceful transition into a new South Africa."

He said what the economic future holds for the metal industries in the coming year was as uncertain as most other aspects of the country's future developments

MSA offers glimmer of hope for Barlows

Star 30/10/90 (189)

Diagonal Street

ANN CROTTY

Despite a marked deterioration in industrial trading conditions since the interim figures were released in May, most analysts are holding to forecasts of a full-year earnings decline of 15 to 20 percent at Barlows

But there have been some major revisions in the divisional contributions that will go to make up the group's bottom line

The full-year contribution from wholly owned Middleburg Steel & Alloys (MSA) is now forecast to be stronger than appeared at the interim

This is expected to make up for weaker contributions from industrial interests.

As far back as February, with the release of the '89 annual report, it seemed financial '90's performance would be severely dented by the substantially lower earnings contribution of MSA, which had been the group's star profit generator for a number of years.

At the interim, MSA contributed R50 million to group taxed profit — down from R92 million at the financial '89 interim.

Feeling at that stage was that in the second six months, MSA would continue to suffer from the de-stocking that hit it in the first half and that taxed profit for the full year could be as low as R25 to R50 million

But indications are that MSA has done better than expected, with the division moving close to full capacity in the second half. A full-year taxed profit contribution of as much as R100 million could be on the cards.

This will help to make up for the knock in profit contribution of industrial interests

Although Adcock-Ingram has just reported a 29 percent hike in full-year taxed profit, the overall contribution from industrial subsidiaries is expected to be down on that of financial '89

CG Smith, which comprises Romatex, Nampak and the food interests will have a tough time maintaining financial '89's earnings figure

Trading conditions for all three deteriorated significantly in the last half of the year In addition, Romatex had to contend with tougher competition from imports and Nampak was faced with major problems on the industrial relations front

If Reunert is able to sustain its strong first-half export performance, it might achieve a 10 percent increase in taxed profit.

It is difficult to see what could turn around the dismal 33 percent drop in taxed profit reported by TSI at the interim

Unlisted industrials (including earthmoving equipment, motor, appliances, building materials, steel and paint) was down 13 percent at the interim.

Given the significant deterioration in the economy in the six months to end-September, it is possible the full-year figures could see a drop of as much as 20 percent

Looking at non-industrial interests, the cash resources at Pretoria Portland Cement could produce some earnings growth in the face of tough conditions.

Rand Mines' coal operations could cushion the knock from its gold mines

At the interim, Barlows was trading at R38,15 — down from a high of R55 Yesterday it was down to R32,75

Assuming earnings per share of about 450c for financial '90, the share is on a prospective P/E rating of 7,3 times — this will be a tough rating to sustain

Robor falls badly short of forecast

Star 7/11/90 (189)

By Ann Crotty

A sharp deterioration in trading conditions in the second half resulted in earnings for the full year at Robor Industrial Holdings (RIH) being way off management's interim forecast

At the interim stage turnover was up 17 percent, operating profit up 20 percent and earnings up 15 percent

Management was looking for a marginal increase in full-year figures.

But figures for the 12 months to end-September show turnover increased by only 2,9 percent to R785,9 million (R763,6 million).

Operating profit was down 13 percent to R51,7 million (R59,4 million), pre-tax profit was down 17,4 percent to R43,2 million (R52,3 million) and attributable earnings were down 13,9 percent to R41,5 million (R48,2 million) — equivalent to 128,1c (149,4c) a share

The full-year dividend payment is unchanged at 62c a share

The attributable earnings of R41,5 million was calculated after allowing for R12,2 million worth of trading losses suffered at the Isando0-based steel processing and steel merchanting operations These operations were sold with effect from end-July

In addition to the trading loss, a loss of R2,4 million was incurred on discontinuation of the operations.

This loss was treated as an extraordinary item and taken below the line.

Looking to the remainder of the operations, the directors say the sharp fall in domestic demand in the second half was offset by good export performances, which meant that those operations showed a marginal improvement on the previous year

Metal industry gets boost as training incentives rise

Star 8/11/90. (189)

By Shareen Singh

Employers in the metal industry will be in a position to offer more apprenticeship training next year, following an increase in grant payments to employers by the industry's levy-grant scheme for artisan training

The scheme, which is funded entirely by employers, would make it possible for companies to take on more artisans next year, said Steel and Engineering Industries Federation of SA spokesman Brian Angus

Increasing the annual grant from R15 million to about R21 million would mean that employers would save on training costs

Training costs would be refunded, giving employers the incentive to increase their artisan intake, Mr Angus said

The industry currently had 11 400 apprenticeship contracts — the highest for any industry in South Africa, he said

The industry was diverse and complex, and undergoing rapid technological change which demanded skilled employees, particularly artisans

Iron carbide answer

ST Times 11/11/90

STEEL-MAKERS, squeezed by scrap prices which have risen by 40% in the past few months, could soon switch to iron carbide

This man-made compound, consisting of 90% iron and 7% carbon, could challenge scrap on cost and quality

It can also be used to replace or supplement other sources of iron, such as direct reduced iron or hot metal from blast furnaces The 7% carbon content releases energy in the furnace and reduces heat requirements It could reduce the cost of making a ton of steel by between 10% and 50%

Iron carbide is produced in SA by US-based Iron Carbide Holdings

189

Iron carbide is the size of grains of sand, non-friable, non-combustible and can be transported in bulk form Its use must, however, be close to a final use point

To produce it, iron-ore fines are heated in a fluid bed reactor, using natural or coal-derived gases The plant is conventional, the key lying in the patented automated process and monitoring system

West's steel production up

RIAAN SMIT (189)

THE western world's raw steel production rose for the first time in a year in September, but annual output was still 2,3% down on last year, the London-based Metal Bulletin reported this week.

Indications for October were also promising, it said. BDay 2/11/90

Production in September was 39,29-million tons, up by 0,4% from the same month in 1989.

The Bulletin said Japan and the US led the increase from the same month last year with rises of 6% and 4,2% respectively. EC production was little changed at 11,62-million tons.

The September figures took production for the first nine months to 354,8-million tons, 2,3% below the 363,2-million tons produced in the 1989 period.

MS & A sets up another subsidiary

189

PETER GALLI

MIDDELBURG Steel & Alloys (MS & A) yesterday announced the establishment of a third wholly owned subsidiary, Middelburg Steel & Alloys Industrial, to manage its industrial businesses. b/Day 27/11/90

The founding of MS & A Industrial followed the establishment earlier this year of subsidiaries MS & A Chromium and MS & A Stainless

MS&A Industrial will manage three businesses — Thomas Begbie & Co, Resitex and a thin-strip business focused on pipe cladding — and any future industrial expansion within the group

However, chairman Mike Coward said the group had no plans to expand at present

While MS & A Industrial was not expected to contribute much to group turnover or profits in the short term, it would in the long term, said Coward.

Thomas Begbie, a foundry and engineering shop, was already owned by Middelburg Steel, but a "fair amount" of money had been put into Resitex, with a return expected in about 18 months, he said

(189) Star 27/11/90

MS & A sets up management subsidiary

Middelburg Steel & Alloys (MS&A) has established a third wholly owned subsidiary, MS&A Industrial (Pty), to manage MS&A's industrial businesses

The move follows the creation of MS&A Chromium (Pty) and MS&A Stainless (Pty) earlier this year

MS&A Industrial will manage the following businesses Thos Begbie (Pty), a foundry and general engineering shop in Middelburg, Resitex (Pty), specialising in advanced composites, and a thin-strip business focused on pipe cladding

Mike Coward has been appointed MD of MS&A Industrial.

"Begbie is an exciting company with lots of potential, particularly in respect of furnace spares and repairs," says Mr Coward.

"Resitex is MS&A's first entry into the field of advanced materials," he says

USKO FM 30/11/90

POOR TIMING

(189)

Usko's ill-timed entry into the oversupplied vanadium market, combined with weakness in its traditional steel markets, caused profit to dive in financial 1990 This year's outlook remains far from rosy

Attributable earnings collapsed to only R1,2m from R21,8m in financial 1989 — the result of weak product prices and escalating finance costs Operating income of R26,4m was virtually wiped out by the R26,2m interest bill (up 76% from the previous year), payable on about R155m of net debt Debt equity has risen to a harrowing 1,03

INTEREST BLUES

Year to September 30	1989	1990
Turnover (Rm)	543 8	612,6
Operating profit (Rm)	38,2	26,4
Attributable (Rm)	21,8	1,2
EPS (c)	73,06	4,01
DPS (c)	13,0	—

FUA

(189) FM 30/11/90 (189)

Debt has been rising steadily since the decision to convert part of the direct reduction plant to produce vanadium pentoxide This decision was taken when the vanadium pentoxide market was buoyant, but before prices soared to US$12/lb

MD Johan Kaltwasser says the group's estimates were based on a price of $3,80 In late 1989, the market collapsed and a serious oversupply developed The spot price is now $2,25/lb and despite Usko having the advantage of being a low-cost producer, analysts say that at best it is just breaking even Rumoured problems with the delivery and quality of raw material from Rhovan may be reducing efficiency and pushing costs up Kaltwasser says these rumours are unfounded and the mine is producing well

Other producers have cut output in an effort to stabilise the market Usko, intent on establishing itself in the market and gaining market share in its first year of production, is soon to reach initial capacity of 5 000t/year — adding about 7% to world production The plant's R10,8m development and commissioning cost is shown as an extraordinary item in the financial statements

In addition to low prices for vanadium pentoxide, Usko has to deal with slack demand, both locally and internationally, for its steel products and weakening export prices The proportion of product Usko exports is not known, but analysts estimate it is less than the 50% levels of competitors Iscor and Highveld Steel

Only the non-ferrous division, which manufactures aluminium conductors, copper cable and wire and has investments in other non-ferrous companies, "contributed generously to profits " Though this is not Usko's core business, a decision seems to have been taken to expand the interests in this area For R3,2m it has bought a 50% share in Lambda Cables, Almar Wires and Almar Extrusions from Cityhold

Debt remains a major problem for Usko and with the vanadium pentoxide and steel prices unlikely to recover this year cash flow will remain under pressure Asset disposals would help reduce debt and the interest burden, but what seems the most obvious candidate for disposal, the non-ferrous division, is being expanded

Just how Usko plans to get out of its debt trap and restore profitability has yet to be determined Kaltwasser says the board is looking at alternatives but has yet to take a decision Shareholders, including Iscor (which holds 29,7%), can only hope that they get it right this time

Tom Baskind

World first for MS&A

S Times (189) 7/1/90

MIDDELBURG Steel & Alloys is the first ferrochromium producer in the world to meet international quality standards

The ferrochromium operation at Middelburg, Transvaal, became the last of MS&A's three plants to satisfy the requirements of the International Standards Organisation (ISO) 9002 code of practice for quality management systems

The charge-chrome operations at Krugersdorp and the stainless-steel division at Middelburg attained the SABS 0157/ISO 9002 rating last year

MS&A managing director John Gomersall says "We are competing globally in a depressed market and this achievement could not have come at a more critical time"

BASIC METALS

EXPORTS

1990

Vanadium price rise seen

BDay 28/3/90

EDWARD WEST (189)

THE vanadium price collapse has bottomed out and analysts predict that Highveld Steel — which has traditionally set the benchmark price for the mineral — will increase its price to $3,25 a pound in the second quarter of this year.

Highveld Steel and Vanadium accounts for between 50% and 55% of the world's vanadium pentoxide supply, and its first-quarter price was $2,50 a pound — a substantial drop from $5 during the previous quarter, reports said.

The vanadium price plummeted from a high of more than $10 a pound early last year to around $2,20 in December due to slackening demand in world-wide demand.

An analyst with brokers George Huysamer & Partners said the vanadium price had since increased to the present free market price of $4. He forecast that Highveld Steel and Vanadium would set its second-quarter price at $3,25.

The analyst quoted Vansa Vanadium, with its three main areas of business — chrome, platinum and vanadium — as a good rand hedge stock.

He said vanadium consumers had worked through excess stock after the surge in vanadium prices early last year, and this would increase demand for the metal this year.

Vansa Vanadium chairman Allen Sealey said at the company's annual meeting in January that profits would decline if the vanadium price — which was then $2,10 a pound — remained depressed. However, MD Steve Ashworth said yesterday the free market price had firmed at $4. But he wondered whether it would stay firm after Usco commissioned its vanadium plant.

Iscor optimistic about better times ahead

Star 21/3/90

189

By Derek Tommey

Iscor could show better profits later this year

MD Willem van Wyk said in an interview last night that there had been some reduction in the over-supply situation in the steel industry abroad He expected this to lead to an improvement in export prices from the third quarter of this year

The over-supply position has been hurting Iscor recently It has been affecting current export prices and led Iscor to announce four weeks ago that earnings for the six months to June were likely to decline

The expected increase in export prices should lead to an improvement in Iscor's earnings in the six months to December

Mr van Wyk said it was too early to put any figure on the extent of the expected upturn in prices, but orders being placed with the steel industry worldwide for delivery in four to six months' time showed that prices were about to rise

Mr van Wyk said the improvement in the steel market was the result of production cutbacks by overseas producers, resulting in a better supply-demand position

The industry had learned the hard way in the early 1980s that it did not pay to maintain full production at all times

Reviewing other developments at Iscor, he said that operations at the new Corex plant were exceeding his highest hopes Corex is a world first, using coal instead of coke to make steel

He said the Corex plant was producing at designed capacity and its product was excellent

Consumption of coal and oxygen had been below estimates Mr van Wyk believed that with more experience the plant could be made to function even more efficiently Iscor's iron ore exports were also running at record levels and prices of iron ore had firmed recently

The overseas steel industry recognised it had to pay more for iron ore than it had in the past if it wanted continuity of supply

Mr van Wyk said the move to liberalise East European business should result in a significant increase in world steel consumption in the long term

But current efforts by East European steel plants to improve output and quality could lead to a short-term increase in the amount of steel going to Iscor's markets He believed China could become a major market for steel products as it made progress in re-organising its economy

In 1989 exports of iron ore rose by more than 28 percent to almost 15 million tons, according to the annual report of the Department of Mineral and Energy Affairs, which was tabled in Parliament yesterday

The total value of South African mineral sales last year was more than R37,668 billion, or 11,7 percent more than in 1988, of which export earnings accounted for more than 79 percent or R19,825 billion

The report says total gold output last year amounted to 604 tons — 2,2 percent less that the previous year, while the production of rough diamonds increased by 6,5 percent to over 9 million carats Coal was the biggest contributor to foreign exchange earnings after gold and 45,51 million tons valued at more than R3,5 billion were exported

● A conference in Toronto has been told that the recovery in base metal prices should remain strong in 1992-93

This was the message given to the Prospectors & Developers Association of Canada by Tim Petterson, a director of the Metals & Minerals Research Services consultancy organisation, reports the *Financial Times*

He said that in 1989 dollar terms, real prices in the next four to five years would average 87c a pound for aluminium, 88c for copper, 31c for lead, $3,50 for nickel and 50c for zinc

Alusaf raises aluminium supply to local markets

(189) BDay 13/3/90

BRENT MELVILLE

ALUSAF, under the watchful eye of Gencor, reduced its exports of aluminium to meet an increase in local demand late last year, it said yesterday

Genmin corporate director Kevin Clarke said the Richards Bay smelter was down to exporting about 30% of production About 51 000 tons of aluminium was exported to its European and Far Eastern markets last year

Clarke said the level of exports had dropped from the 40% plus level at the time of last year's takeover, to allow supply of local markets

However, Aluminium Federation of SA spokesman Martie Lamprecht said while there had been a definite increase in demand last year from SA's major buyers of primary aluminium, notably Hulett Aluminium, Alustang, Wispeco, Anso and Innex, it was tapering off

Clarke said the industry was going through a downturn and Alusaf had, as a result, stockpiled about three months raw material and about six weeks (19 540 tons) of metal stock

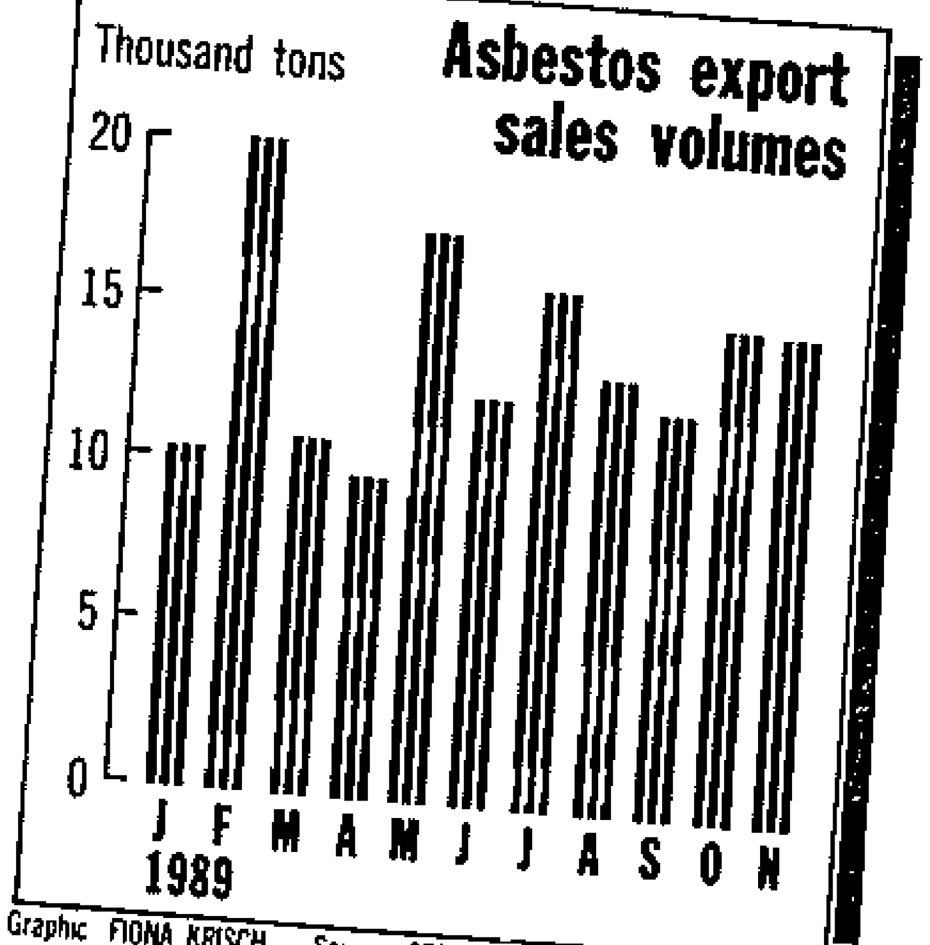
Sole producer of aluminium in SA, Alusaf produces about 170 000 tons annually, although Clarke describes the company as "a small fish" contributing only about 1% of the world's aluminium He said new capacities were being investigated

At the time of the Alusaf purchase by Gencor for an effective R270m from the IDC last August, Genmin deputy chairman Colin Officer said exports would be increased and expansions made to Alusaf Officer relinquished the Alusaf chair last week to Clarke, in the reshuffling following the retirement of Genmin chairman Steve Ellis

Clarke describes his position as temporary "Ellis's retirement created an opportunity for changes and at the moment I'm heading up Alusaf"

The move would not entail a shift in focus "Our fundamental brief is to stimulate growth We have no widely divergent philosophies"

In terms of last year's deal Gencor purchased a 30,7% stake in Alusaf through Aluminium Investment Company (AIC) for R63m cash and a minority interest in an unlisted, and unnamed, Gencor company worth R207m Clarke



Graphic FIONA KRISCH Source ST[illegible]D BANK

said there was no intention to alter the structure of the holding

At the time Officer said that, depending on market conditions, Alusaf would be listed on the JSE during the current year Clarke now says there is "no chance" Alusaf will be listed this year

It had been made clear to the market at the time of the purchase "not to expect fireworks", Clarke said

"In view of the downturn in the metals market we have put the listing on the backburner In addition, questions such as how much of Alusaf to take to the market and at what price, still need to be resolved," he said

He deferred comment on the likely results of Alusaf for the year Latest turnover was just under R800m with after-tax profits more than R120m However, the base metal is currently at a spot price of about $1 500 a ton after trading as high as $2 600 last year

Alusaf is also reliant on imported raw materials, particularly alumina, of which 90% of world supply is used for aluminium production According to the latest Minerals Bureau report, the recent strong demand for aluminium last year more than doubled the cash price of alumina to $800 a ton

The report says that as most alumina is traded through long- and medium-term mining contracts, the actual cash price increased more marginally from $285 to $400 a ton where, it is expected, it will remain until at least the middle of this year when the alumina shortage is expected to be alleviated

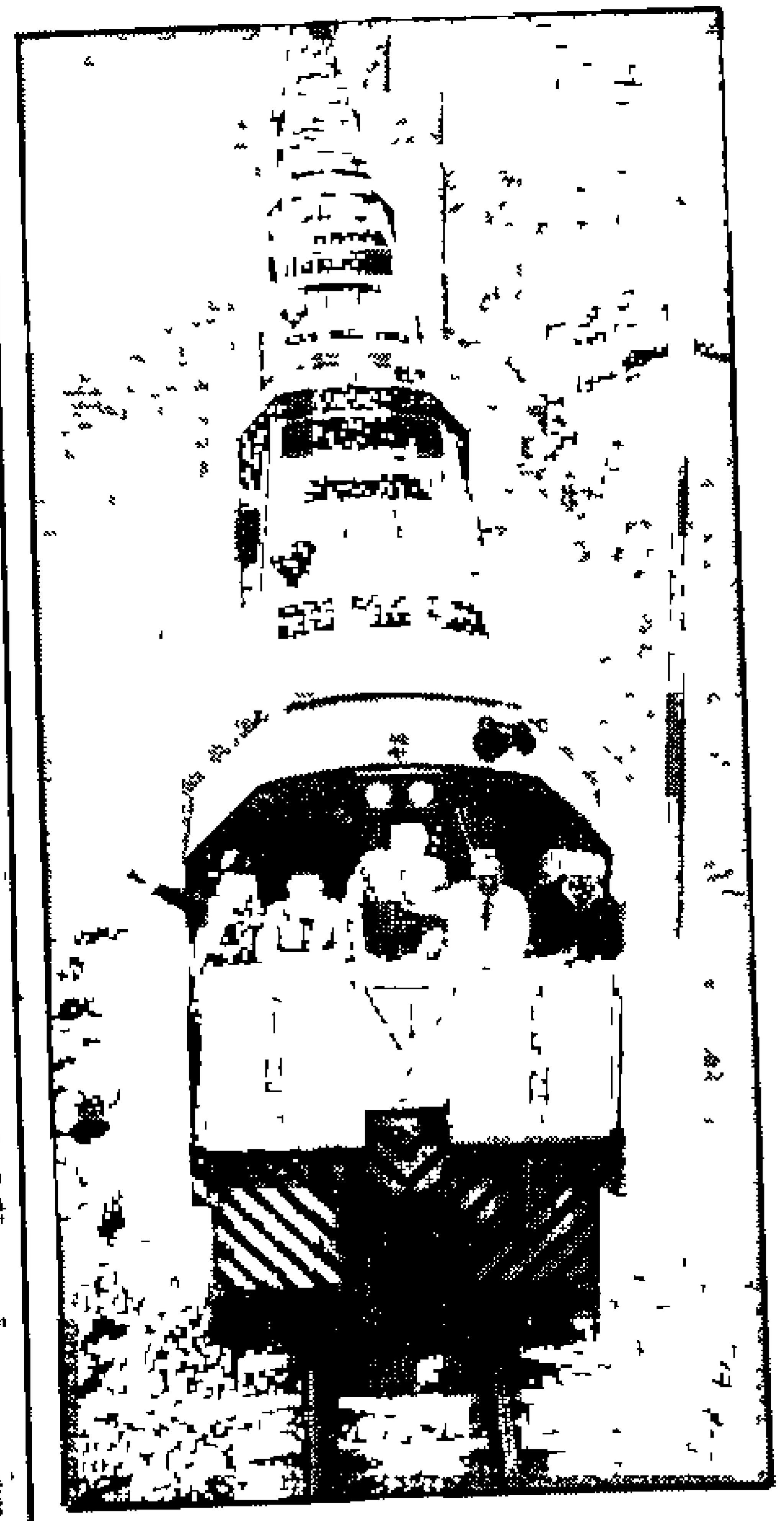
A tight demand and supply scenario is expected to persist until about 1994, resulting in the possible closing down of aluminium smelters with high production costs and leading to an aluminium shortage and higher prices, the report says

Clarke said while SA had the raw materials for production of aluminium, the grade deposits were not high and as such would be very costly to mine

Something good in store for Iscor shareholders

STAR 2/2/90 (189)

By Derek Tommey



Iscor's first full length ore train — 2,3 kilometres long — rolled in to Saldanha Bay with 17 000 tons of iron ore on October 1976 Now trains of up to 33 000 tons are being considered to meet this high export demand

March 1 will be a key date for Iscor's 250 000 shareholders They will find out then how well their company has been doing since they subscribed R2 for each of its 1,5 billion shares last year

On March 1 Iscor's will be publishing its first profit statement since its listing last November, top Iscor officials said today

Iscor's managing director, Mr Willem van Wyk has indicated that the statement, which will be for the six months ended December, will contain no surprises But even so, observers believe that Iscor's results could be better than expected and that its shareholders should be more than happy with them

Although the domestic economy is showing signs of slowing down, Iscor is believed to have experienced a steady local demand for its products At the same time its export sales have remained strong Exports of iron ore are booming and fetching steadily increasing prices

Iscor does not publish iron ore export figures But Mr BC Alberts, senior general manager, mining, has reported that export tonnages in 1989 were 21 percent higher than in 1988, and he is forecasting a further rise of 20 percent this year

A better idea of what is happening on the iron ore export front can be gained from the fact that foreign demand for South African iron ore far exceeds the production capacity of the Sishen mine, says Mr Alberts

Sishen is expected to produce some 20,8 million tons this year for both domstic and overseas consumption, which is 4,8 million tons more than it produced in 1988

Also indicative of the strong demand for South African iron ore is that the Sishen-Saldanha railway line, regarded as a white elephant in 1984, is operating at 15 percent above its designed capacity Saldanha port is operating at its fully designed capacity

Australians producers, who these days set the prices, have just won a 16 percent increase equal to about $3 (R7,50) a ton from the Japanese

According to the London Mining Journal this means that the dollar prices of fine and lump ore have risen by between 31 percent and 36 percent respectively in the past two years

Demand increasing

Iscor officials believe the demand for iron ore will remain strong for some time to come

It has been caused by reduced output at some of the major producers and increased demand by several consumers

Factors curbing the supply of ore include the ending of operations at the Lamco mine in Liberia, a major disaster at the huge Australian producer, Mount Newman, and a 2 million tons reduction in India's exports of lumpy ore

Demand has picked up, especially in Iron Curtain countries These countries appear to switching from poor quality Russian ore to better quality Western ore is an effort to increase productivity and reduce production costs

Iscor may soon have to decide whether to increase production capacity at the Sishen mine in order to take advantage of thehigh demand and high prices

This could be a tricky decision Iscor officials with long memories will remember the collapse of the ore export market in the mid-1980's which led to the whole Saldanha-Sishen ore export project being dubbed a failure by its critics

However, increased export output at Sishen would require a capacity increase on the line to Saldanha

At the moment the line can handle all the ore Iscor can sendand would have something to spare, said Mr D Bernardo, SATS regional manager at Saldanha, last night

Nonetheless, several ways of increasing the capacity of the line were being investigated These included putting longer trains on the line and putting more trains on the line

The normal ore train moved 22 000 tons, but there would be no problem in running trains moving up to 33 000 tons However, the 72 000 ton train run experimentally in September, last year, was too big

More trains could be put on the line, but this would require additional crossing loops, which could be expensive

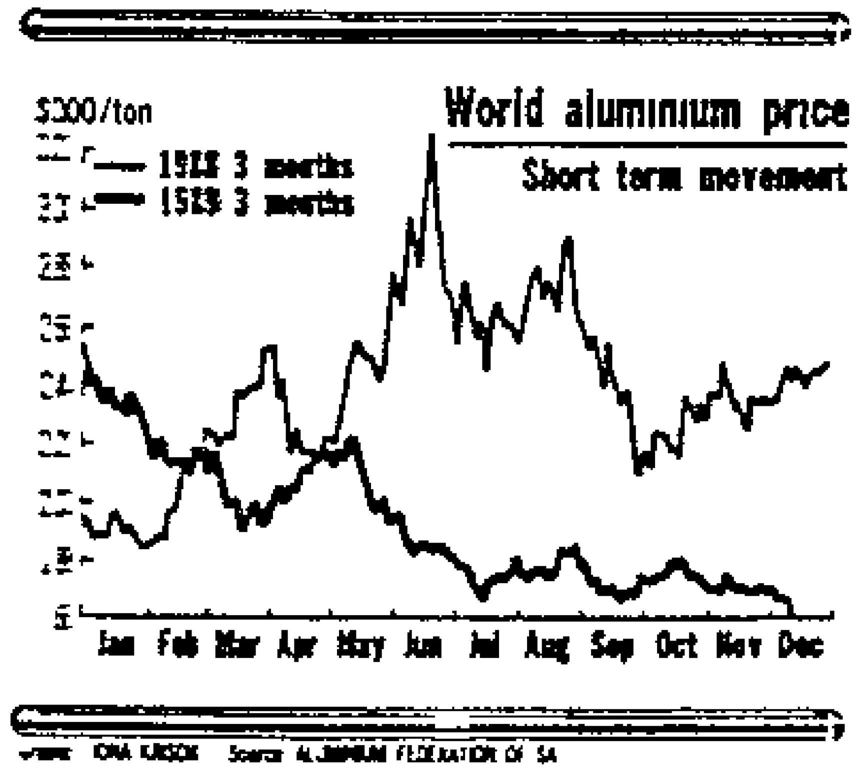
Mr Bernardo said that SATS was waiting for Iscor to decide whether it wanted to increase its export tonnage Once this decision had been taken, SATS would then be able to act.

COMPANIES

BDay 24/4/90

189

Sliding world aluminium prices seen as threat to SA exports



BRENT MELVILLE

SLIDING world aluminium prices in the wake of increased supply and waning consumer interest are likely to have a direct and negative influence on SA's export market, industry sources said yesterday

A spokesman for Alusaf said that because Alusaf exported at a slight premium to the London Metal Exchange (LME) rate due to the high quality of the SA product, the producer was relatively sheltered from the fall in world prices

However, Aluminium Federation of SA director Tony Paterson warned that a lower LME price relative to the SA price meant export earnings were bound to fall

"During the 1988 boom period SA producers were selling overseas at a 14% discount and still clearing about R1 000 a ton That margin has been drastically cut The prevailing local price, as determined by the consumer price index, LME and prices of competing metals, now exceeds the import price," he said

LME aluminium three-month prices ended at $1 533 a ton last week after moving up to $1 630 a ton earlier in the year Paterson expected pricing to continue until next year due to the relative oversupply of metals on world markets

The price of secondary aluminium (reusable) follows London Metal Bulletin (LMB) pricing — similar to LME pricing

Paterson said that the primary industry in SA had since 1971 upheld the policy that it provide a stable price environment Increases are announced more or less on a yearly basis in line with the presiding inflation rate

"However the industry will not export at the cost of inhibiting the local market," he added Alusaf's corporate director (through Genmin) Fred Clarke last month disclosed that Alusaf had reduced exports to 51 000 tons from 80 000 tons last year to meet local demand.

"The aluminium price to a large extent represents the availability of stock levels At the moment there is international short-term surplus capacity There is however no reason to assume the situation will not improve in the longer term," said Paterson

The optimistic longer term outlook is based on large demand from Eastern Europe

Manganese price boosts Samancor

(189) STar 24/8/90

By Derek Tommey

Samancor, the world's largest exporter of manganese ore, increased its earnings by 18 percent on an annualised basis in the year to June.

A 50 percent increase in the price of manganese ore helped to more than offset a sharp drop in the price of ferro-chrome, another of its major exports

However, earnings a share on an annualised basis rose only six percent, owing to an increase in the issued share capital

A final ordinary dividend of 60c and a further extraordinary dividend of 50c have been declared, making a total of 180c for the year.

This compares with a payment of 160c (annualised) for the previous 12 months.

Managing director Hans Smith says a number of factors were behind the jump in the manganese ore price

International production of carbon steel remained strong

Russia switched from being an exporter to an importer of high-grade managanese ore and the Japanese stepped up their high-grade imports.

As most of the world's four major producers of high-grade managanese ore are working at full capacity, the increase in demand sent the price soaring The supply situation is still tight

Against this, a drop in stainless steel production earlier this year and a huge rundown of ferro-chrome stocks caused the price of ferro-chrome to fall from 81,5 US cents a pound of chrome content a year ago to 47c a pound

Demand for ferro-chrome has picked up, says Mr Smith, but prices still remain low, mainly because of "unreasonable" competition among South African producers.

South African producers are infamous all over the world for their over-zealous competition, he says.

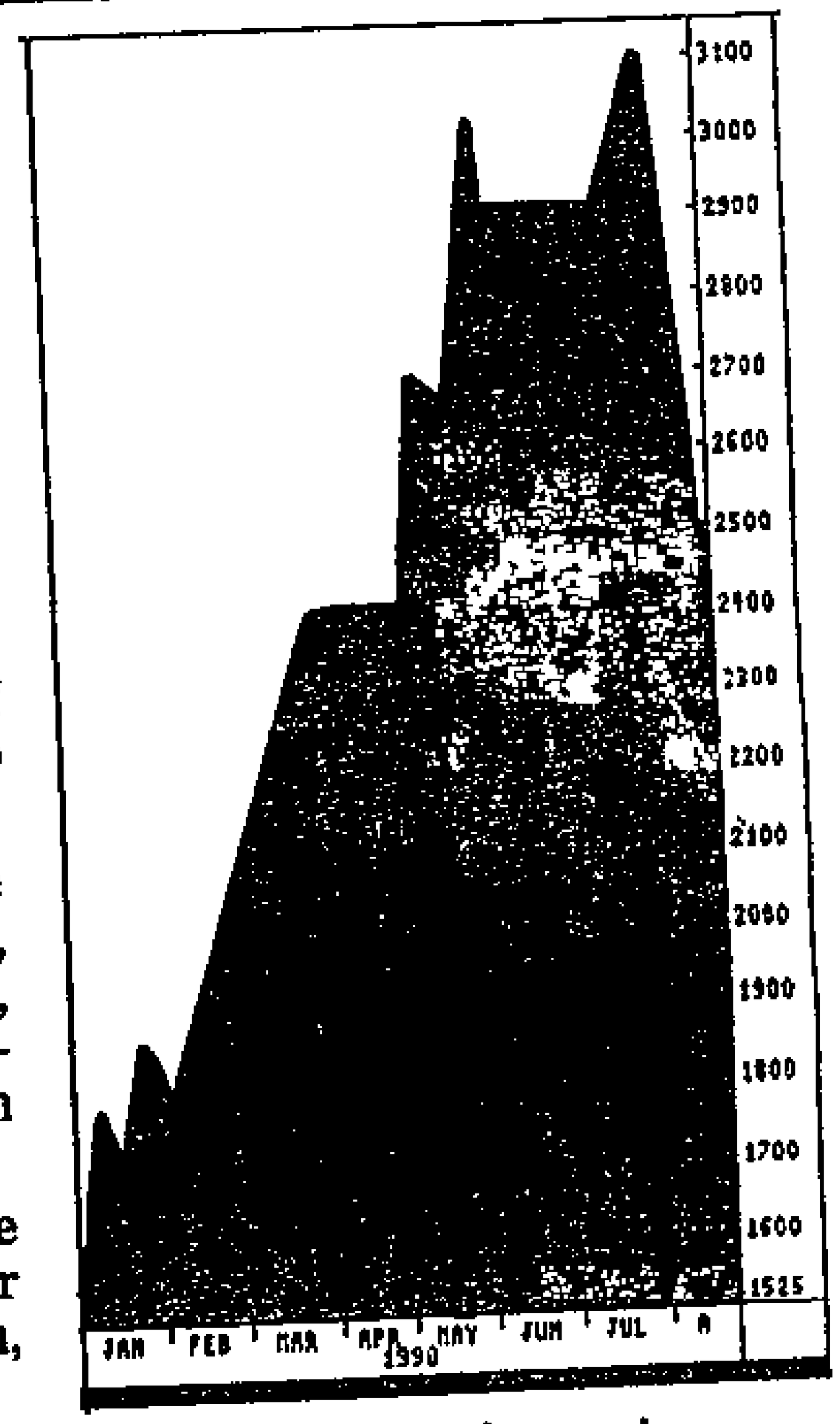
The group is budgeting for higher profits from manganese, but prospects for ferro-chrome remain bleak.

Unless there is a significant recovery in the ferro-chrome price to around 55c a pound, the group will not be able to repeat its 1989-90 profits, particularly if the rand remains strong against the dollar, he says.

Negotiations are still continuing with the group's partners in the Columbus stainless venture and also with a number of governments and government departments

These negotiations have proved unexpectedly time-consuming and a decision on the project has had to be delayed

Mr Smith says if Samancor does not get the right terms it will abandon the project



Samancor share price

Samancor had a turnover of R2,0 billion in the 12 months to June, against R2,1 billion in the previous 15 months

Income beofre tax was R916,4 million (15 months R839,5 million), while taxed income was R527,7 million (R511,0 million).

Net attributable income was R538,8 million (R568,6 million)

After provision for dividends, R237,6 million (R268,9 million) was retained.

At June 30 ordinary shareholders' funds were R1,15 billion (R813,0 million) and capital employed was R1,26 billion (R916,9 million)

At June 30 the group held R638,5 million in cash, against R501,6 million a year earlier

Iscor shows record profits

3/10/90

JOHANNESBURG — Iscor has achieved record profits for the third consecutive year with a 14,1% rise in earnings to 50,1c a share Dividends are 17,6c a share

Attributable income rose to R929m on a turnover of R6,9bn

MD Willem van Wyk announced yesterday that the iron and steel producer planned to spend nearly R3bn over the next three years on expanding into value-added products

He said the board had approved capital expenditure totalling R1,26bn for the financial year to June 30, 1991, then R970m for 1991/92 and R644m the following year

Most of the spending would be on large-scale projects that would take several years to finish, then during start-up take a year or longer before they begin to earn an economic return

"Capital expenditure over and above that needed to maintain and improve existing plant is being directed at expansion into value-added products, either as Iscor initiatives or in partnership with other private-enterprise companies"

No capital spending is envisaged to increase basic iron and steelmaking capacity in the current decade, he said

"Improvements to existing plant incorporated during refurbishment will, however, effectively add 600 000 tons of liquid steel production, an increase of nearly 9% on current production levels, by June 1992"

Iron ore exports from its Sishen mine in the Cape Province showed a 32% improvement to 13,5m tons, also a record

In all, Iscor generated turnover of R2,40bn in 1989/90 from steel and raw material exports, he added — Business Staff and Reuter

The backbone of the nation

(189)

S Times 16/9/90

By DON ROBERTSON

STEEL'S role in South Africa's industrial progress is underestimated, says Iscor managing director Willem van Wyk

"If we are to be more successful in establishing peace and stability, we need industrial development Industry cannot grow without steel," says Mr Van Wyk

Steel has played a major role in the development of Europe and America More recently, steel production has been a major factor in the development of Japan and South Korea where there are shipbuilding, motor and engineering groups

Advance

Mr Van Wyk says SA should make more consumer goods

Because of the declining domestic market, Iscor has been forced to export more than before In the past year, exports earned R2,4-billion from total sales of R7-billion The company exports to more than 60 countries — markets which have been developed since 1955 SA sales, however, represent only about 1,5% of the world total, which is expected to decline by 2,5% this year to 763-million tons

Mr Van Wyk says prices have fallen because of an increase in world production

"We sell four months in advance, and are seeing a bottoming out in prices as stocks become more balanced"

Mr Van Wyk says the major challenge will be to increase production, not by installing new plant, but by improving facilities and efficiency

After Iscor's rationalisation in 1983, production fell to 5,6-million tons. In the latest year, production rose to 7-million without any increase in plant. Output will be lifted by 10% to 7,7-million tons in the current year

Capacity

"We must concentrate on volume because of the high fixed cost of plant," says Mr Van Wyk

The company plans to add value to its products by increasing cold rolled capacity or by coating with either zinc, chrome, tin or paint Most of the capital expenditure of R5-billion in the next five years will be for this Thereafter, capital expenditure will fall and Iscor will consolidate its operations The plant at Vanderbijlpark will be modernised

Symmo seeking niche in EC

(189) S1Times 14/10/90

Business Times Reporter

SOUTH AFRICAN steel converters should be able to get similar prices to those being offered on international markets

So says Edhill International Marketing Services director Edward Pinshow, adding that Iscor's export incentive scheme is a help, but often not enough even when the rand is weak "It's a real buyers' market out there," he says

His client, shelving and racking specialist Symo Corporation, of Elandsfontein, is intent on finding an EC niche — in competition with, at first, the 30 major shelving manufacturers Mr Pinshow has discovered in the UK

"Fortunately, we find that enthusiasm carries weight, and Symo has a unique fastening method, requiring no nuts and bolts" 14/10/90 S1Times

Quality

Symo general manager Tony Mongiat bubbles over with enthusiasm, at this stage, for SABS 0157 — achieved by his plant in 1988

"It has involved co-operation from all the employees in the plant and raised the quality of thinking throughout"

He is certain Symo can match the quality of any international supplier

Mr Pinshow, putting to good use incentives available under "GEIS" (the General Export Incentive Scheme), has drawn up a dollar price list for the shelving Symo wishes to export

This is going out to addresses obtained from his consultancy's sources and with assistance from the Department of Trade and Industry

His advice to would-be exporters is that establishing an offshore base in the EC doesn't have to cost more than a few thousand rands

Aluminium packaging proves a winner

B/Day 8/11/90

HULETT Aluminium Rolled Products, of Maritzburg, has increased exports by 95% over the past two years to bring foreign business up to 36% of total sales.

The company, a subsidiary of Hulett Aluminium, manufactures high strength aluminium alloys in flat rolled coil, plate and foil.

The company had been exporting modest tonnages for many years, chiefly to neighbouring states, but in the mid-'80s export horizons were broadened and niches sought.

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Partnership

This resulted in a close partnership with Alusef, the only local aluminium smelter.

As part of its programme to improve quality and service, the company is investing R31m in its plant to meet the needs of domestic and export markets.

Executive director Peter Staude says a portion of its production goes to the local market for subsequent value-added export.

"The products include toothpaste tubes, confectionery wrappers, cigarette foil, petrol tanks, cookware, building sheet and awnings.

"There are also substantial exports of consumer products such as margarine, cooking oil, soup, wines and spirits that use aluminium in their packaging."

B/Day 8/11/90

SA vanadium sector 'safe'

PETER GALLI

THE curtailment of mining and vanadium pentoxide production operations at Vansa Vanadium's Steelpoort operation is not expected to adversely affect the rest of the industry, industry sources said this week

They were unanimous in the belief that the curtailment of the 250-tons a month Steelpoort operation would not be detrimental to the SA industry The drop in output would be absorbed by producers or would help alleviate the oversupply situation caused by the inflow of low-priced material from China late last year

The SA vanadium recovery industry now lies predominantly in the hands of two operations — Highveld Steel & Vanadium (HS & V) and Transvaal Alloys Other players are Vametco Minerals in Bophuthatswana and Rhombus Vanadium Rhombus's ore will be upgraded at its mine, and then trucked to Vereeniging where Usko will extract vanadium Usko's planned capacity is 9 000 tons per annum of vanadium pentoxide

A HS & V spokesman said yesterday the vanadium market was extremely depressed compared with the boom a year ago, and conirmed the curtailment of operations at Vansa would not have a massive short-term effect

189 Strengthen

He said HS & V had been reducing production as the market dictated, but that these were temporary moves and could be reversed if the situation changed Transvaal Alloys refused to comment

Vanadium is used ~~as an~~ alloying element that is added to strengthen a large variety of steel products

While the 1990 steel production figures for the USA and western Europe are lower than the 1989 figures, it has to be borne in mind that 1989 was a record year for steel production, and that 1990 production figures are still above 1987/1988 levels The market for ferrous commodities should therefore be strong, a source said

Not only is SA the largest producer and exporter of vanadium in the world, but it also has the largest reserves Figures released by the Minerals Bureau show that in 1988, world vanadium production was 71 641 tons, with SA (including Bophutatswana's production) producing 31 473 tons, equivalent to 43,9% of world output

The Minerals Bureau reported that in 1989 SA's exports increased to 29 550 tons, but that no comparable world figure was available as yet SA has a vanadium reserve base of 5 400 kilotons or 32,6% of the world's reserves

Most of the vanadium sold locally is in the form of ferrovanadium and Nitrovan

The price of vanadium pentoxide has declined, standing at between $2,50 and $2,70 per pound at present

Genmin in manganese cutbacks

PETER GALLI

GENMIN's Manganese Metals Company (MMC) on Friday announced extensive cost-saving measures to ensure it remained competitive

A spokesman said production at the company's plant in Krugersdorp was to be reduced by 30%, while a 20% across-the-board reduction in the labour force was to become effective before the end of November

BDay 12/11/90

This translated into 80 of the 390 jobs at MMC's Krugersdorp plant, and 8% of the total MMC workforce

(189)

Problems

The cutbacks in labour and production were the result of lower manganese metal prices on the oversupplied international market The oversupply was a result of a number of new, long-term competitors entering the market

MMC MD Kobus van Wyk said his company was discussing ways with trade union officials to alleviate problems associated with the retrenchment process

Manganese plays a vital role in the production of all steels It has a great affinity for sulphur and other deleterious elements, and it is able to transfer these from the molten metal to the slag It is also a valuable alloying constituent added to many types of steel.

Steel production is therefore crucial to the demand for manganese, consuming about 95% of total production. Therefore, the demand for the one is dependent on the demand for the other.

The Minerals Bureau reports that SA has the largest base of manganese ore reserves in the world, at 3 992 megatons (Mt) or 81,7% of the world's known ore reserves. The bulk of SA's production of manganese ore is of metallurgical grade and is mined in the northern Cape mainly by two companies, Samancor and Associated Manganese Mines with a small, third company, National Manganese.

In 1988 SA was the largest producer in the Western world and the second largest producer overall, producing 4,1Mt compared with the USSR's production of 9,1Mt low grade manganese. In 1989, SA produced 4,8Mt of manganese ore

In 1988 SA became the world's largest exporter of manganese ore, with shipments totalling 2,74-million tons, representing 28% of total world exports. However, no export figures are available for 1989.

In 1989, 1 706 kilotons of manganese ore were sold on the local market.

Hulett accused of dumping

MARC HASENFUSS

THE Taiwanese government is to investigate allegations that Hulett Aluminium is dumping aluminium products in Taiwan

This is the first time a South African company will be investigated for dumping, the practice whereby a company exports products at a substantially lower price than its domestic market value.

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Taiwan's state-owned China Steel Corporation has alleged that Hulett Aluminium's dumping resulted in a decline in its aluminium sales, Reuter reports.

China Steel said it could not compete with Hulett Aluminium which sold its products in Taiwan for almost $1 300 a ton less than its domestic price.

A Taiwanese Ministry official said that if the charges proved true, the Ministry would increase the import tariff on Hulett Aluminium products by 40% from the current 12,5% level.

Hulett Aluminium MD Des Winship said the matter would be discussed with the Taiwanese authorities immediately He said the problem stemmed from the fact that SA aluminium prices were not linked to fluctuating world aluminium prices, which were adjusted annually Hulett Aluminium used a steady pricing policy.

Hulett Aluminium exported 1 400 tons of aluminium products to Taiwan between 1987 and 1989 This accounted for 1,25% of Taiwan's total aluminium imports during this period.

Winship said Taiwan's China Steel Corporation concentrated on steel production, and its aluminium production was negligible and of poor quality

Hulett Aluminium was only one of many international aluminium suppliers to Taiwan, which included Spain and Greece, which Winship said sold at a price substantially lower than Hulett Aluminium's.

Bday 29/11/90

Hulett Aluminium may avoid dumping charge

B Day 10/12/90

MARC HASENFUSS (189)

HULETT Aluminium, recently accused by the China Steel Corporation of dumping its products in Taiwan, has yet to be formally charged.

Hulett Aluminium MD Des Winship told Business Day the matter had been taken up with China Steel and although no reply had been received he was confident the problem would be resolved.

Winship said it could be at least six months before formal action was taken by the Taiwanese authorities, and that the problem could merely blow over.

He said Hulett's exports to Taiwan were a mere 1,2% of the total world aluminium exports to that country, and Winship believed China Steel would have problems in convincing authorities to proceed with charges.

He said to warrant an investigation Taiwanese authorities would have to prove that substantial harm to the market was caused through alleged dumping.

Taiwanese authorities claimed the import tariff on Hulett's products would be increased to 40% from the current 12,5% level if China Steel could prove the charges.

Huge stainless steel capacity 'needs to be built each year'

BDay 29/3/90 (189)

EDWARD WEST

TO SATISFY future international demand, new stainless steel capacity the size of the R2bn plant being evaluated by the Samancor and Highveld Steel & Vanadium joint venture had to be built every year.

This was said yesterday by Samancor chairman Brian Gilbertson who addressed local and international visitors at the official opening of Samancor's No 5 furnace at its Tubatse ferrochrome division at Witbank.

The opening of the furnace signalled the completion of an R88m expansion programme which increased the plant's capacity from 180 000 tons a year to 300 000 tons, making Samancor the world's second largest ferrochrome producer.

Also announced were plans for a new open-cast mine at Grootboom to be developed, which would increase Samancor's chrome ore production by 480 000 tons to 2,4-million tons, a Samancor statement said.

Samancor produces 650 000 tons of ferrochrome annually. Gilbertson said demand for stainless steel had grown at 2,4% annually over the past 20 years.

Experts said this rate would at least be maintained in the future and many had forecast a higher rate of growth, Gilbertson said.

To supply this additional demand, two new furnaces the size of the furnace opened yesterday — which produces 60 000 tons of ferrochrome annually — would have to be built.

New stainless steel capacity the size of the Samancor and Highveld Steel & Vanadium joint venture would also have to be built annually, Gilbertson said.

Samancor and Highveld Steel & Vanadium have signed a letter of intent with a Taiwanese steel producer to establish a R1bn cold-rolled stainless steel plant in Taiwan and a R2bn hot-rolled plant in SA.

The mooted SA plant, which was expected to be established in Witbank, would produce 270 000 tons annually, newspaper reports said. Gilbertson said a decision regarding the plants would be announced within months.

He said that by 1970, SA had managed to capture 8% of world ferrochrome production. By 1988 this share had grown to 30%.

Advantages to the pursuance of this growth were that SA had 75% of the world chrome ore reserves while SA and Zimbabwe combined had a 90% share of world chrome ore reserves.

Furthermore, SA production costs were among the lowest in the world, he said. In spite of these advantages, SA produced only 1% of the world's stainless steel.

Raw material for the Tubatse works was supplied by Samancor's nearby Montrose, Jagdlust, Tweefontein and Groothoek chrome mines, the nearest of which was approximately 40km from the plant. The relative proximity of the raw material source had contributed to the plant's cost effectiveness, he said.

Steel industry struggling to cope with excess stock levels

B|Day 29/3/90. (189)

THE steel industry is struggling to cope with extremely high levels of primary steel stock in the wake of a depressed international market, reduced domestic demand and overproduction by Iscor

Latest figures show stocks of higher value flat products to last December at an all-time high, up a hefty 51% to 1,55-million tons compared with a million tons for the comparable period last year.

Rolled Steel Producers Association secretary Johann van Zyl said the increased stocks related to the downturn in demand from the motor vehicle and durable goods markets.

Flat products, produced only by Iscor and Highveld Steel, are used in the motor industry and durable consumer "white" goods (such as washing machines and refrigerators) Flat products can be differentiated into slabs, in which stocks were up 86,7%, sheet bars (up 16,5%) and coils (up 46,6%)

BRENT MELVILLE

Iscor spokesman Piet du Plessis denied that there were problems with the value of orders and said market conditions were good However, a spokesman for Baldwins steel said that a definite oversupply situation existed, "especially in view of the expected softening in the motor industry"

Logistical

While declining to give production figures another Iscor spokesman said that there were several factors which had influenced the oversupply situation, including the cooling of the domestic economy

In addition, led by its new Corex plant, and having overcome its problems at its Vanderbijlpark works, Iscor was producing what, according to a Macsteel spokesman, was "simply way too much steel".

The Iscor spokesman said that Iscor was also having logistical problems with its steel exports Iscor currently exports about 32% of production The International Steel Institute recently released figures indicating a worldwide reduction in steel output by 4,1%

Highveld Steel chairman Leslie Boyd expected a 1% decrease in world steel consumption this year, although he added that volumes should stay at "reasonable levels".

A director for Scaw Metals said that Scaw's exports of rolled steel products had reached an oversupply situation which, coupled with the strong rand, would erode prices and have a negative impact on earnings.

Van Zyl, meanwhile, said the industry was hopeful of an upsurge in demand by the beginning of the third quarter when it was expected that demand would again be in line with supply

Highveld/Samancor set for R3 billion deal

Star 20/3/90

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By Derek Tommey

Samancor and Highveld may build a R2 billion stainless steel plant at Witbank and help build a R1 billion stainless steel finishing plant in Taiwan.

The two companies have signed a letter of intent with the Yieh Loong group of Taiwan to establish a cold-rolled stainless steel plant in the southern part of the island and to build a 270 000 tons a year stainless steel plant in South Africa

A spokesman for Samancor and Highveld, however, emphasised yesterday that no contracts had yet been signed and that the letter of intent merely committed the parties to investigating the possible establishment of a Taiwanese operation with Yieh Loong A final decision will only be made towards the end of June.

The 200 000 tons a year Taiwanese plant will be designed to process further the hot-rolled stainless steel to be produced by the local Samancor/Highveld joint venture. It is envisaged that the Taiwanese plant will absorb the bulk of the SA plant's production and supply the Taiwanese market.

Samancor and Highveld, in conjunction with West Germany's Thyssen Edelstahlwerke AG, would share about 40 percent of the cost of the Taiwanese plant. An exact breakdown was not provided and it was also unclear whether Thyssen would invest in the Witbank plant. Yieh Loong, a 700 000 tons a year producer, would invest an equivalent amount in the SA plant.

Currently only Barlow Rand's Middelburg Steel & Alloys produces stainless steel in SA.

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Minerals in the mix determine grades

IAN ELSDON-DEW

THERE are 220 different grades of stainless steel, many of which are produced in SA

The grade of stainless steel is determined by the composition of the minerals added into the melt at the mill

Southern Africa Stainless Steel Development Association executive director Ian Elsdon-Dew says "We have all the ingredients available in SA, apart from molybdenum"

The main raw materials which go into stainless steel are chrome and nickel Elements such as titanium and molybdenum are added in smaller composition

The most popular stainless steel is called 18/8 which stands for 18% chrome and 8% nickel The rest is ordinary carbon steel

"Each time we change the composition we are also changing the mechanical properties of the materail and the corrosion resistance

"There are other grades such as 430, in which we don't put any nickel into the mix," says Elsdon-Dew

The mechanical properties of stainless steel refer to the fact that when the material is bent it increases its strength

Other elements which might be added include manganese, phosphorus, sulphur, selenium, niobium, nitrogen, silicon, cobalt, tantalum and copper

ND Engineering joint MD Allan Löfstrand says the quality of SA-made stainless steel has improved to such an extent that it is on a par with the product available overseas

The only disadvantage with the local product is the small plate sizes produced

This leads to increased manufacturing costs due to more joining being required

Prices can be better on the overseas market given the large number of competing mills

In SA there is one producer (Middelburg Steel and Alloys) and everyone buys from the same source

ND Engineering buys its stainless steel from the three official stainless steel merchants or one of the mini-suppliers

"Service tends to be good across the board Prices on the other hand vary, despite the single producer

"This is probably due to differing buying techniques and variations in their pricing strategy," he says

Learning to cater for needs of the international market

SA EXPORTS about half its production of stainless steel direct from the Middelburg Steel and Alloys (MS&A) mill

Steel division sales manager Derek Engelbrecht says the company's success has been the result of a lot of work and learning to cater to the needs of the overseas market

"We have more of a mini-mill in world terms One German plant produces 250 000 tons of stainless steel in a year. Our production is about 100 000 tons.

"Our volumes are, therefore, much lower and we have had to work hard to make ourselves competitive," says Engelbrecht

MS&A bought its existing plant in 1980 when the rand rate was good The new plant was coupled with innovative ideas to make the most of the investment Old buildings and machinery were modified and retained

MS&A has adopted the approach of selecting its customers. In Taiwan, for example, the company has about 12 customers For each customer MS&A represents about 5% to 10% of its material needs Only one customer buys 100% of its stainless steel needs from MS&A

Integrated mills

Engelbrecht says the company is more flexible and is able to cater to needs which many of the larger mills cannot fill

When the old mill was upgraded, a strip mill was added to the original plate production facility For customers who need plate it is a simple task to divert the plate before it goes through to the strip mill. In the more sophisticated integrated mills this would be difficult

In addition, MS&A is able to do smaller production runs than the larger mills

"We can produce five tons of hot rolled and 10 tons of cold rolled, whereas the overseas plants would have to produce a minimum of 15 to 20 tons," says Engelbrecht

MS&A has a liaison team which acts as a technical link between the customer and the mill

The team goes into the customer's facility and studies the working methods and needs The team is then able to consult the mill and tell the customer which of his needs the mill can fill.

'Chrome chain' calls for structural help

THE future of the stainless steel industry and all other chrome users is in limbo

The so-called "chrome chain", consisting of the chrome mines, ferrochrome producers, stainless steel producers and fabricators, was asked by the Board of Trade and Industry to form a committee and outline the structural future of the industry

Committee executive director Paul Hatty says the report has been completed but is hanging in limbo

"Rather than making structural changes to the industry, we determined the future of stainless steel and the other producers lies in exports

"However, government has decided exports and industry structures should be regarded as separate issues and thus the report is not being considered in its entirety,' says Hatty

The long-term view of the report contains production targets set by the members of the industry and includes pushing production of stainless steel from about 100 000 tons at present to 865 000 tons by the year 2000

The figures are based, says Hatty, on realistic projections of expanding local production — about 300 000 tons a year from a new plant planned by Highveld Steel and Samancor and expansion of the Middelburg Steel and Alloys plant to produce 300 000 tons

Hatty says "The plan includes increasing SA exports of finished stainless steel products from the current 5 000 tons to 50 000 tons"

The industry does not need tariff changes, apart from a reduction in import duties on some raw materials Neither, he says, does the industry need structural changes

"The plan is oriented entirely towards exports What is needed are incentives to make that proposed export drive practical

"We have put forward definite obectives for the industry and stated exactly the kind of input we believe is required from government to make it happen

Assurance

'The world production of stainless steel was 10 3-million tons in 1988 By the year 2000 demand is expected to reach 14,8-million tons

"SA is in the position to take an increased slice of the market, but it will need to move soon as other world producers have the same figures and will be adding to their plant," says Hatty

The industry is looking for commitment from government for a 10-year programme It is not simply looking for financial assistance but also the assurance that the rules will not keep changing

Hatty says it is unrealistic to expect huge capital investment without such a committment from government

The industry is also looking for financial committment in the form of export and export financing assistance, investment and research and development assistance

Hatty says the help would be justified

"As a result of the assistance the entire industry would earn sufficient foreign exchange over the next 10 years to pay off almost all SA's foreign debt

"The government's assistance would amount to an estimated 8% of the export value The government would earn an estimated R2,50 in tax for every R1 it contributed to the industry," Hatty says

He admits government intervention is not desirable for the industry

"We don't believe that would be a good thing But because of the shortage of resources in SA and the need for substantial growth, we believe the government needs to use some of its resources to encourage and assist those industry sectors which can make a significant contribution to the country's growth

"I do not class the proposed scheme as government intervention as it is up to the various members of the industry whether they accept assistance

"The industry also needs to attract entrepreneurs and they need to know they can make money," says Hatty

SA gets set for breakthrough in pollution control market

B Day 20/3/90

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STAINLESS steel is used extensively in industrial applications, but there are areas where the material has been largely ignored in SA

It is used extensively in equipment to prevent sulphur dioxide getting into the atmosphere

But the industry says pollution has not become a major issue in SA and demand for stainless steel in pollution prevention is low

Manufacturers do not see this situation changing in the near future

However, the industry does see opportunities in the catalytic converters being introduced throughout the world to prevent air pollution from cars

While the local market is non-existent, two local manufacturers have recently approached Middelburg Steel and Alloys (MS&A) to investigate the possibility of making the converters in SA for export, probably to Europe

There are three main markets for stainless steel in SA

Use of stainless steel in industry has almost reached saturation point, with the material being used in about 80% of possible applications

However, in architectural applications, stainless steel use in SA is substantially behind the rest of the world

MS&A estimates stainless steel is used in only 5% of potential applications

The consumer market is another area where stainless steel has not penetrated, with only a 10% to 15% utilisation

Given the almost saturated industrial market, the industry plans to concentrate its efforts on increasing the use of stainless steel in building and the consumer markets

MS&A steel division GM Keith Luyt says stainless steel is being used extensively overseas as cladding for buildings but the trend has not reached SA

"The trend is so well established in the overseas markets that manufacturers are even producing etched and coloured stainless steel panels

"The higher profit makes it worth a producer's while to divert a small portion of the mill's production into a special facility

"Stainless steel is a low maintenance material which adds substantially to the structural strength of a building and it is pleasing to the eye

"Stainless steel is also an important roofing material, particularly for chemical factories were the products would damage other roofing materials

"Stainless steel is there for life, and with the cost of labour rising it is a cost effective material when the life-cycle costing is taken into account There is no painting and no panel replacement because of scuff marks," says Luyt

'Crucial to add value to raw materials'

BDay 20/3/90

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FABRICATORS in the stainless steel industry face a number of obstacles if they are to take on the export challenge on which the future of the whole industry rests

Executive director of the committee formed to examine the industry's future Paul Hatty says the SA fabricator is at a huge disadvantage when compared to his overseas counterpart

"Machinery costs the local manufacturer an estimated 76% more than his foreign competition

"Local entrepreneurs are at a disadvantage from the interest rate, inflation rate and taxation differentials

"Aside from the higher equipment costs the local manufacturer faces longer lead times and higher transport costs because of the distance from the markets

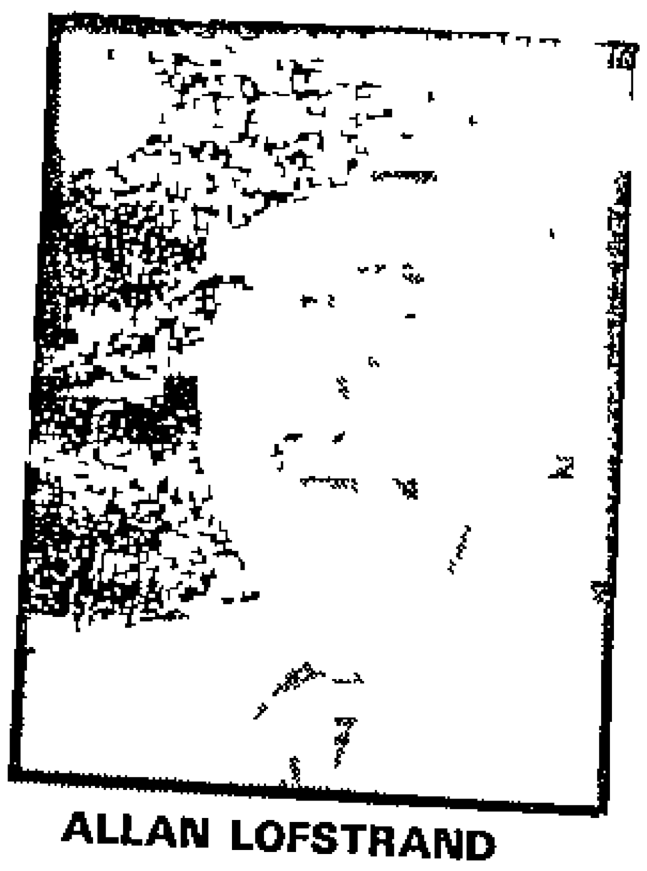
"There are also factors such as import duty differentials, the cost of political sanctions and the exchange rate

Management

"While management does have the ability and the responsibility to manage the business, there are factors which are outside of its control

"Management can minimise the effects but not eliminate these problems," says Hatty

ND Engineering joint MD Allan Lofstrand believes it is vital to SA and the industry that the country starts to maximise the added value to its raw material by exporting manufactured goods rather than shipping out its natural wealth



ALLAN LOFSTRAND

He says the quality of SA manufacturing in the stainless steel industry compares favourably with the best in the world

"With this in mind, there is no reason why we should not become a major exporting nation in products made out of stainless steel

"I believe one of the obstructions is that perhaps most of us in the industry are rather inexperienced in the field of exports and we need a lot of guidance before becoming successful exporters," says Lofstrand

Another difficulty is the high cost of setting up export links For many SA companies, especially the small and medium sized companies, the cost might be prohibitive

Better equipment is another need and again that is costly

"I believe we should start by concentrating more on import substitutions This is an area in which we have proved successful

'Having developed a successful product for the local market, surely we can then compete on the foreign markets

'To succeed both in import substitution and in the export markets we must win the support of the South African end users

"You cannot develop anything if your local market is only half willing to try your product, trust you and work together to develop effective products

"This has worked well overseas and there is no reason why the same should not prove effective in SA

Supportive

"Our company is operating to a large extent in the pulp and paper industry

"This sector is very supportive and we have been able to replace a lot of equipment that was previously imported

'We believe we could export these items to all of the paper and pulp producing countries But if you look at the main equipment suppliers for the pulp and paper industries — mainly the Nordic countries — you find most of these suppliers are also owned by the pulp and paper companies

"All the equipment that they now export has been tried out in their own mills and problems sorted out before going into production"

Stainless steel output expected to decline

BDay 1/3/90 189

RIAAN SMIT

MIDDELBURG Steel and Alloys (MS & A) expects the Western world's 1990 stainless steel production to drop below 10-million tons — a 7% decrease over 1989.

But looking ahead to 1995, production was forecast at 12,5-million tons, with expansions of more than 2,5-million tons projected to come on stream in the next five years, the first-quarter edition of MS & A magazine, Chromsa, said

It added that stability in raw material costs was critical to sustaining market growth Long-range forecasts predicted world demand would resume its average annual growth of between 3% and 4%.

It said dramatic increases in raw material costs, particularly nickel, as well as high inventories saw demand levels, both in SA and internationally, drop sharply during March 1989

Effects

Although the drop had been anticipated for some time, Chromsa said, it was more sudden and sharper than most producers had predicted This had resulted in a significant decline in the price of stainless steel over the past eight months.

"Producers feel that the price has bottomed, but the market is currently overstocked and producers have cut back production The real effects of this have yet to be felt"

It said a direct correlation existed between world economic growth and stainless steel consumption, and although the US economy was entering a recessionary phase, developments in Eastern bloc countries and the unification of the European market in 1992 held potential for growth in stainless steel demand

Another encouraging trend was the environmental awareness which was gathering momentum "Several pollution reduction projects utilised large quantities of stainless steel

Coal and steel exporters start counting the days to the end of sanctions

Steel and coal producers are hoping political change will regain them the markets they lost when sanctions were imposed ANN FRIEDMAN reports

COAL and steel are two industries which will be watching political developments carefully in coming months

Both were severely affected by the imposition of sanctions in 1985 and 1986 And although they have found new export markets, they are hoping the lifting of sanctions will allow expansion and/or improve profits in the medium to long term

For steel producers, higher exports could mean they could expand capacity The coal mines, on the other hand, hope for higher prices — they have had to increase exports by lowering prices, offering a "political discount" on their coal

Highveld Steel chairman Leslie Boyd said this week "The far-reaching announcements made by State President FW de Klerk at the opening of parliament will not only have a positive impact on the South African economy, but should also lead ultimately to the lifting of sanctions and the reopening of Highveld's steel markets in North America and the EEC"

Anglo American's Highveld, South Africa's second largest steel producer after Iscor, increased its after-tax profits for the year ended December by a whopping 165 percent to R322-million, in large part as a result of export earnings from steel and particularly from vanadium More than 60 percent of Highveld's sales of R1,6-billion in 1989 came from exports

Vanadium has not been affected by South Africa's political status in the world as it is regarded as strategic by most countries Highveld produces 40 percent of the world's vanadium and so can set its own terms

But with sanctions, the South African steel industry lost access — at least officially — to what were at the time its most important markets, in the United States and Europe

Since then it has found new markets, particularly in the Far East, in a context in which the world market for steel has been growing rapidly. Last year it reached a record 791-million tons, 9-million higher than in 1988

Thanks to exports and strong domestic sales, Highveld's rolling mills and iron and steel plants were running at full capacity last year A one percent downturn in the world steel market is expected this year, as is a slowdown in the domestic market. But Highveld is still looking healthy.

So is Iscor, which is due to release its interim results next month, the first since it was privatised in November Analysts expect the corporation, which produces more than three quarters of South Africa's steel, to be on target to meet its forecast 20 percent growth in earnings for the year.

So it seems that, if sanctions were to be lifted, the South African industry would have to be looking at increasing capacity

This might be the case for the coal industry too. But what coal producers want most is higher export prices The "political discount" varies from country to country, but is as high as 10 to 20 percent on ruling market prices

Their ability to increase volumes immediately would be limited, because the bulk of coal exports go through the Richards Bay Coal Terminal At the moment it can move 44-million tons a year, although it is increasing capacity to 48-million tons. It has plans to raise this still further to 53-million tons, assuming export prospects improve.

But if political developments did change the sanctions scenario, this would not necessarily affect the South African industry immediately — coal contracts with the big buyers (particularly the public utilities such as Enel in Italy, the equivalent of our Eskom) are negotiated for a year in advance Contracts with European buyers have already been concluded for this year. Negotiations with the Japanese are due at the end of this month.

Highveld's Leslie Boyd

Three countries which specifically imposed sanctions on South African coal were Denmark, France and the US — together they had accounted for one quarter of the country's exports prior to 1986 In several other countries, state-owned public utility companies stopped buying South African coal Japan was an important market and became more so after 1986 But that country's Ministry of Trade and Industry (MITI) froze imports from South Africa at 1987 levels in money terms This has meant export tonnages to Japan have dropped

Japanese buyers showed some enthusiasm following De Klerk's speech, enquiring about options to increase their tonnages, according to Trans Natal Coal chairman Brian Gilbertson But it's not clear that any of this will affect export prospects — Gilbertson is cautious

But the fact that South African coal mines have been successful in finding new export markets was highlighted by Trans Natal's interim results, released last week.

Bottom line profits, at R56,9-million for the six months to December, were 113 percent higher than in the same period in 1988 "This increase is due largely to an increase in sales revenue, mainly because of higher export volumes, improved dollar prices and a weaker rand/dollar exchange rate," said parent company Genmin (Gencor mining) Exports of 5,1-million tons made up one third of total tons sold, compared to 26 percent for 1988

Trans Natal is the most export-dependent of the coal mining houses — and has therefore been most vulnerable to sanctions Anglo American Coal (Amcoal) and Rand Mines' Witbank Collieries have much higher domestic sales, most of this to Eskom

Trans Natal's fortunes plummeted in 1987 and 1988 This was not only due to falling exports but to problems in the structure of the company

And for South Africa's coal industry, sanctions in that period simply exacerbated the situation on world coal markets, where there was oversupply But markets have since swung into balance

Coal export volumes dropped from over 45-million tons in 1986 to 42,5-million tons in 1987 They then increased by one percent to 43-million in 1988

South African coal producers too have found new markets in the East and South East Asia A significant amount of South African coal is also said to travel to Eastern Europe, although this trade goes through middlemen and predates sanctions

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Business Day SURVEY

UNTIL recently SA stainless steel production was growing by about 11% a year, compared with 4% for the rest of the world But a sharp increase in nickel prices has seen demand flatten out, and the industry does not expect a good year In future it will have to look to export markets, and to do this successfully production costs will have to be contained The industry is also trying to promote new uses of the metal, particularly in the building and motor vehicle industries

ANDREW GILLINGHAM reports

USING SA'S EXPORT ADVANTAGE

WHILE opportunities for SA to expand its exports of stainless steel exist, a major export drive would require considerable expansion of existing production capacity

Middelburg Steel and Alloys is SA's sole producer It manufactures about 100 000 tons a year, of which about half is exported.Its total capacity is about 120 000 tons It operates three shifts a day, every day of the year

Steel division GM Keith Luyt points out that present export markets open to SA are marginal and would not justify the capital expenditure

However, as the political situation changes he expects the first-class markets such as Canada, the USA and Europe to open up once more

Even then the company would face enormous obstacles Many countries have quotas and vested interests fight to protect their markets.

"If we supply a customer he could be blacklisted by the local producers," says Luyt.

Despite the problems, Luyt believes the company should, given the right conditions, expand its capacity

He says SA has a number of competitive advantages which will make the company's task easier

"We have the raw material right on our doorstep, substantial energy resources, plenty of space and water

"Many countries lack these advantages and are inhibited from expanding their production. But success will depend on targeting our efforts to where we have the greatest advantage.

"The start-up costs for cold rolling are comparatively lower than an integrated plant — $100m for a plant which would cold roll 100 000 tons a year

"If the plant were integrated (including production and hot rolling) it would cost another $250m

"We see opportunities in producing hot rolled material and leaving the cold rolling to an overseas manufacturer," says Luyt.

The hot rolled stainless steel is called a semi The world semi market is very competitive and Luyt says the company would need an overseas partner

Expansion

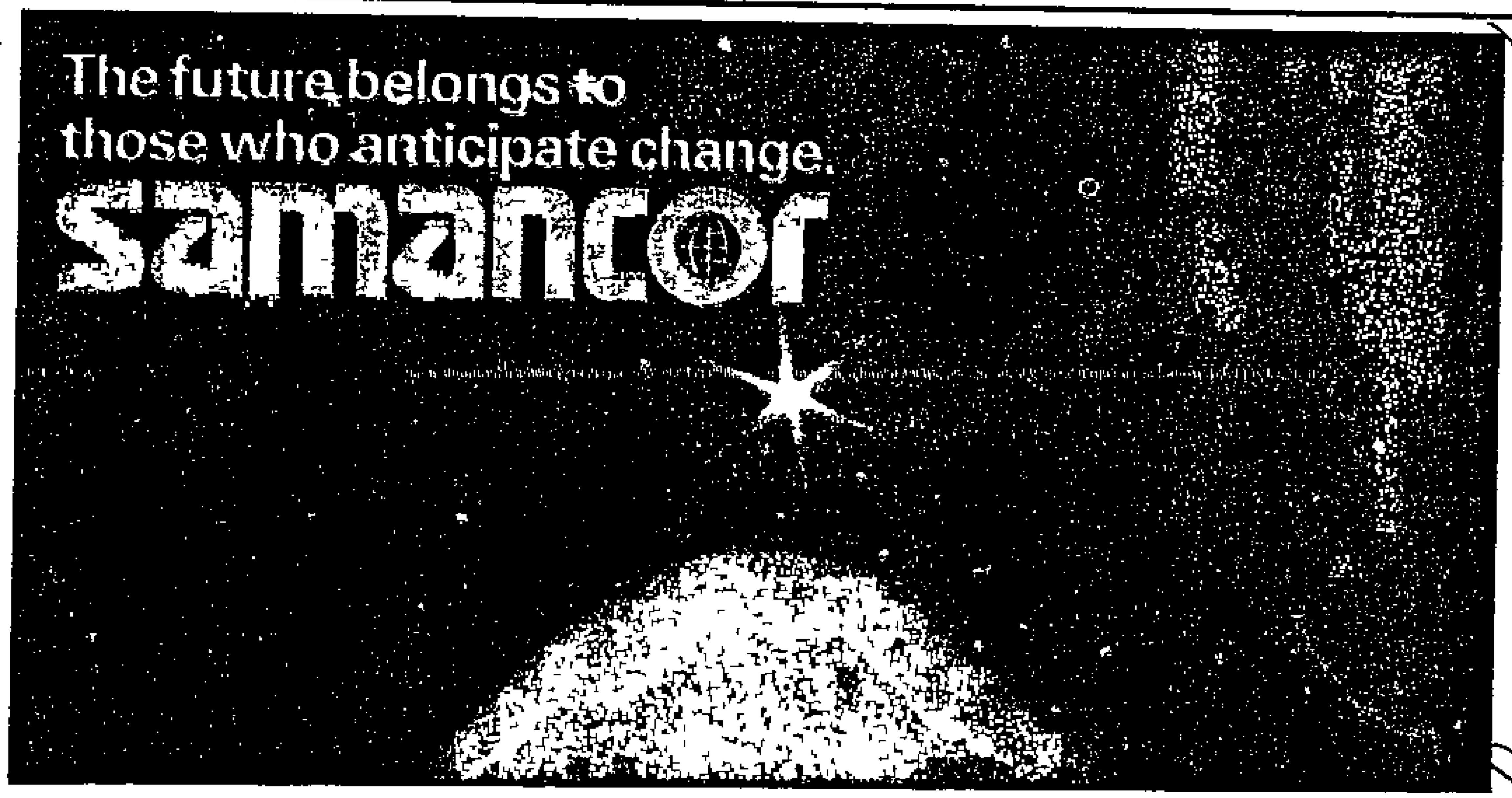
The partner would have equity in the local mill and take the bulk of its production In this way, the mill would be able to ride out the peaks and troughs in world demand

Luyt says MS&A wants to expand production to 300 000tons. This is, he says, the logical scale of expansion

It would take two to three years for such a plant to come on stream and Luyt says it all hinges on finding the right partners

"We believe the company should be competitive in the market without the government's help If the help is forth coming it will assist, but our plans are not dependent on the government.

"Finding partners is a priority at MS&A and talks are taking place with possible candidates," says Luyt.



Tough times to temper years of strong growth

SA PRODUCES about 1% of the world's stainless steel production of just over 10,3-million tons

Middelburg Steel and Alloys (MS&A) manufactures 100 000 tons a year with about half going to the local market and the balance exported

MS&A supplies 90% of SA's local stainless steel needs

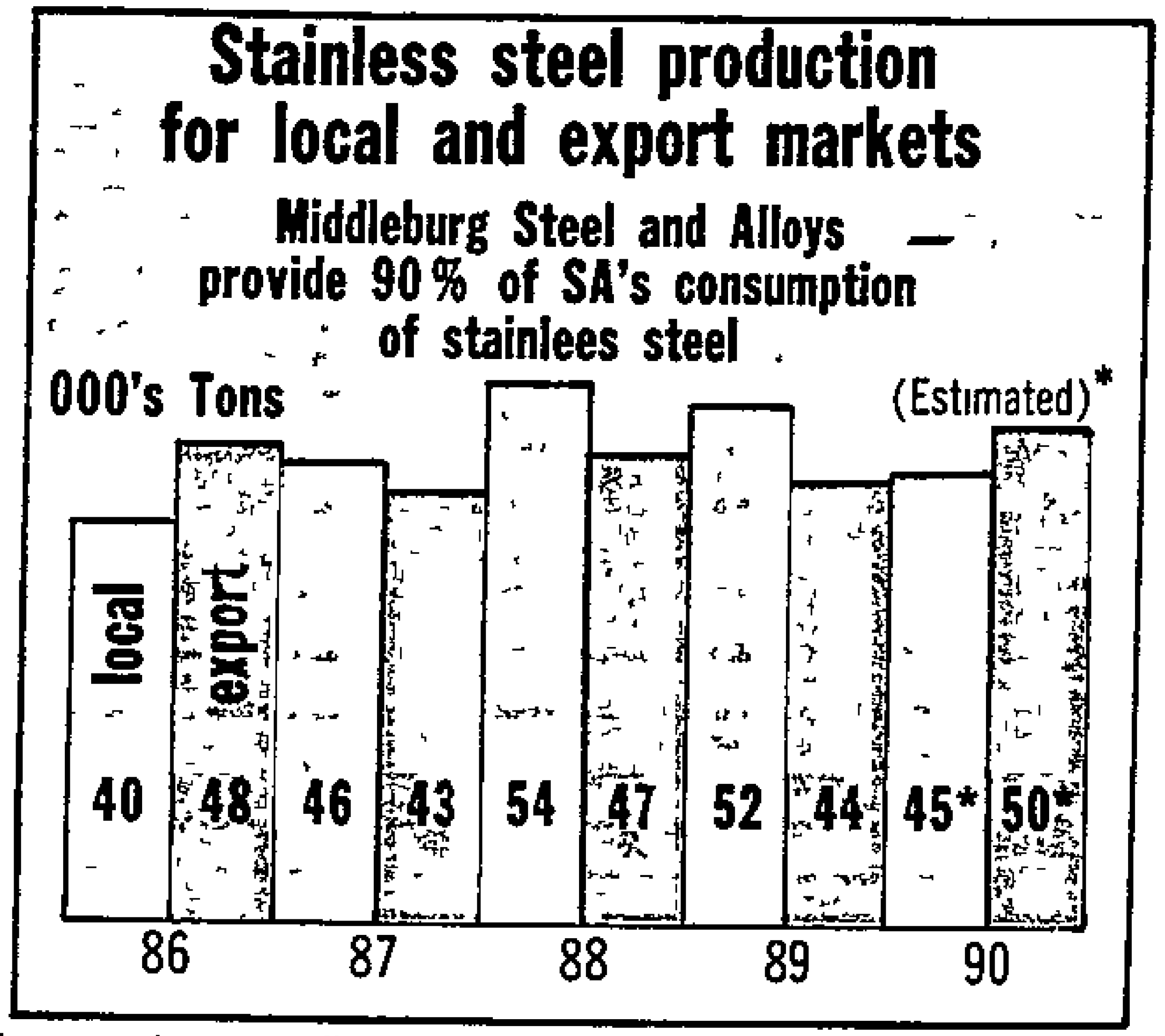
The remaining 10% is imported and consists of grades which have insufficient volumes to justify local production

Southern Africa Stainless Steel Development Association executive director Ian Elsdon Dew says growth in the industry has been phenomenal over the past few years

World production has been growing at about 4% SA production on the other hand has been growing at between 11% and 12%

At present demand has flattened out mainly under the influence of the nickel price which went from $2 65 a pound to nearly $11 pound

About 120% to 130% more capital was required to maintain previous stock levels



Caught

Stocks of sheet and plate were in over stock in anticipation of the higher prices But unfortunately much of this was bought at high prices Stock levels were run down but still people were caught with high price stock when the price dropped

The situation has settled down and the order books are looking more healthy says Elsdon-Dew

However he says the industry does not expect to have a good year overall.

We have come off a peak and we are on a plateau at the moment.

Towards the end of the year we expect demand to be increase Customer resistance increased under the influence of the higher price

It has been a world phenomenon There has recently been a lot of discounting taking place as prices have started to fall.

It is better to sell stock at a 10% discount today rather than a 20% discount a few weeks later

With the lower price, orders are starting to pick up Aiding the response has been the fact that the producers have had to make for stock and this has cut the lead times substantially he says.

In SA, the tonnage of stainless steel sold is about 1% to 1,25% of the country's production of mild steel However, the value of the product is between six and eight times the value of mild steel

Competitive

Elsdon-Dew says the next stage of the industry's growth will have to come from exports The local market does not have the demand to produce the volumes needed for competitive prices

Many of our factories are running on single shifts instead of 24 hours like our overseas competitors Therefore, our cost of production is higher," says Elsdon-Dew

This will have a positive impact on the local market as the products become more competitive

Another effort aimed at increasing the local interest in stainless steel is education Elsdon Dew says there is very little input in the universities regarding the material, which increases the resistance in the market when attempts are made to encourage more use of stainless steel

"We are putting together the final plans for this project. We feel an educated and knowledgeable market will give us the opportunity to increase sales ' he says

ND engineering joint MD Allan Löfstrand says the industry faces a number of problems

The manufacturing industry is highly capital-intensive both in terms of capital assets and working capital requirements.

It is also a highly competitive industry which severly restrains the mark-up potential on sales.

The present cost of borrowing puts pressure on both profitability and reinvestment potential. This situation is further aggravated by the high level of taxation on profits and the effects of GST on consumable items

The weak rand coupled with the high cost of borrowing and the tax erosion of capital generation is preventing the industry from advancing fully to the First World level of efficiency and productivity.

There is also a need to accelerate the training of artisans as well as technical staff to raise both productivity and efficiency.

Capital equipment costs have risen to prohibitive levels as a result of the rand's weakness against the major world currencies

Advantage

Prices are two-and-a-half to three times the relative cost of six seven years ago

'As a result SA companies especially those not supported by the large SA conglomerates have not been able to take advantage of technological and equipment advances which have been enjoyed by our foreign competitors

'Old equipment is being recycled and imports consists largely of second-hand equipment. Local efficiency and productivity suffer accordingly ' he says.

HAGGIE FM 16/3/90 (189)

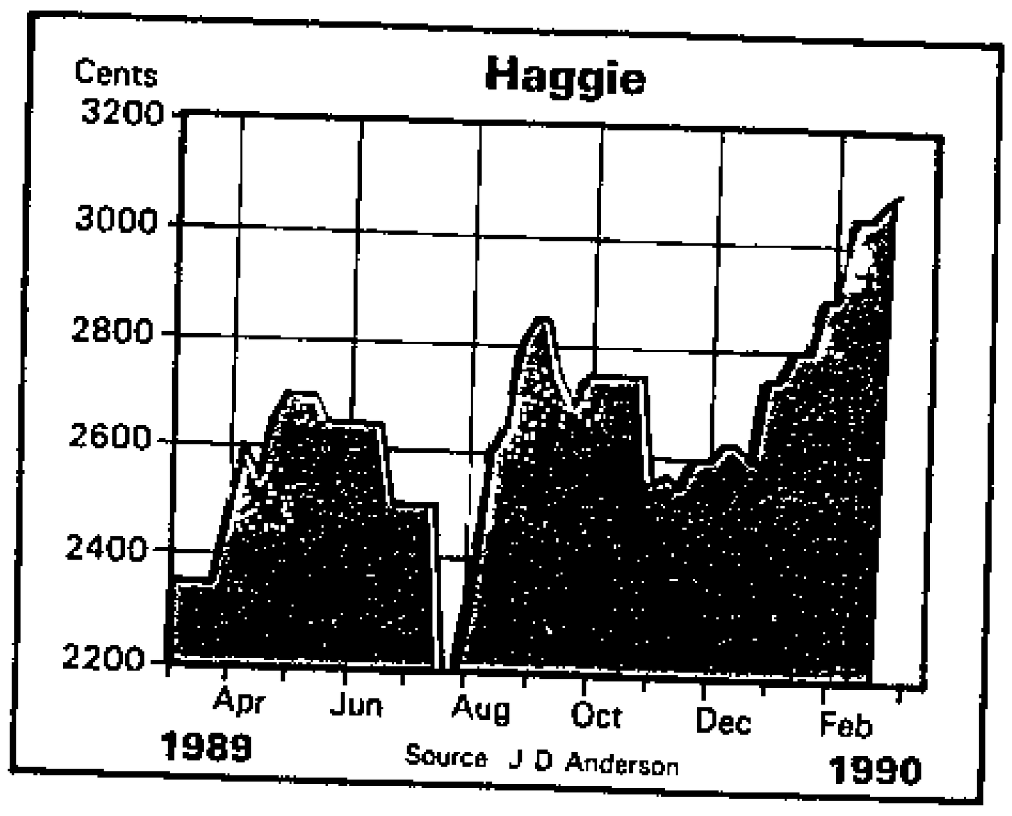
FM 16/3/90 (189)

Sluggish demand

Activities: *Steel rod conversion, non-ferrous metals and light engineering*
Control: *Malbak and Amic each have 36%*
Chairman: *G S Thomas, MD: J Feek*
Capital structure: *19,5m ords Market capitalisation R583m*
Share market: *Price 2 990c Yields 5,2% on dividend, 13,6% on earnings; PE ratio, 7,4, cover, 2,6. 12-month high, 3 100c; low, 2 200c Trading volume last quarter, 117 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	19,6	26,1	76	108,3
LT debt (Rm)	13,8	10,4	3,5	5,6
Debt equity ratio	0,12	0,16	0,22	0,26
Shareholders' interest	0,64	0,66	0,70	0,71
Int & leasing cover	18,3	157,6	44	12,1
Return on cap (%)	18,5	22,3	22,9	25,3
Turnover (Rm)	707	794	875	1 180
Pre-int profit (Rm)	93,8	115	116	150,2
Pre-int margin (%)	13,1	14,5	13,2	12,7
Earnings (c)	237,4	285,4	320	406
Dividends (c)	95	114	128	157
Net worth (c)	1 302	1 488	1 684	1 938

Haggie has successfully sidestepped the effect of US sanctions and diversified its export markets to more than 60 countries. According to group MD John Feek, exports



grew 61% last year, constituting 14% of turnover

Haggie Rand's labour problems have been harder to surmount Following a six-week lockout at the Jupiter wire mill in 1988, management reckoned it had shown it could not be bullied But last year violence said to be associated with the MDM and Cosatu's national overtime ban erupted at the Germiston plant The ban is no longer in force

At Jupiter, workers who occupied the offices were dismissed and ejected from their hostel after an application to the Supreme Court Numsa's unfair dismissal action before the Industrial Court is set down for May. Meanwhile, 240 new workers, still temporary pending the action's outcome, are employed at the mill.

Perhaps responding to questions about its approach, the annual report says in two places that Haggie has striven to create an industrial relations climate which is co-operative rather than adversarial Feek says Numsa's attitude has been confrontational He believes the group as a whole suffers no more labour problems than some other groups, but its problems are more public

Despite the retarding effect of the labour problems, Haggie's EPS rose 27% last year, after the disappointing 12% in 1988 Turnover exceeded R1bn, though the pre-interest margin declined slightly, primarily because of much higher prices for copper Copper prices declined sharply late last year, but have picked up recently Haggie should benefit this year, assuming copper does not recover further

Gearing rose to 0,26 (0,22), which Feek says appears high only in comparison to the low levels of the past Finance charges increased about fivefold but were 12,1 times covered. Higher working capital requirements, resulting from the cost of copper, capex and acquisitions, contributed to the higher borrowings Haggie's accounting is conservative and it still provides for deferred tax on a comprehensive basis

Haggie has set about rationalising last year's acquisitions, of which the largest was the ropes and twines division of Romatex for R16,5m This takes the group further into production of twines, in the past, it has made these only as cores for rope production

Feek says domestic demand for the group's products is sluggish The only forecast in the annual report is that the group is budgeting for improved earnings and management is "cautiously optimistic" about achieving them With local and international competition likely to intensify, the increase may not be large Meanwhile, the share has recovered in reaction to Haggies' strong performance and it now yields slightly less than the average for its sector *Teigue Payne*

STAINLESS STEEL FM 9/3/90

Boosting capacity

189

A byproduct of the proposed R2bn stainless steel plant — under investigation by Samancor and Highveld Steel — would be an increase in Samancor's ferrochrome capacity It would need this to supply ferrochrome for its stainless steel production and to avoid any cutback in shipments to foreign customers

"Our existing 640 000 t/year ferrochrome production capacity will remain allocated to

FM 9/3/90 189

our foreign customers," says GM (chrome) Fred Boshoff "If the stainless steel project goes ahead we will have to instal new ferrochrome furnaces as an integral part of it "

The first phase of the stainless steel plant would have an annual capacity of 300 000 t, meaning that Samancor would be looking at a new ferrochrome facility with a 100 000 t capacity The cost of that facility is part of the R2bn price tag on the stainless steel project

Samancor and Highveld are reportedly negotiating with Taiwanese interests It is expected that the plant would deliver less sophisticated hot-rolled stainless steel while Taiwanese partners would handle the cold-rolling In order for SA to get a bite of the more profitable and advanced cold-rolling side of the operation, the deal may result in a partnership or cross-holdings between the SA and Taiwanese facilities

Feasibility studies for the plant are completed and an announcement is expected soon

At face value, the timing of a major new stainless steel plant looks odd Global demand for stainless steel, as well as for its main components, nickel and ferrochrome, has dipped sharply because of the slowing world economy

After reaching an all-time high of 10,7 Mt in 1988, stainless steel sales declined to an estimated 10,2 Mt last year, while this year's demand could drop to 9,5 Mt, according to Middelburg Steel & Alloys MD John Gomersall

Falling demand has forced down the nick-

FM 9/3/90 189

el price dramatically, from about US$22 000/t two years ago to $8 000/t now Middelburg, SA's only stainless steel producer with an annual 100 000 t capacity, dropped the price of its nickel-bearing stainless steel by 13,2% last week Middelburg has also decided to cut ferrochrome production by about 20% after a slump in global demand coupled with increasing capacity

Samancor and Highveld appear undaunted Boshoff says it could take three years after they get the green light before the stainless steel plant is in operation By that time world demand should resume the 3,5% annual growth of the past 15 years

"On operating costs, the proposed plant should be highly competitive," says Highveld chairman Leslie Boyd, "even though we'll have to pay world prices for our nickel "

With an assured foreign market in Taiwan, the plant could be far less troubled than Middelburg's highly sophisticated mill, which endured a costly shake-out period before its technical, production and marketing problems were sorted out ■

SA hot-rolled steel mill mooted

RIAAN SMIT

SAMANCOR is not only studying the possibility of a hot-rolled stainless steel mill in SA, but is also considering to join forces with Taiwanese partners to build a cold-rolled plant in Taiwan, MD Hans Smith said yesterday.

London-based Metal Bulletin (MB) magazine said in its February 15 edition Samancor was joining forces with Taiwan business magnate Ie-Shiu Lin to form a joint venture company to build a 250 000 tons per year (TPY) cold-rolled stainless steel mill near the southern port city of Koahsiung

A site had apparently been selected and negotiations had already begun with equipment suppliers, MB said

Smith said Samancor had been talking to Lin "and a number of other guys in Taiwan", but "nothing has been finalised, no contracts have been signed".

The idea behind the Taiwan plant was for SA partners in the local 300 000 TPY plant — Samancor and Highveld Steel and Vanadium — also to have a stake in downstream manufacturing of stainless steel, while the Taiwan partner(s) had a stake in the SA plant, he said

The local plant would manufacture and supply hot-rolled stainless to the 250 000

☐ To Page 2

BDay 23/2/90 (189)

Steel mill

☐ From Page 1

TPY Taiwanese plant, which would manufacture the cold-rolled products

SA steel was still affected by sanctions, but even it was not, it would make sense from the point of view of a marketing strategy to involve Taiwanese entrepreneurs, he said

"The Taiwanese are in the market The Pacific Rim countries are where the great growth potential lies for stainless steel," he said

Samancor and Highveld would be hard-pressed to make a decision before the end of the financial year (June 30), "but I will be disappointed if we have to delay it longer than that", Smith said.

"It just makes sense not to rush a decision on a R2bn project We want to turn every stone to make sure we have looked at every alternative," he said

Samancor tops R1bn turnover

(189)

B Day 23/2/90

RIAAN SMIT

FERRO-ALLOY producer Samancor's turnover for the six months to December 31 increased by 25,2% to top the interim R1bn mark for the first time.

The company's attributable income rose 44,9% and earnings a share by 29,8%.

But MD Hans Smith yesterday warned Samancor's exceptional earnings of the past few years were the result of an unusually favourable combination of circumstances.

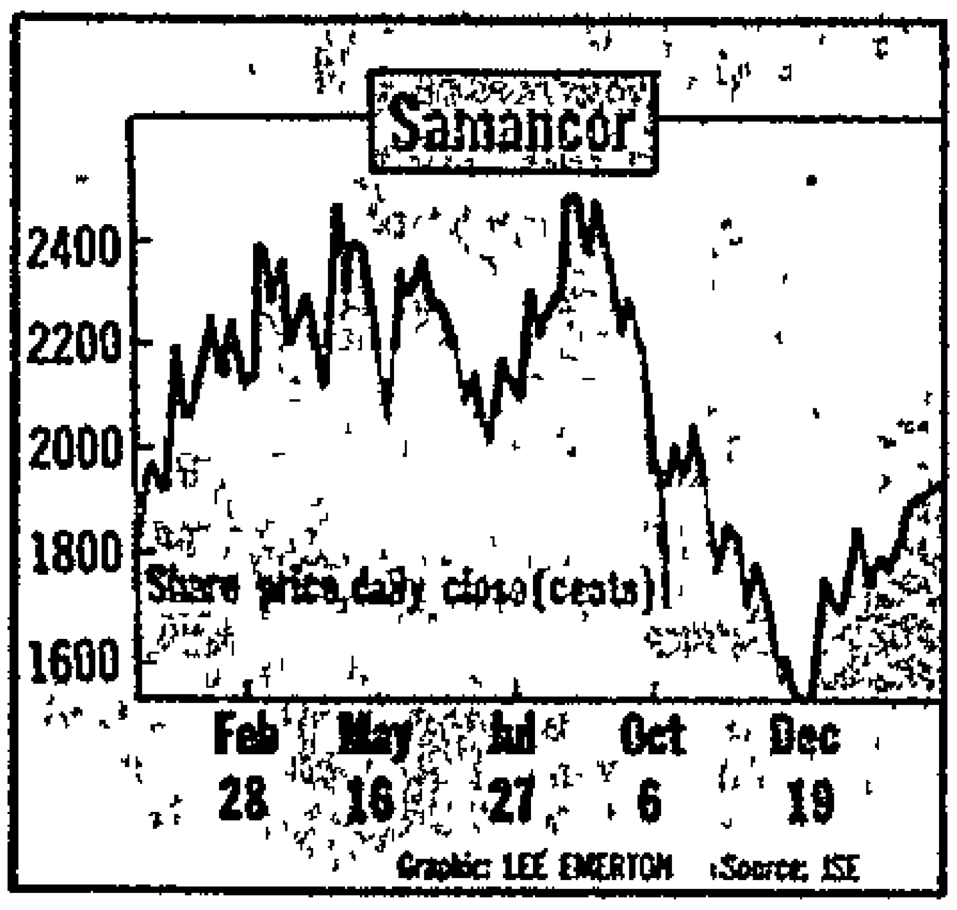
These could not continue indefinitely, given the cyclical nature of the business.

In the face of worsening market conditions, which included the strengthening of the rand against the dollar, profits in the second half of the year were forecast to be substantially lower than those for the first half, he said.

Profits for the full year should exceed the annualised equivalent of the profits for the previous 15-month financial period "although we shall be hard pressed to maintain the annualised earnings per share", Smith said.

He said while demand for manganese ore and alloys — with the exception of silicomanganese — remained firm, the demand for both chrome ore and ferrochrome declined materially.

"Chrome ore prices have remained reasonably steady in the face of this decline, but ferro-chrome prices have fallen to levels where some overseas producers have announced closures"



Taxed income increased 49,1% from R214,9m to R320,5m on a turnover up from R801,5m to R1bn and net attributable income increased to R325,7m from R224,8m

Retained income more than doubled to R208,6m (1988 R97,4m) in anticipation of a weaker second half of the financial year, Smith explained.

The 44,63c rise in earnings a share was achieved on 17,5-million more shares than in the comparable period for 1988.

These shares were payment to Gencor for its 51% interest in Tubatse Ferrochrome and its 49% stake in Cromore.

SA hot-rolled steel mill mooted

RIAAN SMIT

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(189)

The local plant would manufacture and supply hot-rolled stainless to the 250 000

B/D 23/2/90

HIGHVELD STEEL FM 16/2/90

Extraordinary

(189)

Superb results from Highveld Steel & Vanadium surprised some investors but are in line with what analysts predicted in April (*Fox* April 7) However, euphoria over the more-than-doubled total dividend is tempered by the sober outlook for this year That's why the share price did not budge on Tuesday, sticking at R16,50

Chairman Leslie Boyd describes 1989 results as extraordinary and says earnings will return to more normal levels this year "Earnings will be significantly lower but should still be an improvement on 1988"

He declines to break down revenue sources but it's clear the major profit contributor was vanadium The price soared early in 1989,

Highveld's Boyd ... still working on stainless

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temporarily reaching US\$10/lb Hiveld climbed boots-and-all into this market from the second quarter, when it pushed its vanadium pentoxide price up to \$7,50 from \$4,50 in the first quarter

Prices started sliding in the second half but Hiveld's price was still \$6,30 in the third quarter and \$5,00 in the fourth The market came off badly in the last two months of 1989 and Hiveld set its 1990 first-quarter price at only \$2,50 Overall, it got excellent prices for 10 months of 1989

Steel also boomed For the second straight year Hiveld produced more than 1 Mt and for the first time also 1 Mt-plus of iron It appears steel exports remained at record levels despite the loss of its two main markets — the US and EEC — because of sanctions

Boyd points out that total apparent world steel consumption rose to a record 791 Mt from the 1988 record 782 Mt. Downward pressure on export prices was felt only in the last quarter. He expects consumption to dip this year but only to 1988 levels

MD John Hall, who retires at end-March, believes vanadium has bottomed and sees no reason why the price should not move to "healthier" levels for the rest of 1990.

He won't forecast beyond that because of uncertainty over new production. The Rhovan/Usco project should kick in this year

RIDING HIGH

Year to December 31	1988	1989
Turnover (Rm)	1 189	1 613
Pre-tax profit (Rm)	224,5	566,1
Attributable earnings (Rm)	121,5	322,4
Earnings (c)	170,6	450
Dividends (c)	57	130

Even if it produces only half the forecast full annual output of 9 000 t of vanadium pentoxide, it will have a big impact. Hiveld produced about 22 500 t vanadium in 1988, since then Vansa has come in and should hit full output of about 3 000 t in its financial year to September

The dividend is split into a normal 70c a share and an extraordinary 60c. Cover has been increased to 3,46 from 2,99. Boyd says the group had R319m cash at end-1989 compared with R54m a year before

Such financial policies are to be expected before a decision on the stainless steel joint venture with Samancor At least one analyst reckons Hiveld has been overgenerous on the dividend, given that this project is expected to cost R1bn-R2bn. Samancor last year indicated a decision was due early this year but Boyd now says it will be around mid-year A number of details are still being worked on but none should stop the project

If Hiveld maintains the normal 70c dividend, the forward yield is 4,2%, compared with 7,9% historic Boyd indicates there is a good chance of further expansion in steel output if relaxation of sanctions enables the group to get back into the EEC and US That, added to its dominant position in the vanadium market and move into stainless

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steel, makes Hiveld an excellent long-term investment However, in the short term, the price could soften further *Brendan Ryan*

The Star
Finance STAR 16/1/90 (189)

Middelburg slashes ferro-chrome output

By Sven Lunsche

Middelburg Steel & Alloys (MS & A), South Africa's leading ferro-chrome producer, is cutting back production because of the slump in demand and prices

MS & A, which in the year to end-September was the major contributor to Barlow Rand profits, recently took down a second ferro-chrome furnace at its Middelburg plant for overdue refurbishment

Paddy Probert, general manager of the division, says the shutdown will result in a loss of around two months' production "We won't necessarily rush to bring it back on stream again," he says

This is the latest in a number of cutbacks by MS & A as it seeks temporarily to reduce production by 20 percent.

Apart from the shutdown of the furnaces, one old submerged arc furnace at the Middelburg plant has been closed altogether, with another scheduled for mid-year

Another at the Krugersdorp plant has been temporarily shut down for relining

Mr Probert says hot-test trials of its new R260 million CDR (chromium direct reduction) kiln and furnace at Middelburg are due to start in June.

The upgraded furnaces will be kept running at a reduced and more cost-effective rate, although production could be stepped up if demand improves

However, there is little likelihood of this occurring before next year because MS & A is confident of an effective and timely commissioning of the CDR

Mr Probert expects worldwide oversupply of ferro-chrome of about 600 000 tons in 1990 as supply capacity rises from last year's 2,75 million tons to over three million tons

Demand, however, is expected to decline from 2,65 million tons to 2,4 million tons, in line with an expected 10 percent decrease in Western demand for stainless steel this year

Mr Probert offers three reasons for the oversupply situation.

- Demand has been affected in North America and Europe, where car production and housing starts have weakened

While demand from Japan held up well originally, its Pacific Rim exports have declined markedly over the last few months

- Stainless producers, particularly in Europe, maintained a high level of production, despite the demand slowdown, coupled with stainless service centre destocking, concurrent with expectations of lower nickel and chrome prices
- A higher-than-usual percentage of scrap charge by stainless producers, driven by inherently cheaper nickel costs, has temporarily aggravated the demand for ferro-chrome

An industry source claims there is some sign that stainless de-stocking is abating in the US and Europe, but he says it is not a sign of underlying increased demand

With uncertainty over stainless steel demand next year and the threat of overcapacity hanging over the ferro-chrome market, observers claim prices and tonnages are set to drop further over the next two quarters.

South African producers have just concluded negotiations for first-quarter prices with customers in the US, Japan and Europe at levels ranging from 52 US cents to 55c per pound

As recently as the second quarter of last year prices were quoted at 84c

Prices are likely to drop further in the months ahead Spot ferro-chrome prices in the US and Europe are continuing to slide, with small tonnage business booked last week at below 45c and stainless demand faltering because many stainless steel mills are well covered for chrome under existing long-term producer contracts

Swedish plant closed

Finance Staff

Swedish ferro-chrome producer, Swedechrome, closed down last months, ostensibly as a result of their inability to obtain South African chrome ore, a leading overseas industry publication claims

The *Metals Price Report* magazine says in its latest edition that the recent dramatic decrease in ferro-chrome prices and an unfavourable cost position due to the Swedish embargo towards South Africa were the main reason for the closure.

The magazine quotes company officials as saying: "The Swedish embargo on South African ore, which came into effect in October 1987, has put us in a difficult situation with other ore supplies and left us with little bargaining power"

Swedechrome was established in 1984 by a number of Swedish companies and the City of Malmo with one of its aims being to reduce the industry's dependence on South African ore.

However, from the start the plant encountered technical difficulties and the recent slump in prices led to the closure of Swedechrome

Norwegion producer Norschrome also recently closed down in the wake of the slump

REICHMANS/MACSTEEL 189

Stake in stainless

The acquisition by Macsteel, said to be SA's largest private company, of joint control and an effective 45% of specialist steel processor and trader Van Reenen & Nicholls (VRN) should benefit Reichmans, which also holds 20% But neither VRN nor Macsteel will go for a listing, according to VRN CE John van Reenen FM 9/2/90

Reichmans CE Clive Cohen says the 20% acquired in 1987 for R3,3m was the group's first investment outside its traditional area Reichmans has since acquired 10% in listed I B Joffe, a manufacturer, wholesaler and retailer of leather and outdoor goods

Cohen says Reichmans takes a "bottom-drawer, long-term approach" to these investments The stake in VRN, which Reichmans equity-accounts, paid off handsomely in 1988, when VRN's taxed profits more than doubled Last year, VRN was hit by declining demand for stainless steel, of which it had large stocks.

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VRN ... preparing for more exports to Africa 189

FM 9/2/90

Macsteel has little involvement in stainless steel while VRN is the largest processor — it cuts profiles from plates, fabricated by other concerns, into components VRN's turnover is about R400m, less than a tenth of Macsteel's estimated R4,5bn Van Reenen says VRN's earnings are derived 60.40 from processing and trading but, as part of an export drive, it spent R4m on setting up an offshore base last year

After political changes, and in expectation of a full settlement in SA, Van Reenen says VRN is preparing for major expansion of steel-related exports into Africa, especially of products for mining He says SA earns about R1bn annually from export of steel and related products but this could be lifted to R10bn with more emphasis on added value and when the political liability has disappeared Department of Foreign Affairs figures show exports to Africa are worth about R3,8bn but a further R16bn sourced elsewhere could be supplied by SA; this compares with current total value of exports of R25bn, he says *Toigue Payne*

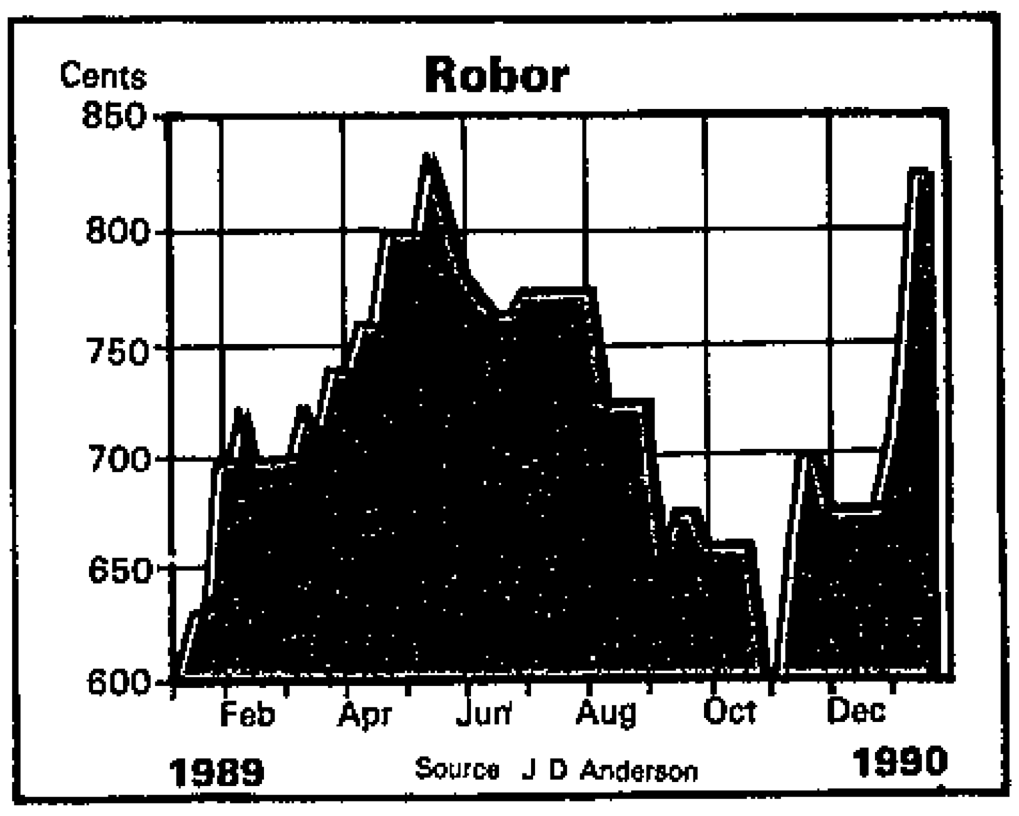
F|M 2|2|90 (189) 4

Resilient results from Robor Industrial Holdings (RIH) can again be expected this year, though growth is likely to be slower than last year, an excellent one for steel and its derivatives

The domestic steel sector usually lags the economy by about six months, so Robor has seen few signs of a downturn yet, says MD Mike Gahagan International steel prices dropped sharply in the latter half of 1989, though they have stabilised in recent months

Last year, 28% (20%) of operating profit was from exports, 49% (52%) from manufacturing and 23% (28%) from merchanting SA steel and its downstream products form a minute part of world supply and Gahagan says SA exports have always been able to find niches for their products, but they earn lower margins than domestic business He targets more exports for RIH, but not to the extent that it becomes over-dependent on them.

Steel supplied locally by Iscor for export is sold at world prices, so RIH is not affected by changes in the rand exchange rate It is virtually an agent for Iscor, adding value in manufacturing, and marketing the product Iscor's inability to supply enough steel last year affected the whole downstream industry



in SA Had supplies been adequate, Robor's growth would have been even stronger, says Gahagan Though the bottlenecks have been cleared, Gahagan fears expects some shortage later this year as Iscor refurbishes its plant

RIH wants to remain rooted in manufacture, and is progressively adding more value to the products it sells. Returns on capital and equity reflect that strategy

Chairman Brian Connellan forecasts earnings growth in line with inflation this year The market down-graded the share after the poor interim performance but restored some of the burnish when the year's full results were announced On dividend yield, the stock is rated less favourably than the engineering sector average *Teigue Payne*

RIH F|M 2|2|90 (189)

More exports

Activities *Manufacturing processed steel products*

Control. *Barlow Rand holds 84%*

Chairman: *B P Connellan, MD M R Gahagan*

Capital structure: *32,4m ords of 10c each Market capitalisation R259m*

Share market: *Price 800c Yields 7,8% on dividend, PE ratio, 18,6, cover, 2,4 12-month high, 850c, low, 600c Trading volume last quarter, 122 000 shares*

Year to Sep 30	*'86	*'87	'88	'89
ST debt (Rm)	11,1	20,9	32,9	60,1
LT debt (Rm)	9,1	—	—	—
Debt equity ratio	0,10	0,10	0,19	0,29
Shareholders' interest	0,64	0,60	0,57	0,56
Int & leasing cover	5,3	30,9	9,4	8,3
Return on cap (%)	12,5	11,2	13,8	16,0
Turnover (Rm)	421,3	445,3	601,1	763,6
Pre-int profit (Rm)	27,9	29,3	42,4	59,4
Pre-int margin (%)	6,62	6,58	7,0	7,8
Earnings (c)	61,8	75,3	106,2	149,2
Dividends (c)	27	32	45	62
Net worth (c)	443	486	547	639

* On basis of comprehensive deferred tax

R280m SA triumph

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base of about 9,5-million tons

Several companies plan to increase production of ferrochrome MS&A is to spend R240-million to lift production by 130 000 to 430 000 tons Samancor will add 120 000 tons to its production and Consolidated Metallurgical Industries and Chrome Corp Tech will increase output by 40 000 and 120 000 tons respectively

SA's ferrochrome exports were worth about R2-billion in 1988 Stainless-steel exports earned only R700-million Reports show that the value added to a ton of chrome when converted to ferrochrome is R1 500 But if converted to stainless steel, the added value is R6 250

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Samancor, Highveld negotiating

Steel firms set for R3bn Taiwan deal

BDay 20/3/90

RIAAN SMIT

FERRO-alloy producers Samancor and Highveld Steel & Vanadium have signed a letter of intent with a Taiwanese steel producer to establish a R1bn cold-rolled stainless steel plant in Taiwan and a R2bn hot-rolled plant in SA.

The 200 000-tons-a-year Taiwanese plant would be designed for downstream processing of hot-rolled stainless steel from the proposed Samancor/Highveld joint venture plant, Samancor CE Hans Smith said yesterday

Reuters reported the two companies and West Germany's Thyssen Edelstahlwerke AG would share a 40% interest in the Taiwanese plant, which would be established at a cost of R1bn in Kaohsiun county in southern Taiwan

Smith said the Yieh Loong group — producer of 700 000 tons of steel a year — would invest an equivalent amount in the 270 000-tons-a-year SA plant, which would cost an estimated R2bn and was likely to be established in Witbank

This in effect means Samancor and Highveld — discounting Thyssen's interest — will trade paper with Yieh Loong The size of Thyssen's stake in either or both of the plants was unclear yesterday, and the company declined comment

Although the signing of the letter of intent is the clearest indication yet that the two companies could go ahead with what has been named the "Columbus Project", both Smith and Highveld chairman Leslie Boyd said from Taiwan yesterday no contracts had been signed

"A decision will only be made towards the end of June," Smith said

The Kaohsiun plant would absorb the bulk of the SA plant's output and would primarily supply the Taiwanese market

The only local producer of stainless steel, Middelburg Steel & Alloys, already supplies the local market and exports a total of 110 000 tons a year of hot- and cold-rolled stainless steel, analysts Kevin Kartun at Frankel Kruger and Stephen Arthur at Anderson Wilson said yesterday

"I don't think the domestic market can take more stainless steel," Arthur said

The two felt Samancor and Highveld would probably finance a deal by borrowing and not via a rights issue

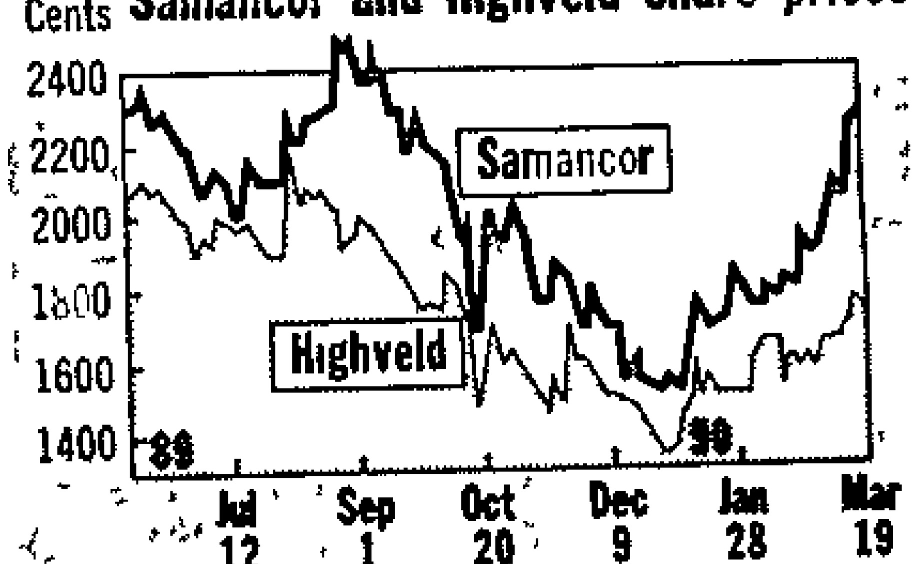
Kartun said each company had about R400m in cash, and Highveld's gearing was almost zero while Samancor's was about 14% They could go up to 25% before "taking strain"

Arthur said it was not unusual for steel manufacturers to be geared to this extent

Samancor and Highveld had extensive infrastructure in Witbank, and a new plant could create up to 5 000 jobs, Kartun said

Middelburg Steel & Alloys has 4 000 employees in both its operations

Samancor and Highveld share prices



Graphic FIONA KRISCH Source JSE

Price of Highveld vanadium raised

BARRY SERGEANT

HIGHVELD Steel, world price leader for vanadium pentoxide, has confirmed an increase in its price from $2,50 a pound to $4,20 a pound, setting the scene for SA exports to approach R600m this year.

Highveld's price increase is effective from April 1

Industry experts say about 99% of SA's vanadium pentoxide production of more than 30 000 tons a year is exported The increase amounts to an absolute 68%, but is closer to 80% in rand terms, as a result of the rand's decline over the past three months

Highveld Steel's GM marketing Robert Herbertson says the increase comes off a low base

BiDay 11/4/90

"The vanadium pentoxide market has been particularly volatile over the past year, with sentiment and perceptions appearing to be the main driving forces

Analysts say the shares most directly affected by the increase — Vansa, Rhovan and Usko — have yet to reflect the hike

Said one "This is the highest commodity increase affecting any JSE share for more than a year"

Vanadium traded as high as $11 a pound spot last year, before slumping to $2,20 a pound.

SA is the prime producer of vanadium, which is used mainly as an alloying agent in steels, for example in the manufacture of cutting tools, and in increasing the strength of metals

Vanadium is not unique in the properties it lends to steel, but alternatives have to be assessed on a thorough costing survey

Analysts say equities representing vanadium pentoxide — such as Vansa, Rhovan and Usko — were "oversold" counters last year

US allows SA steel imports

CAPE Times 17/4/90

(189)

NEW YORK — The US government has allowed almost a million tons of SA steel into the country despite an anti-apartheid law forbidding its importation, the New York Times reported on Sunday

The newspaper, quoting Commerce Department officials, said the administration had bypassed a 1986 law stating that no iron or steel produced in SA could be imported into the US

It said Treasury Department lawyers had excluded fabricated steel products like girders, beams and plates from their definition of the metal, thus allowing the importing of more than 900 000 tons of the material, worth at least $350m

It quoted Bryce L Harlow, assistant secretary of the Treasury, as saying that "bridge sections, structures and parts of structures", even if they were manufactured from SA steel and iron, were not subject to the embargo

The New York Times quoted Harlow as saying that the Treasury's explanation was based on "established legal principles"

Neither Commerce nor Treasury Department officials could immediately be reached for comment

The 1986 law, which aims to apply economic and political pressure on SA to end apartheid, also forbids imports of items grown, produced or manufactured by companies owned, controlled or subsidised by SA

The Bush administration has said it will consider lifting or modifying such sanctions if the Pretoria frees all political prisoners and moves toward the banning of apartheid — Sapa-Reuter

BDay 18/4/90.

Steel exports to US 'are not illegal'

189

BRENT MELVILLE

IT WAS because SA was the world's major producer of ferrochrome that US doors were still open to its steel products, SA producers said yesterday

In response to reports that US President George Bush's administration was apparently circumventing sanctions and allowing SA iron and steel imports into the US, several steel industry spokesmen yesterday said prefabricated items were definitely being exported to the US.

"We are, however, acting with the knowledge of US customs and most are downstream, value-added products — strictly speaking not covered by the Comprehensive Anti-Apartheid Act (CAAA) of 1986," said a spokesman for one steel producer.

The CAAA, passed by Congress over former President Ronald Reagan's veto, prohibits new lending and investment, bans flights to and from SA and prohibits US imports of SA coal, textiles, uranium, farm products and gold coins

The spokesman said, however, that exports of raw iron and steel had effectively been cut off.

Estimates

Although alternative markets had been located in Europe and Asia, margins had been affected.

"What we are also doing is selling to US companies for use in projects outside the US," he said.

Iscor spokesman Piet du Plessis said yesterday Iscor had exported no primary steel products to the US since 1986.

"We are not geared for using devious, roundabout ways of sanctions-busting," he said.

However, reacting to estimates that almost a million tons of SA iron and steel products had entered the US over the 1987-1988 period, spokesmen for Highveld Steel & Vanadium and Iscor said the bulk would have been in ferro-alloys and products not subject to regulation.

Highveld GM; marketing Robert Herbertson said there was no evidence to suggest SA's exports to the US did not conform to US regulations.

He declined to specify Highveld's volume of exports, including in ferromanganese and ferrochrome.

Seifsa chief economist Mike McDonald said because SA was the world's major producer of ferrochrome — used extensively by the US in its armaments industry — the US could not afford to import the product from the other major producer, the Soviet Union.

MS&A increases rebates for stainless steel exports

189 Star 10/7/90

MS&A Stainless has revised its rebate policy for stainless steel exported in manufactured form

Fabricators are now offered a 10 percent rebate on the base price of any of MS&A's products.

This is in addition to the export incentives offered by the Government which came into effect on April 1.

MS&A has paid out more than R1 million on its export rebate scheme since 1983.

However, Mike Kitchin, manager, local sales, MS&A Stainless, says this figure could have been much higher if manufacturers had taken full advantage of the scheme.

"Through our new policy, we hope to encourage manufacturers and increase the exports of fabricated products.

"There is enormous potential in this country to add value to our raw materials and in so doing to create jobs and wealth"

Beneficiation of the chrome chain has been MS&A's policy for a long time.

Applications for rebates can be made in writing before the export of articles produced from MS&A products. The rebate will be paid on proof of export of the finished goods

Enquiries about the scheme can be made to Mike Kitchin or Basil Goldswain at (011) 783-2060.

HIGHVELD/CMI F(M 3/8/90 (189)

Metals under stress

Highveld Steel & Vanadium and Consolidated Metallurgical Industries (CMI) have shown what it's like to operate in a world disenchanted with stockpiles and with none of the old protection of a sliding rand Both companies have reported sharply lower sales as chrome and vanadium prices have weakened and as the world's steelmakers have overcome earlier fears of ferro-alloy shortages and cut alloy inventories in anticipation of lower prices

Both companies have put on reasonably brave faces, expecting export prices to stabilise But neither can count on the rand retracing its recent relative strength against the dollar to help protect profits from the corrosion of cost rises

CMI was the worst affected as its second-half turnover dropped to R86,7m in the six months to June 30 from R128,7m in the financial year's first half and R142m in the second half of fiscal 1989. The second half's operating income was chopped to R9,4m from the first-half R59,5m and second-half earnings crumbled to 60c from the first half's 107c Sure, the interim and final match fiscal 1989's, but it is almost inevitable that the current financial year's first half will result in further revenue and profit slides

Of course there were special factors at work in the ferrochrome market Stainless steelmakers, clobbered by some sharp nickel price increases, had built stocks of ferro-alloys (particularly ferrochrome) in 1989, and then ran them down fast for fear of being caught with high-priced stocks when the nickel price started to slide SA's ferrochrome makers generally welcomed the market shift as they had been delaying routine maintenance and running their furnaces round the clock to cope with last year's unprecedented demand

Now, those overworked furnaces are being shut for maintenance, but new ones are being brought on stream so output is not dropping CMI has added a further furnace to its original two and expects to complete the refurbishing of the older units by year's end

MD Barry Davison says US and European stainless steel markets have stabilised and ferrochrome prices also appear to have settled So there seems little prospect of production being held back as a means of propping up export prices In fact, new producers are coming on stream in SA, though their output could be offset by more closures of uncompetitive plants in the northern hemisphere

REVENUES CORRODE

Six months to ...	Jun 30 '89	Dec 31 '89	Jun 30 '90
Turnover (Rm)	777	837	682
Pre-tax profit (Rm)	303,8	262,2	116,6
Attrib profit (Rm)	170,2	152,3	82,5
Earnings (c)	237,2	212,8	114,4
Dividend (c)	50	80	30

Highveld's Boyd ... in line with forecast

Davison adds that demand is firming with the completion of steelmakers' inventory cuts and he hopes that will permit a small increase in CMI's contract price in the fourth quarter — it was pegged at $0,47/lb for third-quarter delivery

Highveld was clipped in all directions in the half-year to June 30 — by lower vanadium sales and prices, weaker domestic demand for steel and the rand's strength MD Trevor Jones says he cannot quantify the effect of the rand's recent stability against the dollar but analysts reckon currency shifts could have cost about 5% of the latest half's turnover

Jones is cautious on immediate prospects Highveld still has to face up to the uncertainty of a quantum increase in supplies available to world markets when Usko's new plant gets well under way That is leading to hesitancy over vanadium prices by customers They have largely reduced inventories but are doing their best to match purchases to current consumption just in case oversupply cuts prices to the $2/lb free-market lows hit in December

Highveld agrees vanadium markets will remain weak for the rest of this year but the company's size relative to the world supply still allows it some measure of control Highveld can produce about 50m pounds of vanadium a year and, of that, about 13m pounds is produced as vanadium pentoxide by the company's Vantra plant and the remainder as a slag by-product of steelmaking Vantra's production has now been cut by about two-thirds in response to comparatively slack demand, though it is too early to say whether this will allow Highveld to peg its fourth-quarter prices at the third-quarter's $3,35/lb

For the present there is little likelihood of vanadium slag production being cut as steel production is being maintained despite slackening domestic demand Normally Highveld sells about half of its steel sections in SA and exports the rest The ratio is shifting as exports take up the slack, but export prices are "not exciting", says Jones And there is no help in sight from exchange rate shifts

There is still no finality on the crude stainless steel plant being planned as a joint venture with Samancor and Taiwanese steel company Yieh Loong The feasibility study has defined the capital cost, not disclosed in the interim report but estimated by analysts to be about R2bn for a plant to make crude billets in SA with a further R1bn for a processing facility in Taiwan A letter of intent has been signed with the Taiwanese and a final decision is expected this half year

STAINLESS STAINED

Year to Jun 30	1989	1990
Turnover (Rm)	324 3	215 4
Operating income (Rm)	171 2	69,0
Pre-tax profit (Rm)	180,0	86,1
Earnings (c)	236,6	167,0
Dividend (c)	115	115

Chairman Les Boyd warned in his last annual statement that this year's performance would be poorer than the spectacularly good one of 1989 He and Jones reckon this year's first-half performance is in line with Boyd's earlier forecast that 1990's outcome will be better than 1988's when earnings totalled 170,6c a share and the dividend 57c Beating the 1988 figure should be a piece of cake even if there is a major collapse in the second half and there seems no reason why this year's final should not match last year's 40c "normal" final

Jim Jones

STEEL F/M 10/8/90 (189)

Export markets plugging gap

The steel market in SA and overseas is softer than last year but local mills are still pumping out almost as much as ever Happily, they're exporting most of what the local market can't absorb Unhappily, they're getting lower prices

While local carbon steel mills Iscor and Highveld Steel & Vanadium have increased local steel prices, they have been forced to bite the bullet on the international market where prices are 15% lower than a year ago

In addition, the declining strength of the dollar against the rand is hurting their margins

Middelburg Steel & Alloys is expecting a 15%-20% drop in local steel offtake, down from last year's 53 000 t, which group MD John Gomersall admits was a bit high

Iscor chairman Marius de Waal says Iscor had some production problems over the past year "We could not meet our flat products targets at the Vanderbijlpark hot-strip mill, which contributes about 70% to total production This was the most important reason, in addition to softer export prices, for us not achieving our predicted 20% increase in profits in 1990 We have solved the problem at the hot-strip mill, which is now running at full steam"

Iscor now exports about 2 Mt of steel a year to about 60 countries "Production this year will be about 2% below 1989," MD Willem van Wyk says Local sales are about 3,3 Mt a year

Most exports are going to the Pacific Rim countries, where SA mills are competing with producers from Japan, Taiwan, South Korea, central Europe and South America

Little, if any, is getting into North America, where the import of SA rolled steel is banned The import of fabricated steel products and ferro alloys is sometimes allowed

The international market for carbon steel dropped at the beginning of this year because of a fall in demand, which created a temporary surplus In SA demand dropped because government's efforts to cool the economy reduced the sale of cars and white goods and curbed construction, says Seifsa economist Michael McDonald

The local market would not have dipped had the drop in the gold price not resulted in several mines deferring even minor modifications, says Highveld MD Trevor Jones

Arthur Browne, a director of Macsteel and president of the SA Steel Merchants' Association, believes the market hasn't bottomed yet It will improve only if interest rates drop by two percentage points, and that probably won't happen until labour takes a less belligerent stance and there's an improvement in political confidence

He says merchants are overstocked, which is why mills have to look to exporting Unlike last year "there are no supply problems, all the shapes and sizes we want are available"

Gomersall says the stainless steel market worldwide has recovered from the massive inventory correction that occurred at the end of last year The cause was near-panic buying of stainless steel earlier in the year as the nickel price posted almost daily gains When it started dropping, those who had accumulated stocks at the higher prices had to get rid of them

"Right now I would say production is equalling world demand, which will probably be 10 Mt this year, and 14 Mt by 2000," Gomersall says

"It peaked in 1988 at 10,6 Mt, then dropped to 10,1 Mt last year Demand in SA, including that for 3CR12, a 12% utility industrial corrosion-resisting steel that has never been an export product, should grow by 4%, maximum 5%, for the next few years"

Highveld chairman Leslie Boyd says it's too early to predict how the rising oil price and turmoil in the Middle East will affect steel "If it tips the balance towards a recession, it will tip the balance against everything If it leads to high oil prices it could lead to a lot of drilling and exploration, as it did in the early Seventies, which led to increased demand for certain steel products, such as tubular products"

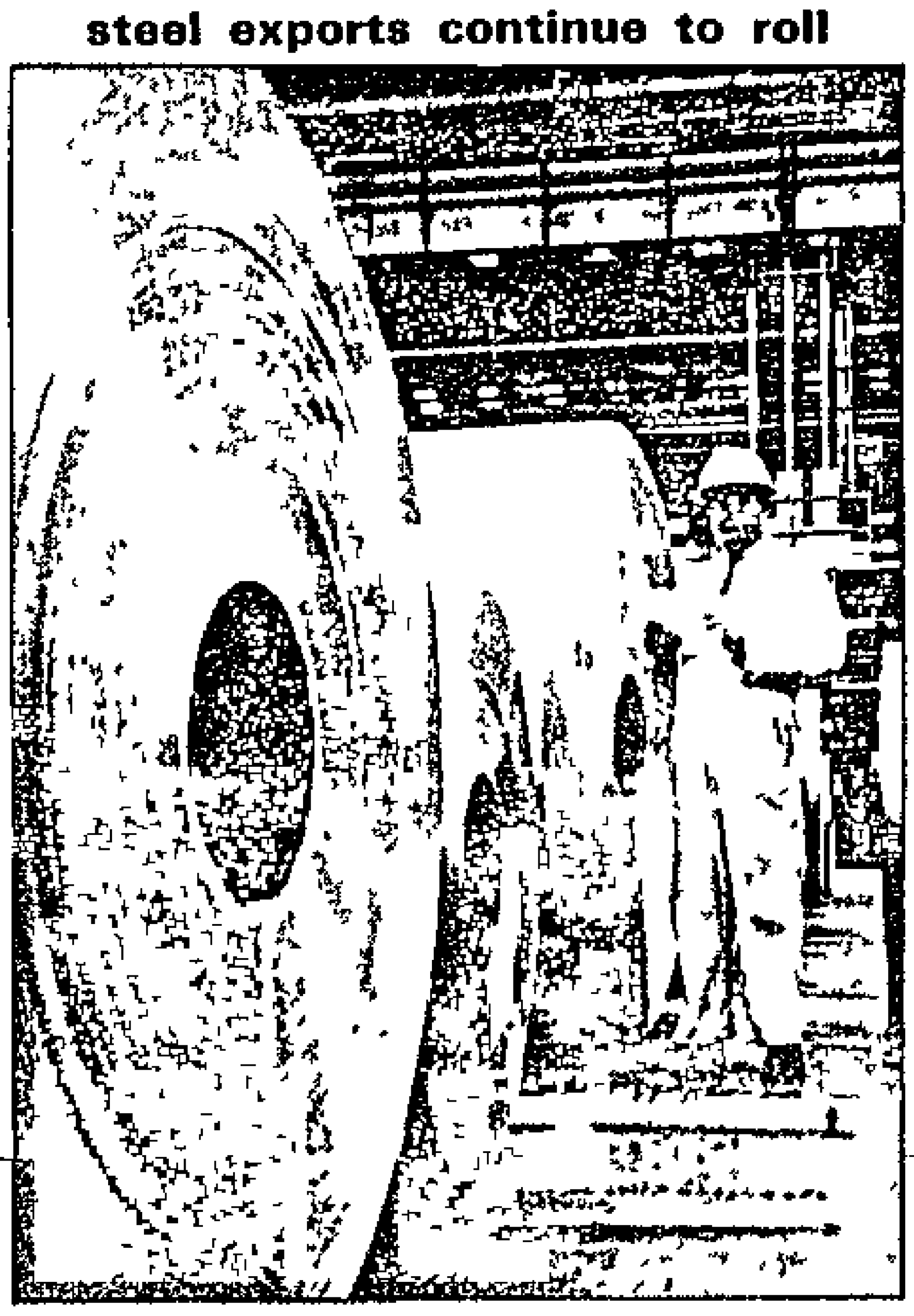
SA stainless steel prices dropped sharply from their peak in November and started inching up again in May They have to be kept in a narrow band to discourage users from importing supplies — and there's no shortage of foreign producers ready to dump stainless steel, Gomersall says

The R1,5bn-R2bn stainless steel facility planned by Highveld, Samancor and a Taiwanese partner is still under consideration A decision will probably come before the end of the year, says Highveld's Jones

"At this stage it looks as if it will come together," he says "A plant to produce semi-finished products, in which Samancor and Highveld will have the majority of shares, will probably be built next to our existing Middelburg plant And another one, where the product will be cold-rolled to final specifications, will be built in Taiwan Our partner from the East will have the majority stake in that plant" Construction would take two years

David Pincus

Local demand is down but steel exports continue to roll



AIRLINE DEREGULATION

Eyeing up Goliath

It hasn't taken long for the first challenger to step forward and put SA Airways on notice that it will soon have company on major domestic routes

Looking to be the first out of the deregulation gate, Trek Airways is considering leasing three narrow-bodied jets, seating about 120 passengers each, to fly the main routes

"We trust that our licence application in terms of the new Air Services Act will be finalised within the next three to six months," says Trek MD Jan Blake "After that we will start serious feasibility studies for entering the domestic market in competition with SAA In view of the small size of the local market, we might have to share supporting services such as training, repairs and spares with other operators We've already made some inquiries to SAA"

While Trek is preparing for battle against SAA, which controls 94% of the domestic passenger market, another airline is apparently taking a bye, at least for now Safair recently says it "will have to consider its options very carefully before committing itself to an extensive scheduled passenger service" F/M 10/8/90

Felix van der Merwe, Safair's GM for freight and passenger services, says the airline will continue to upgrade its passenger charter service until it feels ready to compete directly with SAA "Let's face it, they're good — they have not had 50 years of experience for nothing"

But Safair will go after SAA's cargo business now that deregulation opens the way for competition "Our service will commence within six months of a licence being granted,

Star 11/9/90 (189)

Talks on stainless deal ended

By Derek Tommey

The R2,8 billion Columbus stainless steel project proposed by Samancor, Highveld and the Taiwanese company, Yieh Loong, has been suspended

The reason given is difficulty in finalising the agreement However, this is not the end of the matter

A spokesman for the South African partners says that there is a place in the market for such a project and that viable alternatives are being explored

The project envisaged building a 300 000-tons-a-year stainless steel manufacturing plant in South Africa, which would produce hot rolled coil

Most of this steel would have been exported to Taiwan for further working by Yieh Loong in a new cold rolling mill

Negotiations have been protracted and Hans Smith, managing director of Samancor, said recently he would have no hesitation in halting the negotiations if the outcome was not satisfactory

He said last night that progress had continued to be slow and it had been decided by mutual consent that both parties should look at alternatives

Mr Smith said he believed South Africa had a competitive edge in producing hot-rolled stainless steel and the South African partners were considering other courses open to them

Although the recent steep rise in the oil price had caused sharp losses on the Taiwanese stock exchange, he did not believe that the matter of financing the Taiwanese mill was the reason for the difficult negotiations

He said the South African partners had been aware that the Germany's Krupp AG was planning a similar venture with another Taiwanese company, Tung Mung

But the Taiwanese stainless steel market was growing at such a rate that there should be room for both Krupp and the South African project

Analysts said last night that there was considerable scope for the South African partners to operate alone

It was not essential for them to have a foreign partner, though at this stage it would probably be preferable

They could, for example, become a producer of semi-fabricated products, which they could sell worldwide, he said

Steel tube exports expected to rise

fo Tday 13/9/90

(189)

EDWIN UNDERWOOD

THE export of steel tubes and pipes was expected to jump by 12% by the end of 1991 as government's new incentive scheme breathed new life into the market for finished product exports, Association of Steel Tube and Pipe Manufacturers of SA president Mike Gahagen said yesterday

SA averaged 155 000 tons in exports of steel tubes and pipes a year for the five-year period from 1985 to 1989, and it was estimated that exports of 174 000 tons would be achieved for 1990 and 1991

Exports constituted 27% of SA's steel tube and pipe manufacturing capacity of 550 000 tons, and were expected to take up 32% of this capacity by the end of 1991

Gahagen said the industry was to commence its most challenging period in the export arena and had to continue to pursue its productivity drive and establish new export markets especially as the association was optimistic that the pressures exerted by American and European sanctions would be relaxed

In this event, SA mills would be taxed to produce the additional volumes to be supplied to these major markets, he said

Untapped

A spokesman for the association said the industry exported to the UK, Europe, the Middle and Far East, Africa, South America and the Indian Ocean Islands

Gahagen said the major development that SA steel tube and pipe manufacturers achieved, when sanctions were imposed in 1986, was the penetration of previously untapped markets in Africa, Asia and elsewhere

"We believe that if America and Europe were to be re-opened, we would not lose these now established markets for SA tube and pipe, but would continue to service them while re-esablishing ourselves in America and Europe"

However, Gahagen said the industry would have to respond by conducting better market research and introducing new and better technologies and manufacturing procedures as well as downstream manufacturing to assume these new challenges

"This may have to occur through investment in our existing SA consumer base, thereby assisting them to expand both their facilities and organisational structure to meet these challenges," he said.

FINANCE

Steel demand likely to edge lower in '91

(184)

B Day 17/10/90

PETER GALLI

WORLDWIDE demand for steel, which has been strong in 1989 and 1990, is likely to ease only slightly next year, despite a slowdown in economic growth in industrial countries

Locally, the general feeling is the market will probably remain flat, with little improvement in the next year

AP-DJ reported the Brussels-based International Iron and Steel Institute (IISI) forecast total world consumption of crude steel would total about 773-million tons in 1991

This figure was down about 0,8% or about 6-million tons from 1990, which had been described as a peak year for world consumption

Iscor MD Willem van Wyk said world production of steel was almost static in 1989 and the slowdown in global demand was expected to lead to a 2,4% reduction in 1990

"The greater commercial reality that developed among steelmakers during the '80s, with profitability being the overriding requirement, has seen major producers move in recent months to reduce output levels to conform with a lower demand

"In this way, they will obviate the prolonged surpluses that historically had a negative effect on price levels for steel during times of reduced demand," Van Wyk said

Iscor, which accounted for just 1,1% of global trade in steel, was still able to sustain exports in times of lower international demand, Van Wyk said

"We therefore see opportunities for increasing exports of raw materials and primary steel products Taken together with local sales, increased exports will enable Iscor to maximise capacity utilisation," he concluded

A Highveld Steel & Vanadium spokesman said with a substantial price increase planned for January 1, there would be a surge in domestic sales in the fourth quarter of this year, with a decline in the first quarter of 1991

Middelburg Steel & Alloys predicted the world demand for ferrochrome, which is linked to the demand for stainless steel, would show an increase of between 3% and 5% in the next year, but a spokesman said this prediction was subject to developments in the Middle East

MS&A undaunted by sanctions

BDay 6/11/90

(189)

MIDDELBURG Steel and Alloys (MS&A) has achieved a 63% increase in exports for 1989 over the previous year

The annual percentage increase for 1988 over 1987 was 28%

This was achieved in spite of trade sanctions, dramatic fluctuations in the nickel price and the slump in the world ferrochromium and stainless steel markets during the latter part of 1989

Exports make up almost three quarters of the company's total sales

MS&A group MD John Gomersall says "The ferrochromium operation of the group, MS&A Chromium, has an annual capacity of 340 000 tons and is the world's second largest producer

"Its sister company, MS&A Stainless, produces 100 000 tons of stainless steel and 3CR12 annually and is Africa's only stainless steel producer"

The export marketing strategy for the MS&A Stainless has been to build sound working relationships with customers, to supply quality products at market-related prices and to ensure the company is a preferred supplier

This approach has been carried out without compromising MS&A Stainless' focus on its local customers

To encourge the export of value added products and to stimulate demand, MS&A Stainless introduced a 10% export rebate for fabricators

New products are continually being developed to meet specific industry needs

MS&A Stainless has a dedicated team of export managers working in close co-operation with a worldwide network of agents

Technical assistance to overseas customers is offered by the technical customer liaison department

"The ferrochromium market is a commodity market and highly competitive

"Price competitiveness, which translates directly into cost of production, is the key to maintaining market leadership," he says

"The downturn brought an enhanced focus on quality MS&A Chromium is the only ferrochromium producer in the world to have been accredited with ISO 9002 (SABS 0157) certification and this has been pivotal to our maintaining market share"

...ies, so we can beneficiate our product to the maximum benefit"

While KWV lost most of its traditional markets during the past decade due to sanctions, it was able to ... KWV's success has not only been in exporting bulk white wine. All its products are in demand abroad.

In the year to end 1989, exports increased by 94,1%, while in the year to end

Hiveld cashes in on weakness of the rand

B Day 6/11/90 (189)

AS A result of strong markets and a weak rand, Highveld Steel and Vanadium Corporation (Hiveld) improved exports by almost 48% last year.

Hiveld, based in Witbank, is a subsidiary of the Anglo American Industrial Corporation and exports vanadium materials, steel products, ferrosilicon, ferromanganese and silicon-manganese.

Hiveld's three main markets are Japan, the US and western Europe, as there are large steel producers with sophisticated production methods in these areas

The company produces more than one million tons of steel a year, and it exports a larger percentage of its production than most other producers

Hiveld MD Trevor Jones says a highlight of the past year has been the spread of contributions between all exported products.

"We perceive next year as being more of a challenge than the past few years It will be difficult to get near last year's performance in the light of the weak markets and stronger rand."

He says there has been no noticeable difference in trading abroad under the new political dispensation in SA.

"There have been signs of easing of sentiment towards SA, but nothing concrete.

"We hope with the lifting of sanctions to be going back to markets denied us," he says.

SAMANCORP.

Leading the world in alloy production

BDM 6/11/90 (189)

SAMANCOR, a subsidiary of JSE-listed Gencor's mining arm Genmin, is the world's largest producer of integrated alloys.

In the past year, its exports have increased by 119% — 88% of its production is exported.

MD Hans Smith says the company is ranked as the world's number one alloy producer, the world's number one ferrochrome producer (with an estimated 20% of the world market), and the world's number two producer of ferromanganese (with an estimated 17% of the world market).

"But with the bottom falling out of the ferrochrome market there will be a major reduction in earnings contributions from this," Smith says.

But, by turning the slump in the market to its advantage and using the time to revamp and refurbish plants, Samancor expects to sell the same tonnages this year as last.

"Something to look forward to in the new SA is obtaining cheaper foreign project financing," Smith says

30 years

Ferro-alloy incentives, rebates come under fire

BDay 4/12/90 PETER GALLI (189)

GOVERNMENT'S export incentive structures and tax rebates for ferro-alloy producers should be made more competitive with the structures that exist in competing countries, the new chairman of the Ferro-Alloys Producers' Association (FAPA) Hans Smith said recently.

Smith, who is also chairman of Samancor, said the poor system presently in existence would soon result in SA's ferro-alloy producers becoming non-competitive in the international market. His ultimate goal as FAPA chairman was to see that these structures became more competitive.

"Assuming that construction costs were the same, the tax incentives offered in Taiwan, for example, would make the construction of their plant far cheaper than in SA, and this matter needs to be addressed," Smith said

Major player

Export incentives were being phased out but FAPA, which had the support of all 11 of the SA ferro-alloy producers, intended to appeal to government as a unified force to address these matters, he said.

SA was the world's lowest-cost and most efficient producer of ferro-alloys, which gave it a tremendous power base, but it could not allow this strength to be negated in world markets because the SA rebate and incentive structures were out of line with its competitors.

As a major player SA should be producing more alloys and exporting less ore, Smith said.

The industry needed to concentrate on the development of value-added products, which would be better for both SA and the individual companies as much more revenue would be generated by added-value products than from the export of plain ore.

The industry had always "done its homework smartly" and would develop a strategy that made sense yet did not disrupt the sensitive situation of supply and demand in world markets, Smith concluded.

CMI will have to wait for recovery

Stew 11/12/90

(189)

Diagonal Street

LYNNE PEACH

Ferrochrome producer CMI has been hit by poor conditions in world markets and although recovery is being talked about, it will take some time for the excess supply to dwindle and prices to accelerate

In the latest annual report, chairman B E Davison explains that the demand for ferrochrome is closely related to the demand for stainless steel and consequently the rapid decline in stainless steel production which took place in the second half of 1989 produced an equally dramatic decline in the demand for ferrochrome.

He expects the oversupply of ferrochrome to continue, possibly until 1992.

CMI is a producer of all types of metallurgical and chemical products and is one of the world's most cost-effective producers of ferrochrome

The company is predominantly export-orientated with some 95 percent of turnover being derived from exports to North America, the Far East, the UK and continental Europe

In the year to June, group turnover declined 34 percent from R324,3 million to R215,4 million while operating profit plummeted 60 percent from R171,2 million to R69,0 million.

Mr Davison attributes the sharp fall in operating profit to lower production volume which caused the unit cost of sales to increase by some 30 percent

Interest and dividend income nearly doubled from R8,9 million to R17,2 million, reducing the decrease in pre-tax profit to 52 percent from R180,0 million to R86,1 million

The effective tax rate was significantly reduced from 44,1 percent to 17,6 percent due to reduced profits and to capital expenditure allowances mainly on a new furnace.

Consequently the fall in attributable income was limited to 29 percent from R100,6 million to R71,0 million.

Earnings per share amounted to 167c, compared with 237c in financial 1989.

The dividend for the year was maintained at 115c a share

The balance sheet appears strong with negligible borrowings and a cash balance of R94,5 million

CMI, priced at 850c, is trading on a price earnings ratio of 5,1 and provides a dividend yield of 13,5 percent

Significant capital growth is unlikely until world markets recover but in the meantime shareholders can console themselves with an attractive income yield

COMMENT CMI's share price entered a downward trend early in 1989 after peaking at R20,25 The price then declined sharply to its current level of 850c

METAL

PRODUCTS

1990

Workers locked out of factory

Cape Times 13/11/90 Labour Reporter 189

ALMOST 70% of the work force at a Blackheath steel-wire factory were locked out by the company yesterday in a bid to force workers into dropping their demand for plant-level bargaining

Confirming the lockout yesterday, Allen's Meshco managing director Mr Rick Allen said the action was aimed at pre-empting a threatened strike by members of the Electrical and Allied Workers' Trade Union of SA (Eawtusa)

F M 14/9/90 (189)

SET FIRM

Year to Jun 30	1989	1990
Turnover (Rm)	177	215
Operating profit (Rm)	26	34
Attributable (Rm)	16 4	20,4
Earnings (c)	133,8	165,5
Dividends (c)	38	46

FRASER ALEXANDER FM 14/9/90

INTO THE MUCK (189)

Materials handling group Fraser Alexander (Fralex) is heading for a slowdown in its EPS growth, as the recession takes its toll on markets Chairman Peter Flack expects this year to be the most difficult in the group's recent history

Fralex has maintained steady growth over the past five years, with a 24% earnings increase in the year to end-June Analyst Arthur Thompson of E W Balderson is predicting an 18% EPS advance this year Flack is opting for a more conservative view He reckons that most companies, including Fralex, will be performing very well to produce growth in line with inflation

Even so, Flack's expectations seem a bit optimistic considering the current state of the mining industry, where the group earns most of its income He notes, however, that the mining industry's waste handling requirements, where Fralex is active, are not unduly affected by the cost squeeze

The group owes most of its early growth to the mining industry, but over the past five years has been seeking to diversify Only 60% of sales are now to the mining sector and the proportion continues to fall However, all the major mining houses are customers and Fralex has been responsible for the design, building and maintenance of slimes dams at more than 150 installations

Flack says there is scope for organic growth in northern Transvaal A recent Foskor waste handling contract has established the group in the region and created a base from which to expand operations Another such area is coal beneficiation, a plant has been built in the eastern Transvaal, where the group is processing coal on behalf of Lonrho Environmental concerns are also expected to provide opportunities

The balance sheet has been strengthened, with gearing reducing from 49% to 40% At 775c, the share stands on a 9,4 times earnings multiple and looks fully priced

Gerhard Slabber

METAL PRODUCTS EXPORTS

1990

From in-house to top in the country

B 1041 6/11/90 (189)

G VINCENT Metal Sections has gone from being an in-house supply company to SA's largest cold form section exporter.

Some 15 years ago, it started focusing on the export market and today about 30% of its total production is exported

In 1988, the company's exports increased by 139,7% and in 1989 by 58,4%.

Exports in volume terms have already improved on last year's figures, says joint deputy MD Colin Shaw

But this has not been done without some hard work.

"We found the export market difficult to sustain for a number of reasons, including politics, price, locality and competition," chairman John van Rensburg says.

"Although all SA companies face the same problem, steel is particularly sensitive

"This means our product has to be marginally cheaper, the quality of the highest and our service the best," he says.

Joint deputy MD Adrian Shackleton says the new political dispensation in SA, heralded by President F W de Klerk in his watershed February 2 speech, has had some impact abroad in that "buyers are much more receptive and willing to see us"

"Special achievements over the past year include the increased markets and that we participate in about 50% of SA quota to the European Economic Community, making us the biggest cold form exporter in SA

"Our output ratio on the export to local front is 30/70 and is ever growing The expected ratio in 1990 is probably going to be 40/60," Van Rensburg says

The depressed steel market worldwide is another reason the company intends to explore new markets, Shackleton says.

Negotiations are well down the line for the establishment of a production facility in the UK

STANDARD ENGINEERING (189)

PROFITABLE TAKE-OUT

Malbak's engineering arm, Standard Engineering, took out minorities in Astas, Hall Longmore and Union Carriage effective at the end of March 1990 in a R55m deal which can be seen as the completion of restructuring which started two years ago Settlement was in R14,6m cash and the issue of 7,3m ordinary shares, which reduced Malbak's holding to 72,8% from 92,5%

The group boosted operating income by 70% to R80m from a 69% turnover rise to R690m in the year to end-August Full control of Astas, Hall Longmore and Union Carriage should give earnings another boost this year FM 19/10/90

Chairman Hugh Brown feels that while prospects for local markets are not encouraging as lower volumes are expected, the shift towards exports should, to a large degree, shelter Standard A minor hitch is government's allocation of category 3 export benefits to Hall Longmore, a manufacturer of large bore steel pipes Brown reckons Hall Longmore deserves the category 4 treatment for adding value to Iscor's coiled steel (Iscor

FOX FM 19/10/90

(189)

EXPORT GROWTH

Year to August 31	1989	1990
Turnover (Rm)	409	691
Operating income (Rm)	43	80
Attributable (Rm)	20,5	25 6
Earnings (c)	92 1	95,2
Dividend (c)	29	32

receives category 3 incentives for exporting coiled steel)

The export drive had exceptional results for Union Carriage In August 1988, the electric and diesel locomotive manufacturer was running at 15% capacity, with turnover of R16m An order for passenger trains from Taiwan changed its fortunes and turnover rose to R41m in the latest period An order book of R200m extends to end-1992.

Brown expects earnings to improve this year and, with 30,1% gearing, the balance sheet provides a sound basis for exploiting opportunities which may arise The share price of 582c is 6,5 times earnings and does not look overpriced *Gerhard Slabber*

IRON STEEL

+ ENGINEERING

GENERAL

1990

Malbak looks overstretched

Star 8/11/90

189

Bottom Line

MICHAEL MENOF

Malbak, the company controlling Gencor's industrial interests, is growing fast.

Management, with Gencor's might behind it, is certainly on an acquisition trail, but it seems big is not necessarily beautiful. Perhaps they should rather aim to be the best.

In the annual report, management's strategy is unclear. In the year to August 1989 further consolidation and rationalisation took place as Malbak structured itself into seven divisions — packaging and paper, engineering and mining supplies, branded consumer products, food, construction supplies, development and international. I think it's an unwieldy conglomerate.

The first three divisions produced 55 percent of sales and almost 70 percent of earnings, whereas the last two were disappointing, with sales of around R2 billion, but only R26 million in earnings. A single-minded management has some real headaches.

Abercom disposed of its SA interests — Abertech Industries — to Standard Engineering to enable it to buy UK paper interests, paying a massive goodwill (R60 million), and is now saddled with mammoth debt (R133 million) and mounting losses.

Increasing the interest from 29,1 percent to 40,7 percent in Quality Tyres has ended in embarrassment, with Malbak having to bail it out of liquidation with concurrent creditors being offered only 31c in the rand.

The attempt to sell Protea Chemicals to Sentrachem also failed. Subsequent to year-end Malbak bought Pat Hinde Motors, making its motor division the second-largest Toyota dealer group in SA.

The health care industry is seen as an exciting growth area. Schwarzkopf hair care products, MPS Labs and 80 percent of Wyeth Ayerst — infant nutritional products and ethical drugs — were acquired.

All this has been costly and debt had risen 60 percent to R916 million (1988: R573 million) by end-August.

To minimise the increase, management has deducted cash resources of R161 million (1988: R106 million) from debt, but can't escape the fact that interest expense has more than doubled to R171 million (1988: R83 million).

While earnings increased 36 percent in 1989 — 21 percent organic and 15 percent by acquisition — one should not lose sight of the new role played by Kanhym where Malbak increased its 37 percent interest in 1988 to 84 percent, so making it a subsidiary. It produced 11,2 percent of total earnings

A lower tax rate of 30,1 percent helped increase earnings by R20 million for comparison purposes.

Chairman Grant Thomas produced his usual bullish statement that everything was fine — clearly Gencor's caretakers for its industrial interests could face problems in this decade unless they first get their arms around the various businesses before branching out.

Already management is thin, having sent Kohler's Ian Willis to England to try to sort out Abercom's mess.

Sales increased to R7,33 billion (1988: R5,23 billion), yielding pre-tax profits of R512 million (1988: R417 million). These profits declined to 6,98 percent of sales (1988: 7,97 percent).

After deducting tax and outside shareholders' interest, attributable earnings were R251 million (1988. R184 million)

Extraordinary items below the line of R75 million (1988: R66 million — mainly goodwill written off — left a bottom line of R176 million (1988. R118 million).

Earning per share were 136,1c (1988. 107c). With a very conservative 4,5 times dividend cover, dividends were raised marginally to 30,5c (1988. 25c).

The group has modified its accounting policy for deferred tax, which lifted earnings by 5,7c (1988. restated 2,7c).

The packaging and paper division, now listed under Holdains, increased sales to R1,6 billion, with earnings of R53 million

Engineering and mining supplies had sales of R1,2 billion and R58 million in earnings

Branded consumer products — Tedelex, Ellerines, Malbak Motors and Malcomess Tractors — lifted sales to R1,32 billion, with R64 million in earnings

D&H's construction supplies, assisted by Blue Circle, contributed R36 million in earnings.

The development section — Protea Pharmaceutical, Electronics, Protea Chemicals and the Berden group — had sales exceeding R1 billion, but virtually no contributuon, reporting income of only R3 million.

The international division had high sales and poor earnings. Clearly Abercom's losses were the culprit, leaving Protea's export steel and Eagle Freight as the main contributors.

Ordinary shareholders' funds increased to R1,13 billion (1988. R956 million) at end-August 1989.

Working capital declined to R627 million (1988. R678 million).

Although R200 million in tax losses are available, the future effective tax rate will increase as Tedelex, Kanhym and D&H absorb their remaining tax losses.

The historic cost net asset value per share has increased to R6,11 (1988: R5,35)

The current JSE price is showing weakness at R7,65, probably compounded by the low dividend yield, bad publicity relating to Quality Tyres and chairman Grant Thomas's "significantly more daunting" outlook for 1990.

Earnings for the forthcoming year will be of a similar order — whatever this means.

While some divisions are predicting increases, others are silent. Does this mean no increase is expected or that the increase will only equal the inflation rate?

Clearly management is finding it tough going, even with Gencor behind it.

Wouldn't it be better to concentrate on the three or four best divisions and leave the others to someone else because management could end up masters of none.

95% take up Elcentre offer

189 Finance Staff

Over 95 percent of Elcentre and Elgro shareholders took up the offer of bonus shares in lieu of the cash dividend offered by each company

For every 100 shares held in either company a shareholder had the option to take five new shares or the cash dividend Five new Elcentre shares (at the current market price) gives a total of R28 against the cash dividend equivalent of R19 Star 7/11/90

In Elgro's case the five shares are currently valued at R13,75 compared with the cash dividend payment of R9,50c ,

Prospects for Middelburg are not encouraging, cautions Clewlow

189

BRENT MELVILLE

BARLOW Rand CE Warren Clewlow warned shareholders yesterday to expect a reduced contribution from subsidiary Middelburg Steel & Alloys for the remainder of the financial year.

Speaking at Barlow's AGM, he said that though the mining and electronics and the electrical engineering divisions were expected to show a good advance in profits, along with most of the industrial and food divisions, Middelburg's prospects were "not encouraging".

He added that though first-quarter earnings for the three-month period to end-December 1989 were similar to the corresponding first quarter last year, any gains made in other divisions would be offset by Middelburg's poor performance.

06/11/3 2 Loc/4

The contribution to bottom-line earnings from the electronics and electrical engineering division last year jumped by 56% to R50m (R32m), with mining adding R172,6m (R124,6m), an improvement of 39%.

The star of the Barlow stable last year was the ferro-alloy and stainless steel division (Middelburg), which contributed a hefty 21,6%, or R215,7m, to Barlow's bottom-line earnings of R1bn — an 87,7% hike on its R114,9m contribution in 1988

Aside from Middelburg's dramatic growth, Barlow has benefited from major capital spending with the group allotting R1,8bn last year, compared to R1,1bn in 1988. The Rand Mines division expanded its gold, platinum and base metals operations and the group spent an additional R21m on exploration, an increase of 39% against 1988.

Deflating world stainless steel prices and a better exchange rate are the root of Clewlow's pessimistic scenario. Middelburg MD John Gomersall confirmed yesterday that the depressed prices would dramatically affect profits. Middelburg is the sole producer of stainless steel in SA

He said that consumption of stainless steel had fallen in local and export markets, resulting in a significant decline in price to $2 000 a ton "The market was overheated in 1988-1989 with stainless steel priced at over $3 000 a ton

"What we are seeing is a cooling off as a result of inventory adjustments," said Gomersall He added that the stronger rand would play a detrimental role as well.

Earnings in the alloys operations were expected to be substantially lower this year as well, as the demand for ferrochrome also fell, he said

Gomersall said that the price of stainless steel was linked to what happened to the price of nickel, "which has dropped from $7-$8 a pound during 1988, to under $3 at present."

Gomersall said that the price could drop to as low as $1 000 a ton if the nickel price went below $2 again.

Buyout of Toco concluded

189 BRENT MELVILLE BDay 24/1/90

THE management buyout of Toco Holdings has been successfully concluded, it was announced yesterday

Toco MD Adrian Goodman, buyout co-leader along with chairman Paul Todd, said the buyout represented the disposal by Columbia Consultants of its entire remaining 10% shareholding in Toco, or 6,5-million shares

The buyout involved a 20-member consortium of Toco's operating executives who purchased 32,9-million shares, or 53%, from Columbia last May, upping their stake from 9% to 62%

FM 26/1/90 (189)

METKOR FM 26/1/90

Dorbyl-driven (189)

Activities: *Has interests in the steel, engineering and allied industries*
Control: *Rembrandt Industrial Mining Holding has 49,9%*
Chairman: *F P Kotzee*
Capital structure: *108,5m ords of 50c each Market capitalisation R336m*
Share market: *Price 310c Yields 5,1% on dividend, 16,5% on earnings, PE ratio, 6, cover, 3,3 12-month high, 425c, low, 240c Trading volume last quarter, 613 000 shares*

Year to Sep 30	'86	'87	'88	'89
ST debt (Rm)	181,5	150,4	205,5	173,9
LT debt (Rm)	87,9	78,4	73,3	75,3
Debt equity ratio	0,31	0,30	0,34	0,27
Shareholders interest	0,57	0,55	0,52	0,53
Int & leasing cover	2,6	3,8	3,7	4,0
Return on cap (%)	7,1	7,7	9,7	13,1
Turnover (Rm)	1 737	1 973	2 417	2 895
Pre-int profit (Rm)	88	107	144,6	214,9
Pre-int margin (Rm)	5,1	5,3	5,7	7,3
Earnings (c)	14,1	26,5	33,7	51,3
Dividends (c)	6,5	10	12,4	15,75
Net worth (c)	274	304	327	396

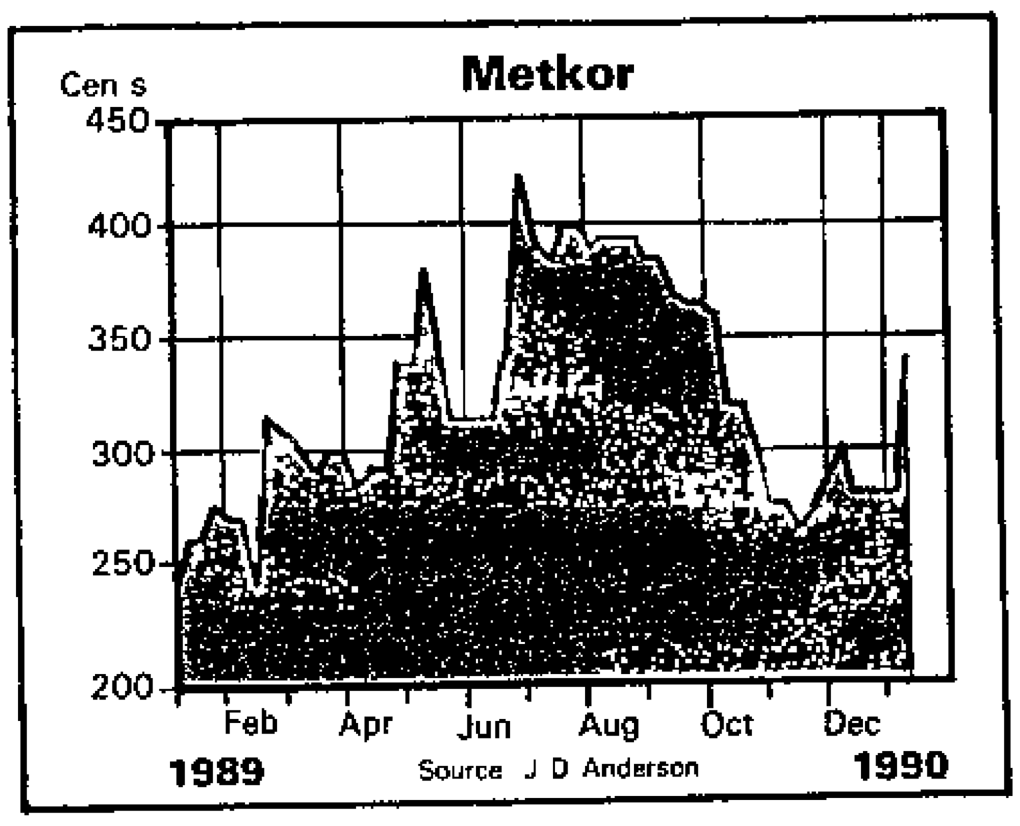
Chairman Flores Kotzee's expectation of pressure on Metkor's profits last year proved incorrect Now he seems more confident on prospects for the current year even though the group is starting from a higher-than-expected profit base

The improved outlook is based on the vibrancy of Dorbyl and the turnaround from loss to profit last year in wholly owned Metkor Industries Kotzee says in his annual review that prospects remain positive He warns of difficulties due to an expected downturn in the overall economy and, in particular, in the motor industry But he believes these negative influences will be offset by the momentum generated by past actions to improve profitability and generate new business Usko's entry into the world vanadium market should eventually improve its prospects, he hopes

Last year, Metkor's turnover rose 20% and EPS 52% on improved gearing and other risk ratios at year-end By comparison, Dorbyl's turnover and EPS rose 20% and 40% The difference is largely due to Metkor Industries Little is disclosed about this division, but Kotzee says its results should continue to improve, especially after the sale of the Lasher Tools and Racec divisions. Since Metkor Industries is affected by consumer spending, the improvement is unlikely to be as marked as last year

Kotzee says 50%-held Apsap Gas and 27,1%-held Usko, both equity-accounted, did not influence the improved performance, mainly because of increases in their finance charges Apsap's business is steady; Usko is expected to do much better this year. The vanadium price has fallen, but it is pointed out that Usko's project was planned at lower prices anyway Assuming the project only breaks even this year, it will stem the drain on Usko's resources

Metkor's effective 34,6% of Dorbyl is worth about R243m now, the 27,1% of Usko's ords is worth R21,7m and the 30% of its prefs about R14,6m Dorbyl must have contributed about 70% of income last year and Usko about 12%, so the unlisted interests would have earned about R10m On a p e of 4,0, they would be worth R40m, though book value is much higher Total worth of Metkor



would thus be R319m, or about 294c a share, slightly below the current price

The share has not performed as well as Dorbyl in the past year and its yield, at 5,1%, is higher than Dorbyl's 4,5% Metkor has risen recently, probably on release of the Dorbyl annual report as the group remains Dorbyl-driven — Usko will weigh in next year at the earliest, and Metkor Industries' improvement is unlikely to be marked

Teigue Payne

Mintek non-state revenue up to R10m

RIAAN SMIT

THE statutory Council for Mineral Technology (Mintek) was enjoying more sponsorship from non-state sources than ever before, the body's president Aiden Edwards said in its 1989 annual report. BDay 29/1/90

Income from sources other than the state rose from R1,3m in 1984, or 7% from total income, to more than R10m in 1989 (20%), Edwards said

The passing of the Mineral Technology Act by Parliament in March 1989 enabled Mintek to expand its sphere of operations and to address the challenge of increasing revenue earned from non-state sources

"The opportunities presented by these developments have required changes to Mintek's organisational structure that will enable it to adopt a more business-like approach"

The council now has four divisions Finance and Business Development, Research Development and Technology Transfer, Special Projects, and Human Resources and Corporate Services

Mintek's efforts on 16 major research projects from 1970 to 1985 at a cost of R21,4m resulted in quantifiable benefits to industry exceeding R500m annually

The council has developed a process to extract platinum from UG-2 Reef which effectively doubled the world's proven platinum reserves

Another past success is the carbon-in-pulp (CIP) process for the extraction of gold from ore and from sand and slime retreatment

An estimate of the gold that can be recovered by the CIP circuits already installed is 0,03 g/t, equivalent to 1 800kg and worth about R56m a year

189

is held annually by the City and Suburban Rugby Union.

City firm fires 114 'illegal' strikers

By BRONWYN DAVIDS
Tygerberg Bureau

Argus 8/2/90

MORE THAN 114 National Union of Metalworkers of South Africa (Numsa) members have been dismissed by the Multi Mech company in Epping after being on an "illegal" strike since Monday

The workers demanded that a 50 percent across-the-board pay increase be put into effect immediately and that management pay their "sick pay", which must in turn be claimed from the motor industry

A spokesman for the workers, Mr Tennysen Zangashe, said "We have demanded a 50 percent across-the-board increase because the wages they are paying here are below the breadline

Mr Zangashe said the last wage negotiation was in August last year when a wage of R120 a 45-hour week was negotiated for general workers and R186 for operators

Multi Mech general manager Mr G J van Niekerk said employees were being paid according to the negotiated rates

"Discussions were held with representatives of the workers, but they insisted that the demands must be met first before they would go back to work

"Numsa representatives were asked to take the necessary steps to ensure that their members ceased their illegal industrial action and return to work by 2pm on Tuesday If not, their services would, unfortunately, have to be terminated

"After communication with Numsa, the time limit was extended to 3pm to assist them in solving their problems We, however, had not further feedback from them"

BP 13/2/90 (189)

Good results make Klipton 'a sound bet'

BRENT MELVILLE

AFTER posting a significant improvement in performance for the year to June, the excellent results of industrial holding group Klipton for the six months to December should come as no surprise to its shareholders

Analysts feel the share merits attention. On its current financial form, Klipton should prove a safe bet: operating profit soared by 62,7% to R4,2m (R2,6m) on a 40,8% rise in turnover to R40m (R28,2m)

Shrugging off higher interest charges and a hefty 74,5% jump in contributions to the tax man to R1,7m (R982 000), bottom-line earnings increased by 54% to R2m (R1,3m), translating into profits of 26,5c (20,4c) a share This is based on an estimated 7,5-million shares in issue following the final payment for the recent Austen Safe purchase

Joint chairman Robin Matthews says the recent R6m acquisition has bedded down well

In addition, the group is still actively investigating acquisitions to complement existing businesses, and is contemplating the addition of a new major division, he says

On the balance sheet, gearing was at 40% (58%) — slightly up from the June year end as a result of the Austen Safe acquisition — with the current ratio down to 2,0 1 (2,7 1).

Hovering at just over R2, Klipton still appears underrated Analysts feel the low rating is due to the general tendency of the market to neglect sound second-line stocks

KNJ Group interims reflect ups and downs

JACQUES MAGLIOLO (189)

KNJ Group's interim results to end-December reflect mixed fortunes

Costs were cut and the group's businesses restructured, which resulted in "major savings," says finance manager John Knight. But lower demand from the mines caused turnover and attributable earnings to fall to R161m (interim 1988 R177m) and R8,7m (R12,5m) respectively

In addition, the operating profit was reduced by R1,3m to account for changes in accounting practices and policies introduced at end-1988

"Although firm and positive action was taken with Subroc companies, the interim proved difficult because these problems persisted"

Problems applied to contracting businesses engaged mainly in drilling operations are being addressed

BDay 20/2/90

Merge

Interim results show net current assets rose to R95,9m (R80,4m), but are too abridged for proper analysis.

Other events included the sale of the group's interest in the business of Natronic and its 75% shareholding in Bisque for "small excesses against book value" The Trackless Vehicle Manufacturing business of the Subroc operations was incorporated in Camec.

In the second half of KNJ's financial year, the group will merge its Midmacor Holding with quoted PDS Holdings "The net effect of the reverse listing will give KNJ an 88% interest in the new listed company, which will be renamed Midmacor Industries," says Knight.

The shares are to be listed on March 5. No effect on EPS or net asset value is expected

MCG not for sale, says Wassall CE

JACQUES MAGLIOLO

SINCE Wassall's takeover of Metal Closures Group SA (MCG) in January, the group had been approached by some big companies which wanted to buy MCG, Wassall CE Christopher Miller said yesterday.

But despite poor results achieved in MCG's year to end-December, when operating income fell 16,9% to R16m and EPS by 21,% to 7 537c, the new directors were determined to continue trading, he said

"The company is definitely not for sale." (189)

In addition to Miller, two other Wassall directors, Philip Turner and David Roper, had inspected Wassel's new acquisition. Miller said the directors found MCG was a well run, well nourished company.

"We want it to run as it is running, to stay independent," Miller added.

He conceded some changes would be made to MCG, but said plans had not been released yet.

Wassall directors said that when MCG Plc was bought it soon recognised that any scope for improvement in the overall performance of MCG international operations had centered in the UK and not in SA. But, Miller stressed that the local company's technology was "state of the art and certainly not inferior to that of the UK".

The MCG Plc acquisition marks Wassall's entry into the packaging field. B/Day 20/2/90 large ... ons were seized, a senior military official said yesterday

CAPE TIMES 14/2/90 (159)

Numsa wage demand

THE National Union of Metalworkers of SA (Numsa) will demand a R2 an hour minimum increase in all sectors at this year's national wage negotiations This decision was adopted at the 22 000-strong union's first national bargaining conference held in Johannesburg at the weekend.

189

Chubb should look safer once storm is weathered

ANALYSIS
STEPHEN RICHTER

WITH demand for security products increasing, it would seem Chubb Holdings should be a favourite share among investors But the opposite is happening, and the group's share price has recently fallen to a 12-month low

Chubb is a widely recognised and highly respected name within the domestic security market

The group is divided into three major divisions — physical security, electronics security and fire security The physical security division is involved in safes, strongroom doors, locks and related fire-resistant equipment Chubb's electronics security operation manufactures, installs and services such products as electronic alarms, intrusion detection equipment and vehicle protection systems

Portable and fixed fire-fighting appliances as well as chemicals and powders used to extinguish fire are manufactured and distributed by the fire security division

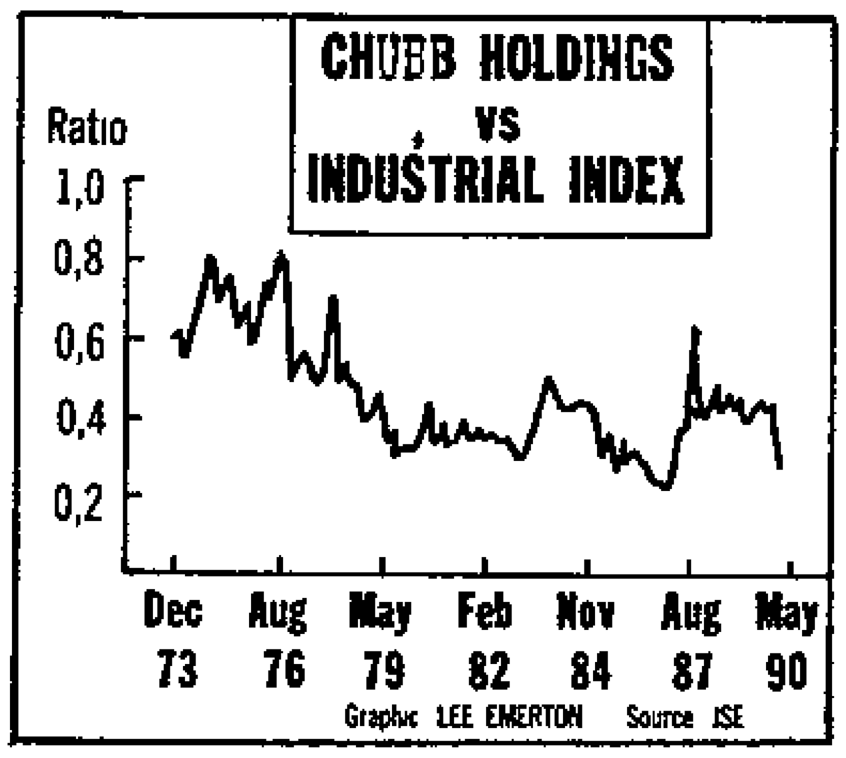
Chubb's solid reputation as an industry leader allows the group to be active in virtually all sectors of the marketplace This reputation has translated into an impressive earnings growth record for the group during the past five years

Turnover nearly doubled to R122m for the year ended March 1989 from R64m in financial 1985 During this period, earnings per share grew at a faster rate and rose to 145,5c for financial 1989, from 29,7c in 1985

To help explain the group's fine bottom-line performance over the past five years, chairman Dirk Ackerman told shareholders in the 1989 annual report that Chubb was a leader in its field He further stated that the group's association with its sister companies around the world enabled Chubb to keep abreast of the latest trends in the security industry, as well as benefit from the research conducted in many Chubb centres

In discussing the group's prospects, Ackerman recognised that government's action to dampen credit demand would have an adverse impact on profit margins during financial 1990 But despite these problems, he was confident Chubb would improve its financial performance

Judging by the latest interim statement covering the period ended October 13 1989, Chubb will have to struggle to avoid an earnings decline for the current financial year Interim turnover rose by 17,8% to R76,1m (R64,6m), but the lower margins caused trading profit to advance by only 10,1% to R6,8m (R6,2m)



Considering the tough economic environment in this period, it seems investors would have been satsified if earnings could have shown a similar percentage gain to the increase in trading profit

Unfortunately, that was not to be, as finance charges rose by 239% to R1,4m (R409 000), causing earnings to drop by 6% to 49,5c (53,0c)

With interest rates set to remain at current levels for the remainder of Chubb's financial year, it appears that the interest bill for financial 1990 will be substantially above the R1,3m of the previous year It is therefore understandable that investors are worried about Chubb's bottom-line results for financial 1990

Chubb derives approximately 40% of its turnover from the building industry, which is being severely affected by high interest rates

Both the electronics security and physical security divisions have been hurt by this situation

But management is confident that their continuing efforts in developing a more stringent asset management policy will enable the group to reduce interest bearing debt significantly during financial 1991 and thereby reduce finance charges

In addition, the group is identifying non-performing assets which will eventually be disposed of Consequently, when economic conditions improve, investors should again begin to focus on the strengths of the group This could cause the share price to recover quickly, as Chubb's rating against the industrial index has fallen to one of its lowest levels since it was listed on the JSE in 1973 (see accompanying graph)

COMPANIES

B/Day 28/2/90 (189)

Longmile operating profits climb

CHARLOTTE MATHEWS

LONGMILE has lengthened its margins and turned a 20% growth in turnover into a 25% improvement in operating profit for the six months to December, results released yesterday disclosed

Turnover rose by R37m to R220m from R183m in December 1988 and operating profit to R23m from R18,7m After a higher interest bill and a slightly reduced tax rate, attributable profits came out 24% better than in 1988 at R10,7m (R8,6m)

Earnings a share climbed by a similar percentage to 21,4c (17,2c) on which a conservative interim dividend of 3c a share was announced, unchanged from the previous year

Chairman Hendrik Potgieter said he had warned shareholders in his annual statement the current year would see a slowdown in the group's recent growth

"While growth has slowed down moderately, it is still at an impressive level in the light of the brakes on the economy," he said

"We expect to exceed our first half results during the remaining six-month trading period and should exceed the annual earnings per share of the previous year."

Longmile has four major divisions It held 50% of Tredcor, a tread rubber manufacturing and retreading business, until early this year when the merger of Tredcor with Tycon (formerly Goodyear) was announced Longmile now holds 18% of the merged firm.

Benefits

At the time of the announcement of the merger the directors of the companies involved said the effect on earnings and net asset value on their respective companies would be established only with the release of results to December

Potgieter said yesterday the merger was unlikely to have a meaningful short-term effect on the group's earnings or asset value but should produce longer-term benefits

Longmile's other manufacturing interests are silencers through Silencer Services, industrial fasteners trading as Utility Fasteners and women's clothing with a range of labels

Interest charges in the period under review rose to R6,8m from R4,2m The directors said this was caused by higher interest rates and the traditional first half build up of working capital for the Christmas period

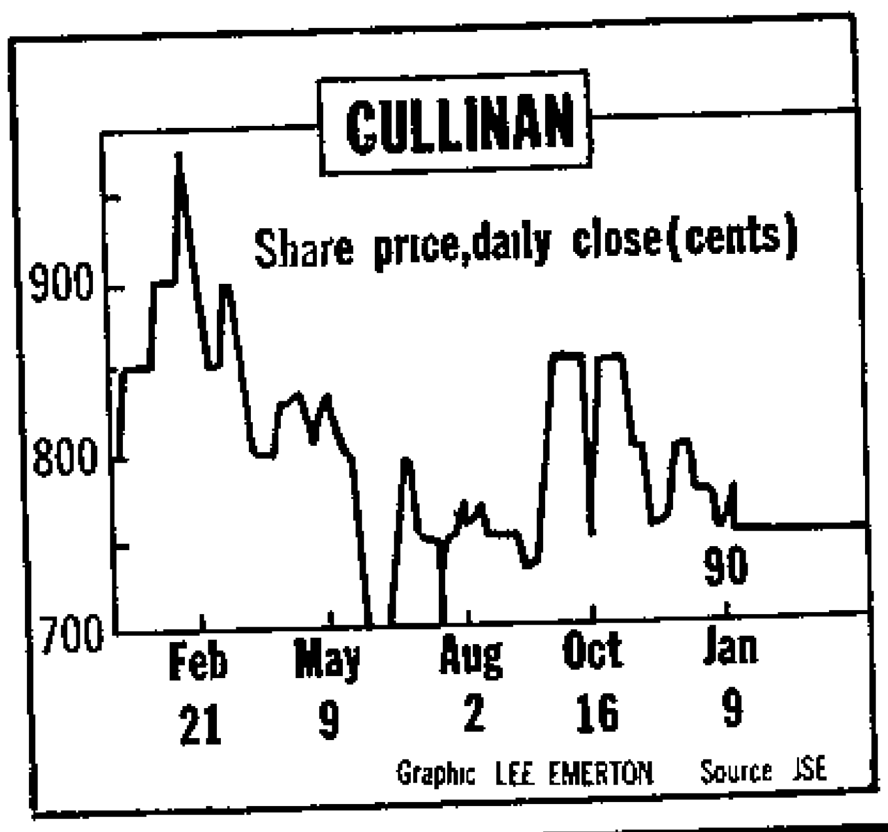
Cullinan records a slight drop in earnings

B/Day 1/3/90

(189)

NEIL YORKE SMITH

CULLINAN Holdings recorded a slight drop in earnings for the six months to December 31 and was unlikely to show growth for the full year, financial director Roddy Stewart said yesterday



Graphic LEE EMERTON Source JSE

Cullinan is a diversified industrial holding group with electrical, ceramic and property interests

Reduced margins and severe labour problems were largely responsible for the poor performance, Stewart said "The engineering division did not perform as expected and a significant reduction in demand for ceramic products occurred"

Earnings per share were 79,5c (81c) and the dividend was maintained at 17c

Despite a 44% boost in turnover, which reached R336,4m (R233,5m), operating profits increased only 7% to R23,6m (R22,1m) Interest paid more than doubled to R8,2m (R3,3m) resulting in pre-tax profits of R15,34m (R18,76m) This figure was 18% lower than for the previous year

Attributable earnings declined 1% to R11,1m (R11,2m) That the decline was only 1% can be attributed to Cullinan introducing partial provision for deferred tax

This, directly related to Cullinan's substantial capital expenditure programme, resulted in the tax charge falling to R34 000 (R4,68m) Cullinan's balance sheet was significantly changed at the interim date Capital employed increased more than 30% to R308,9m (R236,1m) and total interest bearing debt soared 93,9% to R111,7m (R57,6m)

COMPANIES

Niche market provides Fraser Alexander with high growth

BDay 1/3/90

(189)

BRENT MELVILLE

OPERATING in very much a niche market has enabled materials handling group Fraser Alexander to have an annual compounded growth rate of 46,9% in earnings a share over the past four years — sustained in its recently announced interim results.

Although the group is already operating on a high base, chairman Peter Flack is predicting further growth by the year end. After doubling earnings last year, the group has pushed up earnings a share by 25% in the six months to December.

However, with well over half of sales dependent on the mining industry, Fraser Alexander may well be swimming upstream with the recent drastic cost cutting in gold mining and the slowdown in civil engineering.

Flack says the group has hedged against the downturn by mechanising some of its operations, notably improving performance within the utility services division and underground contracting operation.

The group's mining division, still the biggest contributor to group sales, pushed turnover by 59,5% and pre-tax profit by 30,7% to R58,7m and R8,1m respectively last year. Analyst Wynand van Niekerk of Senekal, Mouton & Kitshoff reckons the division will contribute R75,8m to group turnover and R11,8m to pre-tax profit for the 1990 financial year.

Active in ash disposal, coal stockpiling and reclaiming, station clearing, horticulture and waste management, the utility division capitalised on several large contracts with Eskom last year to bolster turnover by 110% to R21m and pre-tax profit by 15% to R2,3m.

Hire

Flack expects substantial growth in this division through contracts from city councils and smaller municipalities for the group's "Trashmaster Compactor", the smallest of which costs R500 000.

Currently three Trashmasters are on hire to the Johannesburg City Council.

Van Niekerk feels this division has the largest growth potential, due to the privatisation of waste management and cleaning services.

Following the acquisition in 1987 of Vianini Pipes from Everite, the group's concrete division is the second largest supplier of concrete pipes, culverts and manholes in SA, with about 30% of the market. The concrete product division also buys and sells about R20m worth of equipment annually. Last year the division donated 25,1%, or R6,4m (R3,7m) to pre-tax profits.

Flack says the construction division enjoyed its best year last year, handling a greater workload without any appreciable increase in overheads. Turnover climbed by 13,7% to R44m (R38,7m) with pre-tax profit leaping by 12,4 times to R8,7m (R700 000).

Based on the divisional analysis and the half year performance, Van Niekerk has forecast total group pre-tax profit up by 44% to R36,7m (R25,5m) for the year and, after accounting for an effective 40% (36%) tax rate, attributable earnings of R22m (R16,4m).

With 12,26 million shares in issue, this translates into 179c (133,8c) a share. On its present share price of 1 060c, this would put Fraser Alexander on a P E of 5,9 times versus the sector average of 6,6. Van Niekerk believes that on its track record and potential, it deserves a PE rating of 8,0.

Warning sounded by Amic results

B/Day 9/3/90. 189.

BRENT MELVILLE

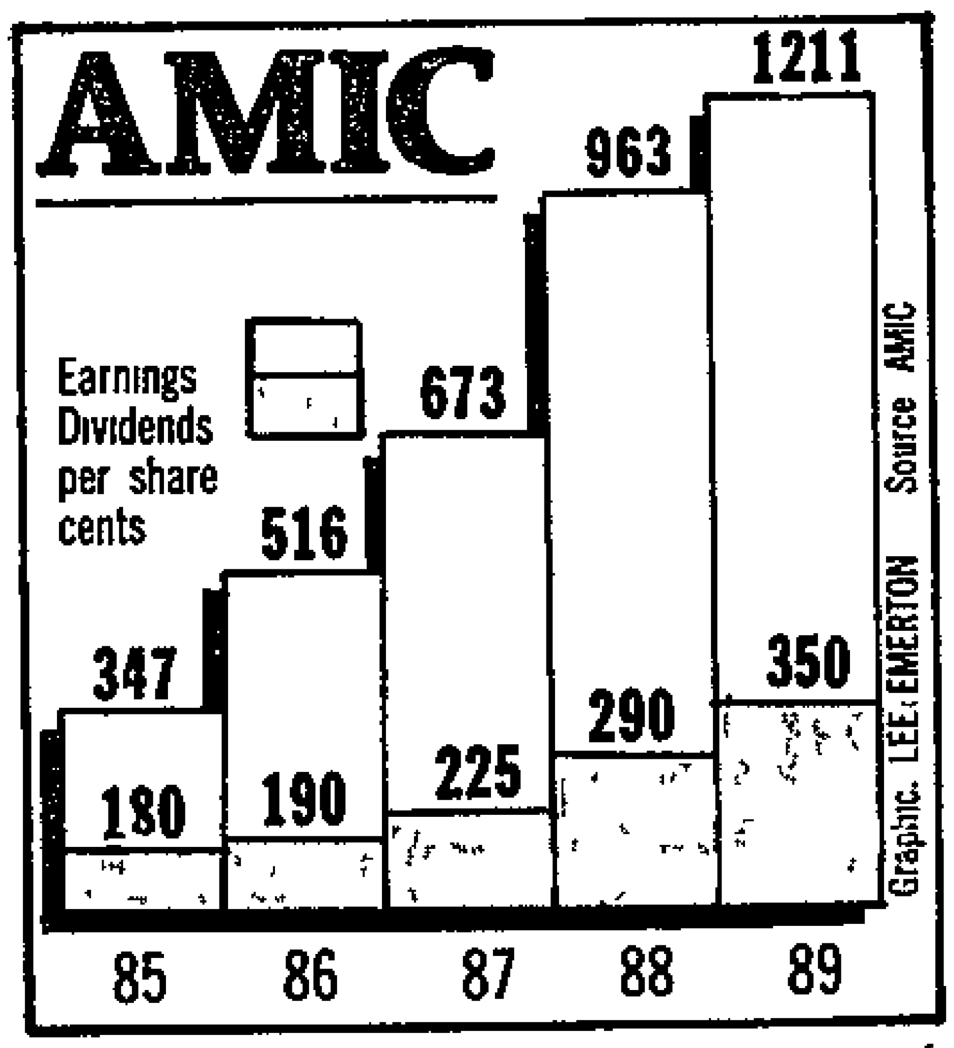
SUBDUED results from Anglo American Industrial Corporation (Amic) are a precursor to seriously deteriorating SA business conditions, Amic chairman Graham Boustred says in his annual review.

In the review, announced yesterday, Boustred said that while it was clear government was intent on bringing the domestic economy under control and reducing inflation, the short-term effects would continue to restrain business activity.

For the year to December, the group posted an earnings rise of 26% to 1 211c (963c) a share The rise, however, marks a slowdown from an "extremely buoyant" first half in which Amic showed an earnings leap of 50%, and was just shy of market expectations, analysts said.

Simpson McKie industrial analyst Mark Forshaw said he had been looking to an earnings and dividend rise of 30% — to 1 250c and 375c respectively A final dividend of 240c was declared, bringing the total for the year to 350c (290c)

Turnover for the industrial giant, whose subsidiaries include Highveld Steel and Mondi Paper, with AECI, Altron, Dorbyl, Rennies, Samcor, and Tongaat stabled as associates and investments, rose 22% to R5,8bn (R4,7bn) Earnings from operations were 33% up at R1,1bn (R847m) with associates donating a further R263m (R218m).



Taking into account finance lease charges of R71m (R76m) and interest payments of R55m (R37m), pre-tax earnings were R1,4bn (R1,0bn) The tax charge, with deferred tax provisions of R176m (R242m), took a further R444m (R337m)

In terms of contributions from subsidiaries, Highveld Steel, capitalising on the favourable world prices of steel and ferro-alloy products over the year, was by far the brightest jewel in Amic's crown.

Attributable earnings leapt by 165% to

□ To Page 2

Amic results

B/Day 9/3/90. (189)

□ From Page 1

R322m, or 450c a share, and Boustred says there are indications that the group is likely to do equally as well in the coming year

Scaw Metals' year-end earnings rose 24%, exceeding market expectations of 21% Earnings of R77m (R62m) were supplemented by its 35,3% holding in engineering group Haggie

On market expectations that the group's pulp and paper interests should have benefitted from higher paper prices, the actual results of Mondi were disappointing

Boustred attributed the negligible rise in attributable earnings of R163m (R162m) to the late-year softening world prices

In line with improving production capacity and product quality within its core businesses, Amic has involved itself in substantial development programmes at Mondi, Highveld and Scaw, said Boustred Total capex for the year amounted to R831m (R432m) although gearing remained stable at 20% (25%)

Boart International experienced a "severe" downturn in demand for its exploratory drilling equipment as a result of the lower gold price Attributable income dropped by 10% to R87m (R97m)

Samcor kept its share of the market though total new vehicle sales fell by 1,5% last year, said Boustred. He said newly acquired Karl Schmidt Limited and Samcor were well placed to meet the new "significant" opportunities afforded by phase 6 of the local content programme

He said, however, that while the "normalisation" of SA's relationships with overseas trading partners should occur, 1990 was still likely to be a "difficult year"

"In these circumstances it will prove difficult to sustain earnings at the levels achieved during the last year, but management has set maintaining group earnings as an objective for 1990," he said

At its 9 700c share price, the results put the group on a p e of 8,1 and a dividend yield of 3,6%, against the sector averages of 8,6 and 4,3% respectively

The Star
Finance

Cemenco offers good yield, long-term growth potential

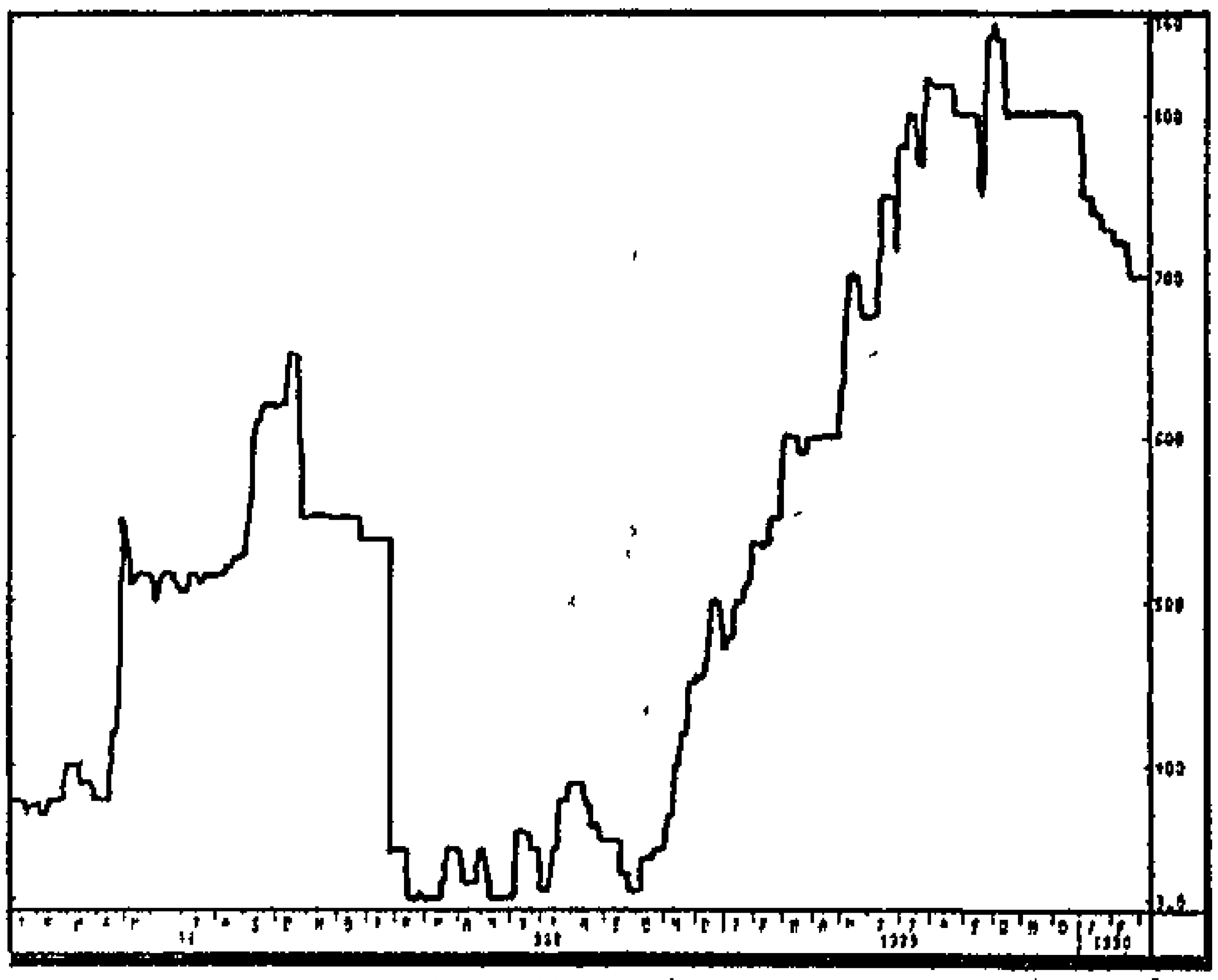
Star 12/3/90 (189)

By Lynne Peach

While Cemenco's earnings should continue to advance this year, stockbrokers expect the rate of growth to be negatively affected by the current economic slowdown which they predict will continue for most of 1990

Furthermore, they point out that when the economy starts picking up, other shares, such as consumer stocks, are likely to react quicker to the recovery than Cemenco

However, Cemenco is trading at 700c on a price-earnings ratio of 4,5 and provides a dividend yield of 10,7 percent. Brokers believe the share is worth holding on to in view of the above-average dividend yield and favourable long-term growth potential



Cemenco's price peaked at 860c in the last quarter of 1989 and at the start of this year the charts confirmed that a downtrend had begun In the past five months, the share has also been a relatively weak performer in the JSE engineering index. Until a trend reversal takes place, accumulation is not recommended.

Mining industry

The group is a holding company with its subsidiaries engaged in a wide spectrum of general engineering and contracting operations, principally for the infrastructure and mining industry

The GFC Mining division provides various services to the mining industry including deep level shaft sinking, mine development, tunnelling and major surface and underground drilling contracts

Chairman RT Shaw comments in the latest annual report that although local mining houses have numerous major projects in the planning stage their contractual demands in the year ahead are unlikely to result in any major upturn

The mechanical engineering divisions include heavy press forging operation Cemenco Forgings and Cementation Engineering and Cemenco Steel Structures

The latter two divisions undertake structural and fabrication work, light, heavy and precision engineering as well as production and manufacturing contracts

The activities of other group companies include the manufacture of track equipment, maintenance and construction of railway track, production of ferrous and non-ferrous castings, manufacture of electronic products and marketing of a range of tiling adhesives

In the year to September 1989 group turnover increased by 6,5 percent from R314,2 million to R334,7 million

Better operating efficiencies pushed operating profit up 14 percent from R19,4 million to R22,1 million.

The 28 percent rise in the interest bill from R4,1 million to R5,3 million was more than offset by a decline in the effective tax rate from 37 percent to 27 percent. This pushed after-tax profit up 28 percent from R9,6 million to R12,2 million.

After deducting outside shareholders' interest and preference dividends, attributable profit increased 29 percent from R8,3 million to R10,7 million.

Earnings a share rose from 120,5c to 155c The dividend for the year was 75c, compared with 42c in financial 1988

Preference shares

The dividend exceeds the triggering figure of 62,5c which automatically converts the preference shares into 2,1 million ordinary shares with effect from October 1 1989

This transaction results in GFSA direcly holding 23 percent of the total issue of 9 million ordinary shares

The balance sheet showed a deterioration in gearing from 63,7 percent a year ago to 67,1 percent and a decrease in cash resources from R18 million to R11 million

Net asset value appreciated 11 percent over the year from 737c a share to 816c

FM 16/3/90 (189)

AMIC FM 16/3/90 (189)

Into the rough

Like several other major industrials that reported recently, Amic has posted year-end results that continue to show good earnings growth but which are accompanied by indications of a slowdown in recent months

Amic is one of the more rand-sensitive industrial conglomerates, with perhaps 50% of earnings linked to exchange rates, though it also has extensive exposure to domestic markets The group has been particularly affected by the steep rise and fall of commodity markets, but is not alone in this These figures could well presage other swings when major industrial groups such as Barlow Rand, Malbak and Sentrachem release figures for the February and March financial periods

On the face of it Amic's full-year EPS performance seems reasonable, with an increase of 26% But when this is compared with the half-way leap of 50%, it is plain that there has been an abrupt change of pace — second half earnings rose by only 10,5%

Highveld Steel & Vanadium, the 52%-held subsidiary, was the major contributor to the overall advance and after declaring a total dividend of 130c (80c), will have contributed usefully to the group's cash position A balance sheet has not yet been published for Amic, but chairman Graham Boustred notes that the debt equity ratio has been reduced to 20% (25%), despite capex rising to R831m (R432m).

ON A PLATEAU?

Year to December 31	1988	1989
Turnover (Rm)	4 728	5 777
Operating income (Rm)	847	1 128
Share of associates earnings (Rm)	218	263
Investment income (Rm)	75	92
Attributable earnings (Rm)	517	653
Earnings (c)	963	1 211
Dividends (c)	290	350

However, international prices of Highveld's major products started tumbling around mid-year Boustred says there are indications that world prices of Highveld's products may have bottomed out in the first quarter of 1990 That may be the best scenario that management can hope for Production, meanwhile has been curtailed and Highveld chairman Leslie Boyd is forecasting "significantly lower" earnings in 1990 (see *Companies*)

Mondi Paper, the largest single contributor to Amic's 1988 equity earnings at 19,9%, last year saw attributable earnings virtually static, rising by only R1m to R163m It, too, is emerging from the commodities roller coaster World pulp and paper prices rose until mid-year then softened progressively, with the result that operating profit rose more slowly, while earnings were also hampered by a heavier interest burden

The attributable earnings of 100%-held Boart International fell by R10m to R87m, because the lower gold price brought about a substantial reduction in prospecting activity in many areas

Wholly owned engineering subsidiary, Scaw Metals, a laggard in the 1988 year, lifted earnings by 24% to R77m It had help from its 35,3% interest in Haggie, while in Scaw's own operations the grinding media division produced better results and the rolled products and foundry divisions achieved higher capacity utilisation through increased exports Boustred notes that the domestic market for Scaw's foundry products has remained depressed

Heavier going in recent months has also been reported by another major contributor, 39,5%-held AECI (Fox February 23) Though full-year EPS were up by 23%, in the second half the pace slowed to 14,4%

The final dividend was lifted by 17% and the total pay-out was up by 21%, with the cover further increased to 3,5 (3,3) times. For this year, rather than simply forecasting a slowdown, Boustred says it will be difficult to sustain earnings The share has slipped to R92 from the 12-month high of R112

Andrew McNulty

Tough wage talks ahead for giant metal industry

W/E ARGUS 17/3/90 189

By DICK USHER
Business Staff

ANNUAL wage negotiations in the giant metal industry get under way next week in what promises to be the toughest and most complex series of talks for many years

Employer organisations in the Steel and Engineering Industries Federation (Seifsa) meet on Monday to formulate an initial response to trade union demands, of which the most significant are likely to be those from the Co gress of South African Tra Unions (Cosatu) affiliated Natic al Union of Metalworke (Numsa).

Also facing interesting wage negotiations is the leather industry where for the first time a Cosatu affiliate, the South African Clothing and Textile Workers Union (Sactwu), will participate in talks from the outset

Numsa's role in negotiations this year will, from an employer perspective, be complicated by positions arising from the union's national bargaining conference held in February.

Aiming to unify the different sectors of Numsa, it compiled central demands as the basis for all Numsa negotiations at company and industry levels this year

Thus, while separate negotiations will take place in the iron and steel, tyre and rubber, automobile manufacturing and motor industries, the bargaining committee for each sector no longer has the power to decide on final settlements or deadlocks

These will have to be approved at a further national bargaining conference in June, opening the way for settlement in one sector to be delayed by dispute in another sector

Talks in the motor industry, covering employees in garages and workshops, opened earlier this month, but no date has yet been set for automobile industry talks

Employer sources indicated that, following last year's disputes around centralised bargaining, this year's auto industry talks would again be national All employers except Delta were due to participate, but no demands had yet been received from Numsa

In the Seifsa talks, Numsa's central demands are for an minimum across-the-board increase of R2 an hour and percentage increases ranging from 24 percent to 56 percent, a 40-hour week without loss of pay, a limit on overtime, the right to strike and picket, an agreement not to implement the 1988 amendments to the Labour Relations Act, tighter conditions on retrenchment and redundancy, improved maternity, paternity and sick leave benefits

The union has also presented demands on job creation, time of for shop steward training and proportional representation on the industrial council

Leather industry talks are already complicated by a dispute about the starting date

Sactwu, which claims large membership gains from the National Union of Leatherworkers, is this year for the first time submitting its own demands to the industrial council

It was admitted to the council last year following an court application, but negotiations had already started at that stage

According to Sactwu spokesman Ebrahim Patel, the union has signed up about 1 200 members in the Western Cape in the past few weeks and claims about 8 000 members overall in the industry

Farm-Ag acquires Staalchem interests

ACHMED KARIEM

FARM-AG is to acquire Staalchem's agricultural and chemical interests for R15,4m

Staalchem's remaining assets will be cash and property worth R15,8m, equivalent to 46,9c a share

The deal is effective from March 1 1989 and payment includes R10m owed to the cash shell Staalchem

Farm-Ag — which holds 77% of Staalchem's equity — is involved in the basic manufacture, formulation, wholesale and retail distribution of agricultural chemicals and the contract packing of toiletries.

The group is the target of market speculation that it is contemplating a merger of its chemical interests with another player in the agricultural chemical industry

Farm-Ag and Rale issued a cautionary announcement to shareholders last week that negotiations were in progress that could effect their respective share prices

Farm-Ag has been critisised for being over-geared, but director Richard McElligott says the company has taken action in this regard.

"In November 1989, Farm-Ag subsidiary Staalchem disposed of its steel roof sheeting business which resulted in the borrowing of that subsidiary being reduced by some R13m. (189)

"Farm-Ag announced in January that it had disposed of its domestic electrical division which should result in group borrowing being reduced by a further R22m

"Further, Farm-Ag toiletries subsidiary Potter & Moore has disposed of certain of its brands which will result in a further reduction in borrowing to the tune of R4m," he said

Farm-Ag retains its 23% interest in listed bearing distributor Bearing Man, and its 40% holding in Hacks

B/Day 19/3/90

Surging metal prices augur well for SA

Star 20/3/90 (189) Star 20/3/90

By Derek Tommey

This was supposed to be a year of moderate recession for the West.

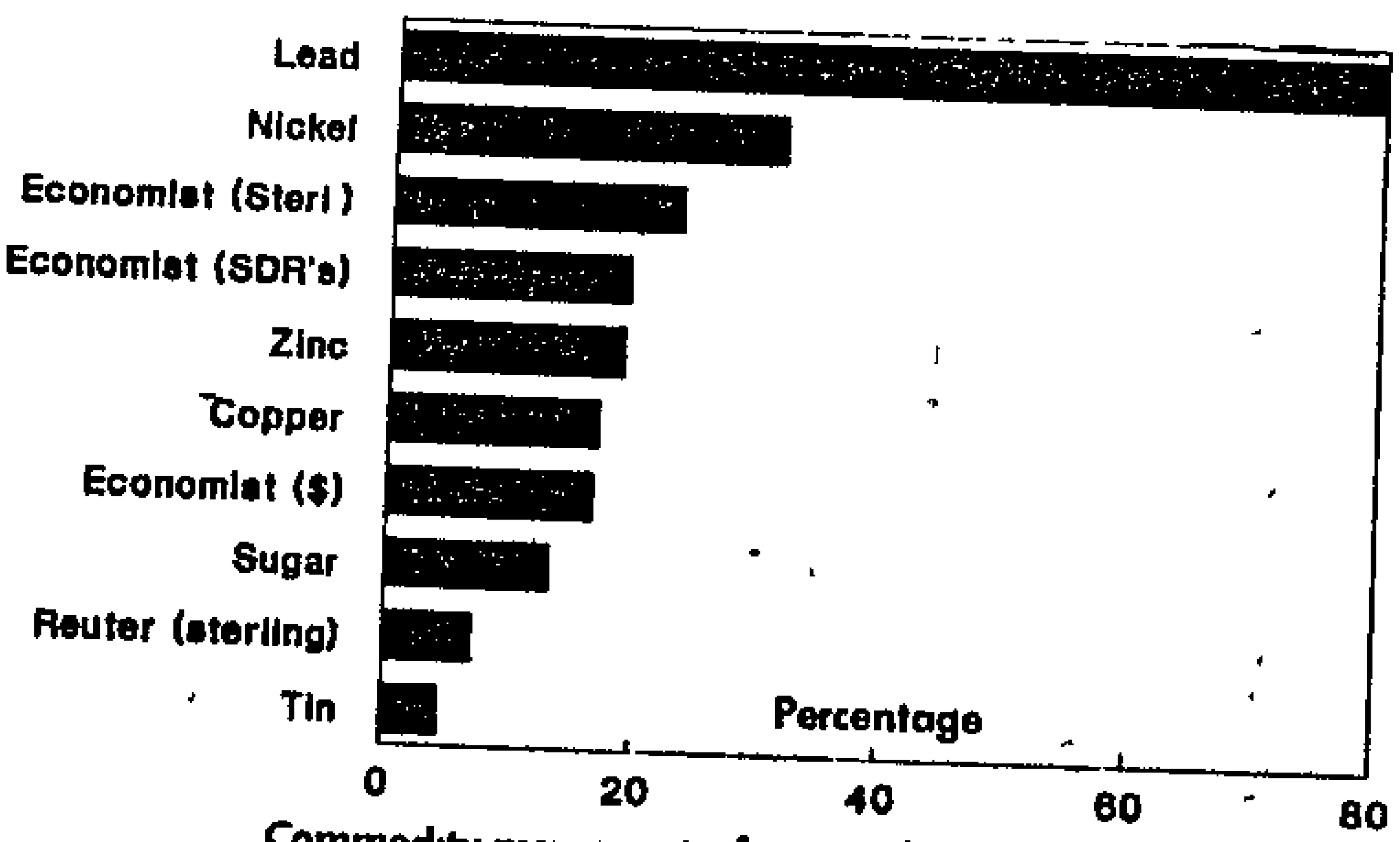
Its economy has, after all, shown almost eight years of previously unexperienced sustained growth, and most Western economists had been expecting it to take a breather.

But for reasons which are not clear, the West is not experiencing the expected slow-down.

The 29 percent jump in SA's exports (mainly metals and minerals) in January and February is a good indicator that the West is enjoying continued and significant growth.

More evidence of this growth can be found in the movement of metal prices and metal commodity indices.

In the past four weeks the price of lead has jumped 80 percent from £450 a ton to over £800 a ton. The sterling price of nickel has risen 32 percent, of zinc 19 percent and of copper 17,1 percent.



Commodity movements: four weeks' price rises

A more comprehensive indicator is the index compiled by *The Economist*.

In the past four weeks it has risen 16,7 percent in dollar terms, 23,4 percent in sterling terms and 19,2 percent in special drawing rights (SDRs) — gains which point to strong demand for metals in the Northern Hemisphere.

The sharpness of some of these rises indicates a slight degree of panic buying, suggesting that some manufacturers, anticipating the forecast downturn, reduced their stocks and are now struggling to rebuild them.

This is good news for South Africa, even though it is not a dominating producer of these metals, as it is of gold, manganese, chrome and platinum.

The higher prices are an indication that the price of metals South Africa does produce and export in large quantities should also improve, if they have not done so already, as they are generally used in combination with the main base metals.

The price of SA minerals has probably already started to rise since the metals and minerals share price index has risen 16 percent in the past four weeks, suggesting that the share market is expecting better times.

Altogether, the rise in prices seems a good omen for South Africa being able to continue exporting large tonnages this year, with great attendant benefits for the balance of payments and economic growth.

Though it is not certain, it would seem plans for the reconstruction of East Europe could have a lot to do with the West's upturn.

East Europe is desperately seeking plant and equipment and better quality raw materials to improve living standards.

FARM-AG/STAALCHEM F/M 23/3/90

Reducing debt (189)

Farm-ag and its 77% owned subsidiary Staalchem are juggling assets in an effort to reduce debt, improve profitability and refocus the companies.

FINANCIAL MAIL MARCH 23 1990

F/M 23/3/90 (189)

Farm-ag initially acquired a 35% interest in Staalchem in April, as part-payment for its agricultural chemical wholesaling division Farmach, and 50% of Agroserve, which holds agricultural product registrations Farm-ag director Richard McElligot says working capital requirements estimated by Staalchem management before the sale were too low Additional funds were needed but Staalchem was already overborrowed and bank finance was not available Farm-ag underwrote a R4m rights issue, which was undersubscribed, and the group was left with a 77% stake.

In addition to its agricultural chemical interests, Staalchem distributed steel roofsheeting The roofsheeting interests and Greenchem, which produces lime chemical stabilisers, were sold with effect from end-February 1989 to former Staalchem MD Kobus du Toit, for R1,2m and about R13m respectively He was joined by a number of Staalchem managers, including the financial director and company secretary McElligot says these operations were unprofitable, their working capital requirements were excessive and they were outside Farm-ag's area of expertise.

In effect, Farm-ag was funding the entire chemical operation. It has now decided to buy back its former wholesale chemical operations, as well as the Staalchem retail operations (Staalchem Seed and Chemicals), for about R15,4m, and convert Staalchem to a cash shell

The only asset left in Staalchem is a property company which owns the head office building in Isando. Its book value is R3,55m, but McElligot estimates market value at about R2,8m After sale of the property, Staalchem will have about R15,8m cash With 33,7m shares in issue, net worth will be 47c, compared with the market price of 30c The share was listed at 80c in 1987

Farm-ag, meanwhile, has disposed of other businesses to strengthen its balance sheet and refocus on the agricultural chemical sector, mainly pesticides, fungicides and herbicides Stock and fixed assets of the domestic appliance and equipment division, held in the M5 group, were sold to Wolf Garden Machinery for about R11m cash, excluding debt and liabilities Potter & Moore, the toiletries subsidiary, disposed of certain brands for about R4m

A cautionary announcement issued by

FINANCIAL MAIL MARCH 23 1990

F/M 23/3/90 (189)

Farm-ag on Tuesday relates to other negotiations, expected to be completed in about three weeks The company retains 40% in hosiery-maker Hacks Holdings and 23% of listed engineering company Bearing Man McElligot says these are independently run and returns are satisfactory. There are no plans to dispose of them

The end-February accounts will include the first-time consolidation of Staalchem McElligot says he expects debt to be reduced by about R29m but this will not all be reflected in the 1990 accounts

The group's ability to reduce debt to more acceptable levels this financial year seems limited McElligot suggests that the debt equity ratio may deteriorate from the 1,17 of last year-end, but that a big reduction in borrowings is expected in the current half-year He adds that successful conclusion of the present negotiations would further reduce debt.

Pam Baskind

Unihold aims to boost return on total assets

LIZ ROUSE

UNIHOLD, whose core activities are within the engineering, foundry and electrical industries, is raising to 30% its targeted minimum return of operating profits to total assets

To reach this objective, management will have to achieve an improved turnover-to-assets ratio while at the same time eliminating areas of loss, and improving or eliminating marginally profitable activities, says chairman James Haslam in his annual review

Unihold improved its return on total assets to 26% in the year to December 1989 from 1988's 20,3%

Haslam says the group is once again budgeting for major growth in earnings from all divisions Part of this growth is obviously of an inflationary nature, but a substantial portion is related to new market opportunities in its core business activities

At this stage it is impossible to project earnings for 1990 until after the conversion of the balance of the debentures into ordinary shares in May However, shareholders can judge the effect of conversion by the calculation of fully diluted earnings for the year to December 1989 These were 30,2c a share (1988 30,4c) compared with actual earnings of 37,5c a share (36,9c)

BDay 28/3/90

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Listing

Shareholders will soon be receiving a circular on the proposal to constitute U-Control (formerly Unihold Investments) as a pyramid holding company controlling 80% of Unihold U-Control is expected to be listed on the JSE with effect from April 9

The final ordinary dividend of 8c will be payable on April 20, which is later than it would normally have been paid The reason for this delay is the listing of U-Control

Unihold CE John Butler reports that prospects for 1990 are good, and a rate of growth in turnover similar to that experienced in 1989 is expected The rate of profit growth will be more moderate

Last year, turnover rose 36% and operating income soared 70% The increase in the group's operating margin from 11,1% to 13,9% was due to improved manufacturing processes and close attention to productivity and cost control at all levels

Tax losses available to the main operating company of the group were fully utilised in 1989 Taking the residual benefit of tax losses carried forward into account, the effective rate for the year was 30% The rate will increase this year

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Sanlic Holdings boasts 275% turnover rise in interim results

ANDREW GILL

ELCENTRE controlled DIY company Sanlic Holdings has announced substantial improvements in its six-month interim results released today, with a 275% hike in turnover and a 39% rise in earnings per share (EPS)

Turnover, operating profits and attributable profits for the half year all exceeded their equivalents for the entire previous year

Turnover for the six months was R38,9m — 81% up on the year-end turnover of R21,5m announced last June and 275% above the December 1988 six-month turnover of R9,8m

Improvements from the six-months to December 1988 include a rise in operating income by 244% to R3,3m and a 404% rise to R1,5m in attributable profits.

This was dented by goodwill write-offs of R812 000 as a result of acquisitions

This figure is still 176% above year-end profits of R249 000

EPS grew to 2,5c — 39% up on the previous six-months' 1,8c, and 1,1c off the year-end's 3,6c

During the six months under review Sanlic acquired various companies for a total consideration of R33m settled by the issue of shares, debentures and cash

Sanlic chairman Nathan Mowszowski said the increased turnover was mainly a result of the acquisitions and stressed it had been an exceptionally difficult trading period having to absorb the acquisitions and still maintain trade and contact with customers

Stock

On top of that the acquisitions brought about substantial overstocking which stood at R24m in December This was expected to drop to R17m by June

He said the 511% hike in finance costs to R1,8m was a result of high interest rates and inventory funding which should drop with the improved stock position

The group's operations, he said, were being consolidated and had been strengthened by the acquisitions. Prospects were good with earnings for the second six months likely to exceed the first six

Year-end earnings are expected to be 42% above last year's 3,6c

AIMARK F|M 6|4|90

Missing the mark

Aimark has again failed to meet management's earnings forecast, with the first half's profit growth failing to match that of turnover The trading misery was compounded by sharply higher finance costs, which combined with narrower margins to restrict cash flow and the group's ability to finance appropriate inventories.

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Results for the six months to end-December make a mockery of chairman Ivan Cohen's annual report forecast of "a return to greater profitability" and "earnings exceeding 7,5c" for the 1990 year.

Turnover is not disclosed, though Cohen says it rose "substantially." In 1988 and 1989, sales grew by 110% and 76% from unspecified bases.

F|M 6|4|90

The firm slid into the red in the second half of fiscal 1989 after a fundamental change in trading conditions There was a major swing from direct indent sales to ex-warehouse sales That shifted stock financing directly on to Aimark when deteriorating consumer demand slowed stockturn Interest-bearing debt increased sharply to finance the larger inventories and helped lift the half-year's interest payments to R399 000 from R85 000.

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The picture became even more dismal as money had to be spent on infrastructure needed to deal with the changed trading conditions.

Margins have been under pressure since mid-1989 and Aimark has been trying to source its goods locally to reduce the effect of import surcharges, currency fluctuations, supply uncertainties and to limit financing costs. Nevertheless, imports still comprise 80% of sales.

Cohen believes Aimark requires additional capital to finance the rapid growth in turnover and he is looking for an underwriter He hopes to be back in the black by the end of calendar 1990, the new fiscal year-end. Margins have already improved, Cohen says. Meanwhile, the next few years' cash flows will be ploughed back into the business rather than paid to shareholders.

Pam Baskind

4/4/90

Barlow Rand, Cosatu set for talks

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Staff Reporter

Representatives of five Cosatu affiliates are to meet Barlow Rand in a bid to renegotiate collective bargaining structures

The meeting is set for April 9

The Cosatu affiliates said in a statement that Barlow Rand's approach to industrial relations is a recipe for major conflict

Cosatu unions were willing to negotiate with Barlow Rand into the 1990s, but, if an agreement could not be reached the unions had committed themselves to a sustained campaign against the company

This would include shopfloor action, meetings with the ANC, and further contact with trade unions outside South Africa.

The planned meeting follows discussions by regional shop steward councils from Barlow Rand plants.

Some of the recommendations include.

- Demands about collective bargaining, retrenchment and job security at all Barlow Rand companies
- Barlow Rand's head office should revise its position on centralised bargaining, right to strike, deregulation, and basic worker rights.

Clarify issues

A spokesman for Barlow Rand, Mr H Bell, said the meeting would clarify issues that led to the announcement of a Cosatu campaign against Barlow Rand.

The discussions could lead to fruitful alliances between both parties

But, Mr Bell added, it was not Barlow Rand's intention to enter into negotiations about collective bargaining arrangements

The Cosatu affiliates involved are the NUM, National Union of Metal Workers (Numsa); Paper, Pulp, Wood and Allied Workers' Union(Ppwawu), SA Clothing and Textile Workers' Union (Sactwu), and the Food and Allied Workers' Union (Fawu)

Cosatu, Barlow Rand find common ground

Star 11/4/92

By Shehnaaz Bulbulia

Talks between representatives of six Cosatu affiliates and Barlow Rand early this week were described as "useful" yesterday by Barlow Rand

Cosatu affiliates entered the talks on Monday in a bid to renegotiate collective bargaining structures with Barlow Rand.

A spokesman for Barlow Rand, Mr Ken Ironside, told The Star the meeting was useful and had set an agenda for further discussions.

Cosatu said in a statement yesterday that a large measure of agreement existed between the parties on basic worker rights

Barlow Rand had undertaken to respond to a union memorandum by May 3

According to the statement, Barlow Rand indicated that in terms of the Labour Relations Act (LRA), it supported and was prepared to implement a draft agreement which had been prepared in the recent talks between Saccola and Cosatu/Nactu

The talks between the parties centred around centralised bargaining, job security, deregulation, basic worker rights, the LRA, strike dismissals, social benefits and restructuring for a post-apartheid South Africa

Cosatu affiliates stressed that the critical issue which had to be resolved was Barlow Rand's policy that all matters concerning industrial relations be handled at plant level

This policy prevented worker unity across plants, the unions said

Another major union concern was Barlow Rand's reluctance to participate in Industrial Council bargaining

A meeting between the Cosatu affilates and Barlow Rand would take place in the coming two months, the union added.

Cosatu affiliates involved are the National Union of Mineworkers, the National Union of Metal Workers, the Paper, Pulp, Wood and Allied Workers' Union, the SA Clothing and Textile Workers' Union, the Food and Allied Workers' Union and the Chemical Workers' Industrial Union

FM 20/4/90 (189) (87)

PICHOLD (457) (88) (189)

Blaming government

Interim figures from the Pickard group were released with little fanfare last week It seems shareholders were informed directly, without advertisements being placed in the press That may not be altogether surprising, as management can scarcely have been proud of results battered by interest payments and grim trading performances

Holding company Pichold — whose main subsidiaries are 90%-held Picapli, Picprop (78%) and Union Wine (58%) — slumped to a loss of 44c per share, after turnover dropped and margins narrowed from 9,8% to 5,8% FM 20/4/90

Among the worst hit was consumer appliances company Picapli, the group's largest income contributor last year At June 30, Picapli held interest-bearing debt of R163m and shareholders' funds of R46m At the end-December interim, total debt had been pruned by some R20m but the first half's interest bill still rose to R15,2m from R11,2m in the corresponding period of 1988

The net result was an after-tax loss of R3,3m (R8,4m profit) GM Jan Pickard Jnr says R30m of brown goods have been sold at a loss to clear stock that was difficult to move

Union Wine lost R1,3m after payment of the interim preference dividend Chairman Jan Pickard Snr blames the slump in liquor sales on government's fiscal and monetary measures — the government gets blamed for a lot of things these days Borrowings have jumped to R44m from the year-ago R33m and the interest charge of R5,5m (R3,7m) more than wiped out the operating profit

Picprop is the only non-financial company in the group to record a profit after interest and tax Operating income was healthily higher than in the previous year's interim period The improvement came largely from sports and leisure wear manufacturing and, strangely, from Logans Sports, the sporting goods retailer just sold to management for R1,2m after being bought barely eight months ago About half of Picprop's pre-interest profit came from dividends from the R16m investment in preference shares Here, too, finance costs were the bugbear as the charge of R1m wiped out the dividend receipts of the same amount After-tax income was R863 000 (R933 000)

Pichold's Pickard ... no rights issue plans

Pickard Jnr, referring particularly to Picapli, says the board will only consider a rights issue to recapitalise the group when the stock market enters another bull phase, after the market's run of the past 18 months that could mean a long wait

Meanwhile, he says, the white and brown goods industry should stop "killing itself" by competing on price alone It is, he reckons, "bleeding to death" because of this Until the capital structure has been bolstered the group will have to rely on cash flow to cover interest charges But, at this stage, there seems to be no clear plan to lift trading profitability and shareholders could again see some distress inventory sales

Picapli's share trades at 50c, one-tenth of its August 1987 peak And there seems little prospect of an early recovery Pickard Jnr says sales remain depressed, the brown goods market is suffering from over-capacity, while consumer demand is restrained by high interest rates Considering the group's own debt position, the six-month loss will probably be extended into a loss for the year

Pichold's price has dropped from R18 in August 1987 to its present 550c, where historical earning and dividend yields are 31,1% and 12,5% respectively *Gerald Hirshon*

...tivity ... occasional bursts

... no shortage of plati-num Since interest rates are remaining high for much longer than expected, dealers say that business is slack.

Barprop in line with forecast

Star 26/4/90

(189)

Barlow Rand Properties has announced an interim loan stock interest payment of 54,82c a unit, equating to a rate of interest of 10,60 percent a year.

An interim dividend of 5,34c an ordinary share has also been declared for the six months to March 31.

Operating income before interest and tax improved by 13 percent from R19,5 million to R22 million, resulting in an operating profit before investment income and taxation of R5,6 million, 18,7 percent up on 1989. Income from investments increased by 45 percent from R2,6 million to R3,8 million due to higher interest rates on cash investments.

Tax absorbed R4,6 million (1989 R3 million). The higher tax bill arose mainly from the receipt of dividend income from short term investments in preference shares.

The results are in line with the forecast by chairman Evert Groeneweg, in his November annual review. — Sapa

MALBAK FM 27/4/90 189

Heading for a fall

Malbak executive chairman Grant Thomas has revised downwards his forecast of earnings for the year to end-August Whereas last October, the projection was for figures "of a similar order," now he expects "a small decline, perhaps 10% "

Thomas believes trading conditions are exceptionally weak and other industrial groups will suffer similar setbacks With these interim figures, which include attributable earnings up 10% and EPS only 4%, Malbak has signalled an end to the expansion embarked upon with the takeover of Protea in 1984 In the past five years, turnover has grown ninefold, from R827m to R7,3bn and earnings fivefold, from 25,9c to 136,1c

The group's half-year began in September and Thomas says it took the full brunt of the post-election measures against inflation and consumer spending He contends the major divisions fared well in the circumstances Margins were maintained at 8,4% and turnover and operating profit both increased 21% Interest paid was higher by R30m or 49%, gearing was unchanged at 62% despite the write-off of R18m related to Quality Tyres

Strong performances were reported by packaging group Holdains, which contributed 24% (22%) of earnings, engineering and mining supplies 20% (21%), branded consumer goods, especially Ellerines and Malbak Motor Holdings, 28% (30%), and Kanhym 15% (13%) Divisions which declined were development, 4% (7%), due to the effects of bloodletting in the computer industry

Malbak's Thomas ... facing the downturn

MUCH SLOWER

Six months to	Feb 28 '89	Aug 31 '89	Feb 28 '90
Turnover (Rm)	3 314	4 015	3 997
Pre-tax profit (Rm)	216	296	244
Attributable (Rm)	101	158	111
Earnings (c)	54,6	85,6	56,5
Dividends (c)	12 5	18	12,5

on ICL and a price war in the chemicals industry which hit Protea, and international with a negative 3% (2%)

Thomas says Malbak's results for March were not good and he doesn't believe the economy will improve this year The group's earnings usually accrue in a ratio of 45 55 in the first and second halves The tax rate has been held at 33% for the past 18 months but will rise as D&H is moving to a full tax rate and assessed losses are running out in Standard Engineering and Holdains

Divisions strong in the first half should continue to lead the group The generally cyclical engineering sector is being buoyed by Mossgas, and Thomas expects Standard Engineering to continue reflecting this

Malbak has a patchy record with acquisitions Kanhym did well but the purchase of MY Plc has been a disaster Thomas admits that too much was paid for MY, which is now Abercom's major asset (see "Saving Abercom")

Management envisages no restructurings, acquisitions or other major moves by Malbak in the second half Holding the ship on course is apparently work enough

The international division is a small contributor to Malbak The Quality Tyres investment was even smaller but these problem areas have eroded Malbak's share rating Its credibility will improve only when management has convincingly resolved them and shown it can perform as well as other major industrial groups in the downturn

Teigue Payne

S/Times 29/4/90 (189)

A first for Toco

By Don Robertson

TOCO Holdings has made its first acquisition — Reliable Pressings & Engineering — for R5-million cash.

Toco, which became fully independent after a management buy-out in May last year, has streamlined operations, upgraded facilities and strengthened operational management

With an undergeared balance sheet and a positive cash flow, the industrial product manufacturer is ready for organic and acquisitive expansion

It has reduced borrowings to about 25% of assets and hopes to pay cash for future acquisitions It has cash and borrowing facilities of about R15-million

Toco will focus on companies which make industrial products and plans to make more acquisitions this year

Reliable Pressings was established 13 years ago by current managing director Aubrey Friedman It makes small metal pressings for the engineering, electronics and general industrial markets

It should fit in well with Toco because it has traded in the past with Versatile Gaskets, a subsidiary of its new owner.

Toco managing director Adrian Goodman says "We intend to develop Reliable Pressings by enabling its current management team to focus on its proven abilities in product design and manufacture Marketing will be handled by Toco"

Toco forecasts an increase in earnings and dividends for the year to March after a 20% rise in earnings at the half-way stage

FM 4/5/90

GENCOR FM 4/5/90 (189)

Losing steam

Softer commodity prices and a more stable rand are exacting an inevitable toll on some of Gencor's star performers of the past few years In the 1989 year, some two thirds of attributable income was derived from just divisions metals and minerals — primarily Samancor — and Sappi

This year, Samancor will be hard pressed to maintain annualised EPS and Sappi is almost certainly facing a decline Other significant businesses such as Malbak, gold and platinum are also looking soggy Gencor is now looking largely to its energy division, Engen, financial activities and coal to lift EPS for the full 1990 year

ENERGY BOOST

Six months to	Feb 28 '89	Aug 31 '89	Feb 28 '90
Income (Rm)	395	444	468
Pre-tax income (Rm)	287	322	369
Attributable income (Rm)	456	595	707
Prior period (Rm)*	49	—	25
Earnings (c)	46,5	59,0	60,1
Dividends (c)	12	22	14

* Mobil earnings for July and August

Figures for the six months to end-February look strong enough, with EPS up by 29% but chairman Derek Keys makes no bones about second-half prospects "We won't make real growth in EPS for the full year," he says "This is going to be a tough six months But, unless something unexpected happens, we'll end with earnings somewhat higher than last year's"

That would still mean a jump in total profit After last year's R1,5bn rights issue, the weighted average share capital will be nearly 20% higher at 1 176m shares

A number of divisions produced little or no growth at the half-way stage The contribution to Gencor's attributable income from gold was R79m (R77m), platinum R33m (R31m) and Malbak R56m (R58m) Malbak's own interim EPS increased but the contribution dropped because Gencor had modestly reduced its holding after passing some shares on to institutional investors. Meanwhile, Malbak chairman Grant Thomas last week forecast a fall of perhaps 10% for the full year (189)

Sappi was up at R155m (R128m) but this does not yet reflect the decline expected. Metals and minerals contributed R211m (R186m), with the 30,7% interest in Alusaf kicking in for the first time, Alusaf actually posted lower profits owing to a squeeze on product prices

Biggest boost was from Engen, which after the acquisition of Mobil contributed R91m against the negative R15m in the 1989 interim Engen's R200m earnings forecast for this year would add about 16c or 14% to Gencor's EPS

Income from Genbel and investments more than doubled to R169m (R74m) Cash has been absorbed by investments such as Oryx but roughly R1,3bn of the funds raised in the rights issue is intact and is earning

Gencor's Keys ... can he unlock energy?

interest at around 18% Keys expects the balance will be roughly at current levels by year-end, so interest income for the second half would total some R234m

Calls on cash may be made by the Samancor/Highveld stainless steel venture or the platinum sector but management expects the Gencor balance sheet to remain highly liquid "My concept of the way to run a group like this is to have a cash positive position at the centre," says Keys

After the recent spate of acquisitions, the emphasis is switching towards building up the greenfields projects Keys does not see the group buying its profits over the next couple of years

Keys reckons the domestic economy is weak and likely to get weaker and "tough sledding" is expected for the companies that do business locally He notes, though, there are signs that international commodity prices have bottomed and export volumes have remained encouraging Looking further ahead, he believes events in eastern Europe must ultimately be favourable for many of Gencor's markets.

Despite the current slowdown, the total dividend will certainly be increased, probably by at least 12%-15% to about 39c At 1 070c, the share offers a prospective yield of about 3,7% and discounts the April 20 NAV of 1 464c by 26,9% *Andrew McNulty*

FINANCIAL MAIL MAY 4 1990

Pride to consolidate on Acrem Holdings

LINDA ENSOR

PRIDE Consultants is to sell off its assets in a restructuring which will leave it a cash shell holding about R14,3m in cash (51,1c per share) before deducting restructuring costs

The reason for the step, says Gordon Polovin, CE of Pride's holding company, Columbia Consultants, is to refocus and consolidate the group on the strong performing Acrem Holdings After the deals, Columbia will hold about 90% of Acrem — previously 52% — on an enlarged share capital of about R40m (about R20m)

"Acrem has performed very strongly and is projected to perform even more strongly," Polovin says

Pride's listing on the JSE will be suspended

With effect from March 1, it will sell its wholly-owned subsidiary, Westrust, to Westrust's management team for R3,4m cash, less about R1m in claims

Pride will also sell its 11,6-million shares in Acrem Holdings to Columbia Consultants for R8m in cash (69,2c per share) Dividends paid by Acrem after the effective date will accrue to Columbia

Columbia will also purchase the preference shares which Pride holds in Alzac Holdings for R600 000 cash. Dividends paid prior to the effective date of sale will accrue to Pride

Pride will sell its wholly owned subsidiary, Pride Consultants, to Columbia for R70 600

As from June 1, Pride will sell its 30% stake in Jensen Electronics to controlling shareholders Kurt Jensen and Colman Fram for R3,2m

Polovin says Acrem is looking at an acquisition of between R5m and R6m and he hopes to see it return to a strong earnings trail An after-tax profit of between R8m and R10m was forecast for the financial year to end-March 1991.

As regards Columbia's investments in Blocktech and Powernet, Polovin says these wwill be sold when it is opportune

(189)

Good results back up Woodrow's move

B Day 16/5/90

LIZ ROUSE

WOODROW Holdings will move to the main JSE board from the DCM sector with excellent results behind it

An application to move to the main board will be made this month

The expanded group, which made four acquisitions last year, posted a 70% rise earnings a share to 16,1c (1989 pro-forma earnings 9,5c) on a larger issue share capital in the year to end-February.

Sales increased by 338% to R33,2m (pro-forma R7,6m) while net income climbed by 350% A dividend of 5c has been declared, a 67% increase on the previous year's 2c

Net operating income rose 307% to R3,6m (R884 000)

Interest paid increased sharply to R1,04m (R204 000) leaving net taxed income up at R1,89m (R420 000) Net attributable income after a nominal outside shareholders' interest amounted to R1,88m (R665 000) (181)

Earnings are expected to grow in excess of the group's requirements of double the annual rate of inflation in the year ahead

Woodrow shares have been trading in a relatively narrow range over the past year — between a low of 70c in November 1989 and a high of 100c in February this year. Current market price is 80c

NATIONAL TRADING F/M 18/5/90

Firmer structure (189)

Investors will be asking whether the sound results National Trading Corp (NTC) achieved last year will be maintained, or whether the historically variable pattern will continue

Turnover rose last year by 29%, operating income by 88% and EPS by 78% Gearing jumped to 0,40 (0,29), though the interest and leasing cover improved

The major concern must be that gearing, a familiar problem for NTC, will rise further Last year's rise occurred largely because stock and debtors grew by 34% — faster than the turnover advance It is also notable that current liabilities rose 57% and the current ratio improved

Most of the stock is in the trading division, National Trading Company, in which Macsteel took a 50% share at end-1988 NTC financial director Duncan Miller admits NTC is overstocked Efforts are being made to improve the position but the going is tough in a difficult market in which debtors are increasingly recalcitrant

At R13,5m, authorised capex for routine projects is twice last year's figure of R6,8m, though Miller says actual spending may be lower than this Given the stock, debtors and capex positions, gearing is unlikely to fall this year, interest payments will probably rise somewhat

On the other hand, Miller says all subsidiaries are profitable, whereas some made losses during part of last year Conditions are said to be tough in the trading division but reasonable in the manufacturing companies Results so far this year are ahead of those of 1989 but Miller does not expect earnings to outpace inflation this year

After the deal with Macsteel, trading and manufacturing each accounted for 50% of operating income, compared with the previous figures of 82% and 18% Miller says Macsteel's involvement has resulted in the expected synergies and helped to curb growth in stocks The trading division is still consolidated, as NTC has management control

Most positive for investors is the management structure of NTC has been improved after the plunge into a loss in 1985, largely due to a high interest burden Interests in sanitaryware and woodworking equipment have been sold and operations were separated into four subsidiaries The appointment of Mike Davis as MD in April 1988 seems to have consolidated these improvements

The share, like that of holding company National Trading Holdings, is tightly held The prices did not rise materially after release of the results, but have firmed recently Last year, the directors' optimistic forecast was fulfilled, and there is reason to be positive about the future, though some investors might want to await evidence in the interim report, due in August, that gearing is under control

Teigue Payne

NTC's Davis . . . over-stocked and over borrowed

F/M 18/5/90 (189)

Activities. *Trading and manufacturing*

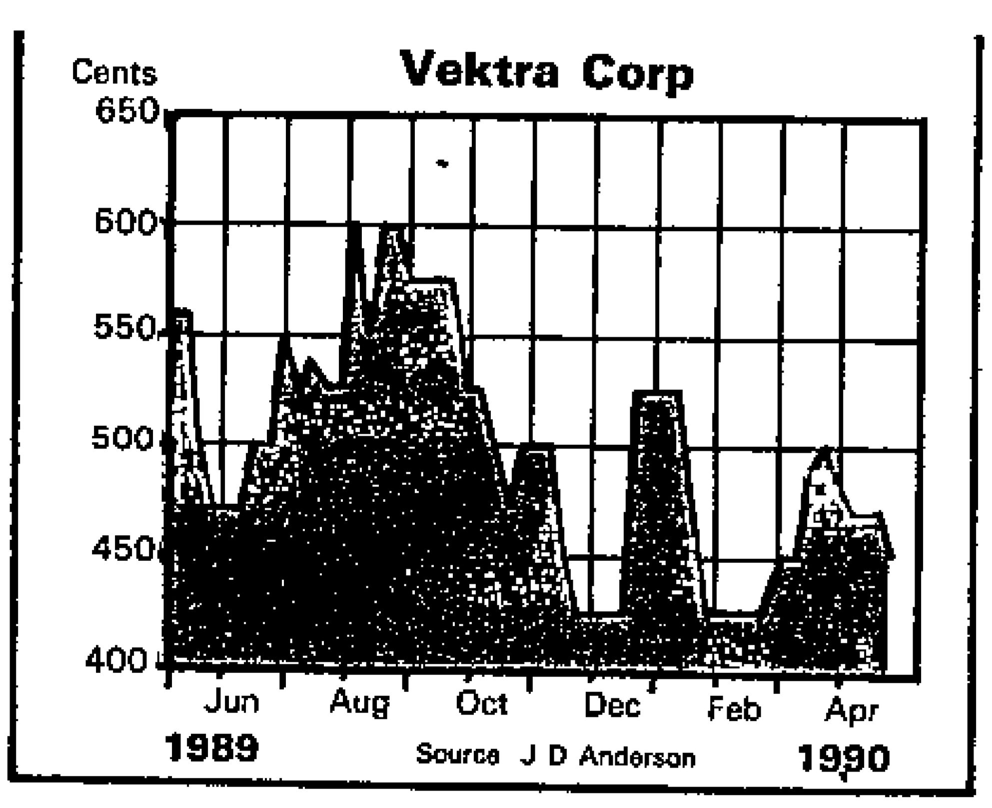
Control. *A Oppenheimer (of Britain) holds 66%*

Chairman: *D J Adler, MD M J Davis*

Capital structure. *6,6m ords Market capitalisation R31,4m*

Share market *Price 475c Yields 9,3% on dividend, 28% on earnings, PE ratio, 3,6, cover, 3 12-month high, 475c, low, 400c Trading volume last quarter, 14 000 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	21 1	25,6	2 5	16,4
LT debt (Rm)	—	—	21,8	18,4
Debt equity ratio	0,56	0,50	0,29	0,40
Shareholders' interest	0,46	0,45	0,48	0,43
Int & leasing cover	2,74	2,7	2,3	3
Return on cap (%)	12,1	10,4	10,7	16,5
Turnover (Rm)	150	252	323	417
Pre-int profit (Rm)	5,9	6,1	14,1	28,6
Pre-int margin (%)	6,6	4,2	4,4	6,9
Earnings (c)	95,6	94,8	74,6	132,9
Dividends (c)	25	35	25	44
Net worth (c)	603	689	664	768



F/M 18/5/90 (189)

TSI results will hold back Barlows

Star 18/5/90 (189)

By Ann Crotty

TSI's unexpected and sharp 33 percent drop in earnings has stunned most market analysts and adds significantly to the gloom that currently surrounds parent, Barlow Rand

Unless Barlows' unlisted subsidiaries pull out some major surprises, it looks as though this massive conglomerate will be hard pushed to avoid a drop in earnings for the six months to end-March

Barlows results will be published on Tuesday. Combined performance from the listed operations indicates a marginal increase on last year's interim earnings. But the market is looking to a drop in earnings performance from the combined unlisted operations, chiefly because of a significant deterioration in Middleburg Steel's profit contribution

There are mixed expectations for the other interests. The earthmoving division should report higher earnings, Federated Timbers's contribution is expected to be weaker and things don't look too good for the consumer durables division.

Today's results from Barlows information technology division, TSI are well down on market expectations. Most analysts were expecting to see some increase in earnings Instead, not only are they looking at a 33 percent drop to 17,5c (26,3c) a share, but an additional extraordinary loss of R19,2 million relating to the closure of manufacturing operations.

In difficult trading conditions turnover was down 13,3 percent to R541,8 million (R625 million). Slack demand for mid-range systems, a slow start in the restructured TS Software, continued pressure on micro computer margins and reduced manufacturing activities pushed operating profit down by 39 percent to R40,9 million (R67,2 million).

Sagging economy bodes ill for Barlow Rand performance

Star 21/5/90 (189)

By Ann Crotty

Barlow Rand seems to be having a tough time of it right now, with the ERPM shadow lurking ominously in the background and a series of disappointing interim figures due for release tomorrow.

Analysts, who expect Barlows to report disappointing results, are forecasting a drop in earnings of 10 to 25 percent in some cases

At R38,15 the share is close to its 12-month low of R33 and way off the high of R54,75.

The slide began in March when chief executive Warren Clewlow made a presentation to the Investment Analysts' Society. At that stage he made it clear to the analysts that things would be very tough for the group in financial 1990.

The 1989 annual report had already carried a warning of the difficulties facing the group in 1990, but by end-February the picture had obviously deteriorated even further.

By then it seemed the financial 1990 performance would be severely dented by a substantially lower earnings contribution from Middleburg Steel & Alloys — this division had been the star profit-generator of the group for a number of years.

The extent of the damage suffered on this front will only be known tomorrow.

Figures from the listed subsidiaries were generally down on fairly pedestrian expectations — particularly the two big money spinners Rand Mines and CG Smith.

The latter only managed a three percent increase in attributable earnings.

Romatex and Nampak (both subsidiaries of this division) turned in particularly disappointing contributions and there wasn't much help from the food division

	% Holding	Rm Sales	% Change	Rm Pre-tax Profit	% Change	Rm Att Earnings	% Change
C G Smith	60,0	6 862,6	+ 14,0	509,7	− 0,4	177,5	+ 3
Rand Mines	74,0	755,5	+ 45,0	149,6	+ 3	98,3	− 1
PPC	61,0	358,8	+ 14,8	96,3	+ 18,3	47,0	+ 16
Reunert	79,0	651,4	+ 21,0	41,3	+ 16,0	25,0	+ 32
RIH	84,0	402,7	+ 17,0	24,6	+ 8,0	22,3	+ 15
TSI	30,5	541,8	− 13,3	49,8	− 27,9	26,0	− 33,3
Barprop	80,0	24,3	+ 12,2	9,4	+ 28,2	4,7	+ 10,2

Difficult trading conditions in the base minerals market, a squeeze on coal margins and a substantial increase in interest payments knocked performance at Rand Mines

PPC again succeeded in pipping expectations and managed a slight real increase in earnings

But management there warns of a tough second-half, with an increase in the tax burden and a reduction in interest income adding to the impact of the weakening economy

Reunert reported a very good performance, with strong export earnings more than countering difficult trading conditions

RIH did better than expected in maintaining real earnings

TSI was a major disappointment Nothing very exciting had been expected on this front.

But the 33 percent drop in earnings took most analysts completely by surprise — it is the sort of surprise the market is ill-prepared to cope with.

Barlow Properties' performance was in line with forecasts.

The UK operation, Bibby, did well to post a slight nominal increase in sterling earnings.

The combined effect of performances from the listed subsidiaries is likely to be an increase of around R12 million — from R282 million at the last interim to about R294 million

But this increase is expected to be more than wiped out by the weak results from wholly owned subsidiaries, particularly Middleburg Steel

This is a major change on previous years when the wholly owned subsidiaries provided a massive boost to the strong earnings reported by the listed operations

Earthmoving equipment is on line to report a nominal increase Consuler electric products will struggle to hold last year's earnings.

The overall effect will be a drop of about 10 percent in earnings for Barlows at the interim

Looking to the full year figures, things are even bleaker, with one analyst forecasting a fall in earnings of around 25 percent.

As Barlows represents something of a microcosm of the economy, this forecast should not surprise too many investors because it is in line with the generally grim outlook for the economy and world commodity prices.

Adding to the bearish sentiment is the ongoing ERPM saga, which is not reflecting well on management as it struggles to find a long-term solution for the ailing gold mine

On a brighter note, long-term investors in Barlows are showing good real returns.

There's more bad news to come from Barlows

Star 22/5/90 (189)

By Ann Crotty

In view of the current grim state and short-term prospects of the local economy and international commodity markets, it looks as though full-year earnings for the Barlow Rand group could be down by 13 to 15 percent.

(This is allowing for the increased financing costs of following the Rand Mines' rights issue)

Figures released today show that in the six months to March, attributable earnings were down 8,8 percent to R404,1 million (R443 million) — equivalent to 218,4c (240,8c) a share.

An unchanged interim dividend of 51c a share has been declared.

Things were difficult across the board for Barlows but, unlike previous years when wholly owned subsidiaries were much more than the cherry on the top for Barlows shareholders, this time around the greatest damage was suffered by wholly owned interests.

Far from kicking in with major contributions, their combined impact on Barlows interim figures was to convert a slight nominal increase in earnings into a significant drop.

Middleburg Steel & Alloys (MSA), which for the past few years has benefited considerably from strong world ferro-alloy demand and strong international commodity prices, suffered a 45 percent drop in taxed income in the first half

This meant that a contribution at taxed-profit level of R92 million in the first half of financial '89 was down to R50 million in the review period, which is particularly galling because as a wholly owned subsidiary all the taxed profit that is earned by MSA goes to Barlows' bottom line.

	% Change (interim)	Taxed Profit Rm (Star forecast) 1989	'90	% Change (year)
MINING & MINERAL BEN.				
PPC	+15,7	102,4	107,0	+5,0
Rand Mines	+3,0	276,9	276,9	0
MSA	−45,0	−216,0	25,0	−90,0
INDUSTRY				
TSI	−33,3	86,7	69,4	−20,0
R1H	+15,0	48,2	51,0	+5,0
Reunert	+20,0	82,4	90,6	+10,0
Unlisted	−13,0	223,0	190,0	−15,0
C G SMITH	−2,0	667,6	667,6	0,0
International	—	104,0	104,0	0,0
		1 807,2	1 581,5	−12,5

Unlisted industrials (this category includes earthmoving equipment, motor, appliances, building materials, steel and paint) turned in a disappointing performance, with overall taxed profit down 13 percent from R84 million to R73 million.

The other serious casualty in the camp was listed TSI, which reported a 33,3 percent drop in taxed profits.

Otherwise the listed subsidiaries turned in performances that varied from pedestrian to reasonable, with Reunert and PPC something of stars because of their 20 and 16 percent (respectively) hike in earnings

(It is a sign of the much tougher times that nominal 16 and 20 percent increases are now considered good performances)

But it seems that the really bad news for Barlows has yet to come.

Second-half performance at MSA is expected to be significantly weaker than in the first half and could result in that subsidiary reporting a taxed profit of only R25 million for the full year.

At this stage, analysts' most optimistic expectations for MSA's full-year taxed profit is around R50 million.

With R50 million already under its belt at the half-way stage, a full-year profit of R25 million-R50 million implies that the second half will report something between a R25 million loss and a break-even situation.

This in turn means that MSA's taxed profit of R216 million in financial '89 will be reduced to nothing or, at best, R25 million in financial '90.

Barlows' deputy chairman Derek Cooper says the weaker performance by MSA is attriutable to three factors the sharp drop in the dollar price of ferro-alloys — from an average of 82c a pound in financial '89 to 47c in '90; a drop in demand for stainless steel in the international market, a relatively stable rand meant that the rate of increase in rand proceeds was not in line with the rate of increase in MSA's costs

MSA's first-half performance was helped by a back-log of orders which have now been worked out of the system.

With the fall-off in world demand, there is no similar backlog to support second half activity.

To make up for the loss of earnings from MSA, all of Barlows other subsidiaries would have to turn in a combined increase of least 20 percent — and earnings would then only be unchanged, there would be no overall increase.

The weakness of the local economy means that no such comfort can be found for Barlows

(Forecasts in the table are based on an assessment of the prospects referred to by the directors at the release of the interim results, as well as analysts' forecasts for specific industry performances and the economy in general)

Klipton in R10-m deal

Sow 13/6/90

Finance Staff

Klipton has acquired 100 percent of Access & Mobility group for R10,5 million.

The purchase price will be paid in a mix of cash and shares Two million new Klipton shares (an increase of 27 percent) issued to the vendors have been placed with a number of institutions at 300c a share Yesterday Klipton was trading at 295c.

The use of shares means that despite the acquisition, gearing will remain below the group's self-imposed limit of 50 percent

KLIPTON FM 15/6/90

Runging the changes

Klipton, regularly in the JSE's new-highs list of late, has made its largest acquisition to date by acquiring the privately owned ladder-maker, Access & Mobility Group The purchase not only increases Klipton's size substantially, but also enhances its growth capacity by bringing in additional institutional investors and a cash generator

Joint chairman Robin Matthews says AMG provided Klipton with a good opportunity to meet its objectives of increasing critical mass, becoming a major player in industrial niche markets, growing through acquisition while maintaining dividends and boosting its cash position for further growth

Klipton, one of the few 1987 listings which have consistently met its profit forecasts, has bought all of AMG for R10,5m of which R6m will be settled by the issue of 2m Klipton shares at their current JSE price of 300c apiece AMG's two operating subsidiaries, Forlezer and Castor & Ladder, are the largest manufacturers and distributors of aluminium and fibreglass ladders and of castors and small wheels (189)

The number of Klipton shares in issue will rise 27%, but joint chairman Robin Matthews says pre-tax profits will increase by about 50% in the 1991 year, so dilution will not be pro rata Management's shareholding will fall to less than 30% Earnings benefits will not arise this year because Castor & Ladder's factory move early this year disrupted operations But, using AMG's fully taxed results for the year to December 1989, AMG would have contributed an additional 13% to Klipton's 1990 earnings

Matthews says AMG's net worth is conservatively estimated at R6m and that the R4,5m goodwill element in the purchase price will be written off below the line this year That, in turn, will cut Klipton's own net worth by about 13%

FM 15/6/90 (189)

Even after the acquisition, Klipton remains conservatively financed with a debt equity of about 35% At the half-year, a heavy cash disbursement period, debt equity was 40% and Matthews says that since then, the company has been a net cash generator and its cash flow remains strong In addition, AMG "has generated enormous cash flows over the last few years and every growing group needs one or two cash cows"

Klipton's cash flush position will allow it to stay on the acquisition trail In August 1989, it purchased Austin Safes for R6,3m for cash and 0,95m shares at 200c

Pam Baskind

Numsa to make crucial decisions this weekend

W/E Argus 23/6/90 189

By DICK USHER
Business Staff

CRUCIAL decisions affecting about 600 000 workers in four industrial sectors will be taken at a major union conference this weekend

The National Union of Metalworkers (Numsa) second national bargaining conference in Johannesburg will deliberate progress in four sets of negotiations metal and engineering, tyre and rubber, auto manufacturing and the motor trade

It is a follow-up to February's first national conference which, in a step towards unifying the four sectors in which Numsa is involved, laid down positions and guidelines for this year's negotiations

The vital element emerging from the conference was that the bargaining committee for each sector would no longer have decision-making power on settlements or deadlocks, but these would have to be referred to a further bargaing conference

After last week's sixth round of negotiations in the metal industry, the Steel and Engineering Industries Federation (Seifsa) issued an optimistic statement that "considerable progress" had been made in negotiations

Seifsa said employers' final offer on wages ranged from 15 percent (R1,24 an hour) for artisans to 18 percent (64c an hour) for labourers

In the three other sectors, a Numsa spokesman said some progress had been made on some issues but not on others

While the ultimate drive is towards centralised bargaining around common demands, Numsa's position is that it wants to see satisfactory progress towards those goals this year

The union's key demands include across-the-board increases of at least R2 an hour, a 40-hour working week, a limit on overtime and agreement not to implement the 1988 amendments to the Labour Relations Act

This weekend's conference will hear report-backs from each sector on progress in negotiations and will deliberate further action

Complicating the picture is the government's decision not to go ahead with legislation this year to amend labour legislation in line with the accord reached by the South African Employers' Co-ordinating Committee on Labour Affairs (Saccola) and the two union federations, Cosatu and Nactu

Numsa, a Cosatu affiliate, is the major union involved in all four sectors, although Nactu affiliates such as the Metal and Electrical Workers Union (Mewusa) and the Steel, Engineering and Allied Workers Union (Seawusa) have a significant position in the metal industry talks with the Steel and Engineering Industries Federation (Seifsa)

Parallelling Numsa's position, another Cosatu affiliate recently took decisions on centralised bargaining at a social security conference

The South African Commercial, Catering and Allied Workers Union (Saccawu) considered long-term strategies including industrial councils covering all workers in a sector or centralised bargaining with groups such as Tradegro, Metro and S A Breweries, which controls OK Bazaars, Edgars and Sales House

Ccawusa is presently on strike at OK Bazaars, is in dispute with Checkers and starts talks with Wooltru this weekend

In the medium-term, Ccawusa is to press for the same demands on wages and service conditions to be presented at all negotiations

Another decision taken at the Saccawu conference mirrors a stance by another Cosatu affiliate, the Chemical Workers' Industrial Union (CWIU)

As part of its push for social security, Saccawu decided on a campaign for national provident funds in the commercial and catering sectors

CWIU has for about the past two years been engaged in persuading employers to join the Chemical Industry National Provident Fund and has in recent months run several strikes over the issue

CAPE TIMES 23/6/90

Order on 400 sit-in strikers

(NUMSA) (189)

Supreme Court Reporter

ALMOST 400 striking workers who have placed an Atlantis factory under siege by a sit-in in the canteen have been ordered to vacate the premises by Supreme Court order.

Mr Justice J Foxcroft made the order after an urgent interdict was brought against the National Union of Metalworkers of South Africa and the workers

In papers, Mr Etienne Max Schutte, personnel manager of Grapnel of Atlantis, said the strikers, engaged in wage negotiations, ignored demands for them to vacate the premises or return to work.

Although the strikers' behaviour had been exemplary, it may be necessary to make use of casual labour, which may cause conflict.

Police guard on factory after shooting

ARGUS 25/6/90

By DAVID YUTAR
Staff Reporter

RIOT police were today guarding the closed Atlantis factory where several workers were injured at the weekend when police opened fire with teargas and rubber bullets

The police action was the culmination of a two-month wage dispute at the Grapnel factory in Atlantis

About 400 striking workers had held a sit-in at the factory since Wednesday last week

The police were called after the workers refused to obey a Supreme Court interdict ordering them to leave

BOTTLES

Police today confirmed the shooting and said police were compelled to open fire, first with teargas and then with rubber bullets, when workers had responded to their warning to disperse by attacking with stones and bottles

Five policemen were slighly injured and two police vehicles damaged, according to the spokesman

A spokesman for the workers said they were unable to disperse as police had given only five minutes warning before opening fire

● Unrest report — page 2.

ANC demands inquiry

Cape Times 26/6/90 (189)

Staff Reporter

THE African National Congress and Atlantis community organisations have slammed police action against striking workers in the town at the weekend and yesterday demanded a commission of inquiry into the shootings.

At least 21 people had been injured, union officials said yesterday, adding that two workers were in danger of losing their sight

About 400 workers at Grapnel Silencer Services had been engaged in a sit-in strike since last Tuesday following a wage dispute. Grapnel management secured a court interdict on Friday ordering the workers to vacate the premises.

At a press conference yesterday, National Union of Metalworkers of South Africa (Numsa) shop steward Mr Carl Cloete said police took action against workers early yesterday morning when they were on their way to the Grapnel premises

BIRDSHOT WOUNDS... Mr Desmond Solomons, 23, left, and Mr Dexter Pitso, 25, show the birdshot wounds they suffered during police action in Atlantis at the weekend

Picture BENNY GOOL

● Police said yesterday that on Saturday they had arrested three men after giving the workers at Grapnel six minutes to disperse.

"The crowd became aggressive towards the police," police said, adding that they started throwing bottles and stones at the police

Police then used rubber bullets, and when the crowd continued to throw stones birdshot was used — 15 minutes after the order to disperse was given and not five minutes as a Numsa spokesman said, police said.

According to police information only four workers were injured on Saturday.

Dabi dividend is down to 79c

189

RIAAN SMIT

THE dividend of DAB Investments (Dabi — in which JCI holds a 49,99% stake) has dropped from 108c to an unaudited 79c for the year to June 30, the company said yesterday

The drop is due to an announcement in January by Consolidated Metallurgical Industries (CMI), of which Dabi holds 4,4%, that it would declare interim and final dividends in January and July and no longer in December and June

Dabi will in future show a larger income in the first half of the year than in the second.

The Dabi board said of the 65,5c final dividend a share paid to shareholders in the 1989 financial year, about 30c was derived from the final dividend paid by CMI

BIDAY 26/6/90

If CMI had paid the same final dividend this June as it did last June, Dabi's unaudited results for the year to June 30 would have reflected a 109c total dividend compared with 108c in the previous year

March: Request for cop with 'long fuse'

Cape Times 27/6/90 Staff Reporter

THE Atlantis Industrial Group has asked police to ensure that the officer in charge of law enforcement at today's planned protest march in the area be a good communicator and "not short on the fuse", an executive member of the group said yesterday

Mr Colin du Sart said feedback from employees was that Saturday's police action against striking Grapnel workers — during which several workers were injured by birdshot — was "a bit heavy"

The workers at Grapnel Silencer Services — all members of the National Union of Metalworkers of South Africa (Numsa) — have been involved in a strike since last week Tuesday over a wage dispute

And in another development, a member of the Atlantis Management Committee, Mr Freddie Brandreth, resigned from the committee on Monday night in protest against the police shootings on Saturday.

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Star 11/7/90

R10-m storage expansion

In a R10 million expansion, the Romatex group's Island View Storage is increasing the capacity of its Witwatersrand tank farm at Isando by 160 per cent

The bulk-liquid storage company acquired Total Oil's Isando tank farm near Johannesburg early in 1989 to provide its PWV customers with a close-to-hand terminal affording them strategic holdings and flexibility of distribution.

During the latter half of 1989, the tank farm was converted and modified to provide 9 000 cubic metres of tankage for bulk liquid chemicals and vegetable oils. It opened for business early in 1990.—Sapa.

significantly higher than in the country's major trading partners is a further factor making capital in this country uncompetitive."

But even this gloomy story doesn't put off Mintek president Aidan Edwards, the man who popularised the term beneficiation "The mining houses diversified their investments in the late Sixties when the gold price was low. With a sick gold price it makes sense to diversify into other ventures so we could well see comparable developments now"

The biggest of these capital investments will be the joint venture between Highveld Steel and Samancor to build a stainless steel plant which is expected to cost from R2bn to R3bn. It has already secured export markets in Japan

Highveld chairman Les Boyd says: "We've decided that SA has a fundamental advantage over the rest of the world in stainless steel production and we're looking actively at several options"

But McDonald says while the growth of the stainless steel and ferro-alloy industry is rightly seen as an outstanding example of successful beneficiation, it may be an isolated example "It's argued that we should set up a jewellery industry — but we need trained craftsmen brought up in a tradition of making jewellery before we can compete with a major producer like Italy

"The more added value, the more difficult it is to compete with existing manufacturers. We can sell stainless steel all over the world but can we sell stainless steel coffee pots? Any industrialist who's making a major capital project geared entirely towards exports at this time is highly courageous"

McDonald adds that the main problem here isn't the lack of capital equipment but its under-use In a Seifsa survey, 26% of the sample of 766 companies worked one shift only, a further 25% one shift plus two hours' overtime and just 6% a full three shifts (see **chart**) Government has argued that it won't penalise the purchase of capex, provided existing plant and machinery is used to its full potential Whenever the clothing industry has sought an exemption of duty on its surcharges Pretoria has said the industry should rather go on to a three-shift system

The most important reason for this was the lack of technicians This was even more important than lack of demand for the product.

There are a few signs, though, that SA won't have to rely as much on what it digs from the ground for exports in the future Sasol is spending R1,2bn on six new chemical projects, which will "save" the country R400m a year in foreign exchange. The projects will make Sasol a significant exporter of candle wax, ammonia and paraffin

An n-butanol plant will be in production in January 1992, which will be a world scale sized plant with a cost structure that's competitive with other plants in the world It will produce 17 500 t and the local market is only 4 000 t so the plant will be heavily export orientated

Another big spender, which certainly has an eye on exports, especially to Africa, is the motor industry Its capital spending gets higher and higher, even in years when vehicle sales decline Capex in the industry — nearly R385m last year — is expected to exceed R500m this year

Much of this is accounted for by import replacement needed under the new local content regulations What this high level of spending will do to car prices is, of course, another story

Even the electronics industry, which is expecting a significant knock after 1995 when the Post Office ends its preferential agreements with local suppliers, is investing in capital equipment with an eye on exports

Altech director Keith Crosby says: "Altech has long-term plans for technological development and growth Short-term downturns in the economy do not effect capital expenditure Advanced technology is required in order to produce reliable hi-tech goods at competitive prices"

The more farsighted companies are continuing to invest at least in the upgrading of plant, especially those which know that as protection is removed they'll have to compete with the best in the world.

For instance, though sales in the textile industry have declined by 14%-15%, Da Gama Textiles is pressing ahead with plans to spend R34m a year on capital expenditure. CE Harry Pearce says, "We decided it was better to keep going as it was time to modernise But we wouldn't look at a major expansion at this stage and we aren't expanding our spinning operation at all"

A more pessimistic view is held by Frame chairman Mervyn King. The group has made cautious capex plans because of the present climate "We're told that our industry could expand on the back of an export boom from the clothing industry — but can we compete with the East and their work ethic, especially with the present state of labour relations in SA?

"There are enough maladies caused by the weak rand, but government has made it worse by import surcharges It's also very difficult to plan ahead when at any moment a trade agreement with Turkey or Hungary or Czechoslovakia could be signed and cheap imports could flood the market What is government's present industrial policy?"

He argues "First, government should level the uneven playing fields in SA caused by the different tax structures and subsidies in the homeland areas SA industrialists actually subsidise their competitors in the homelands

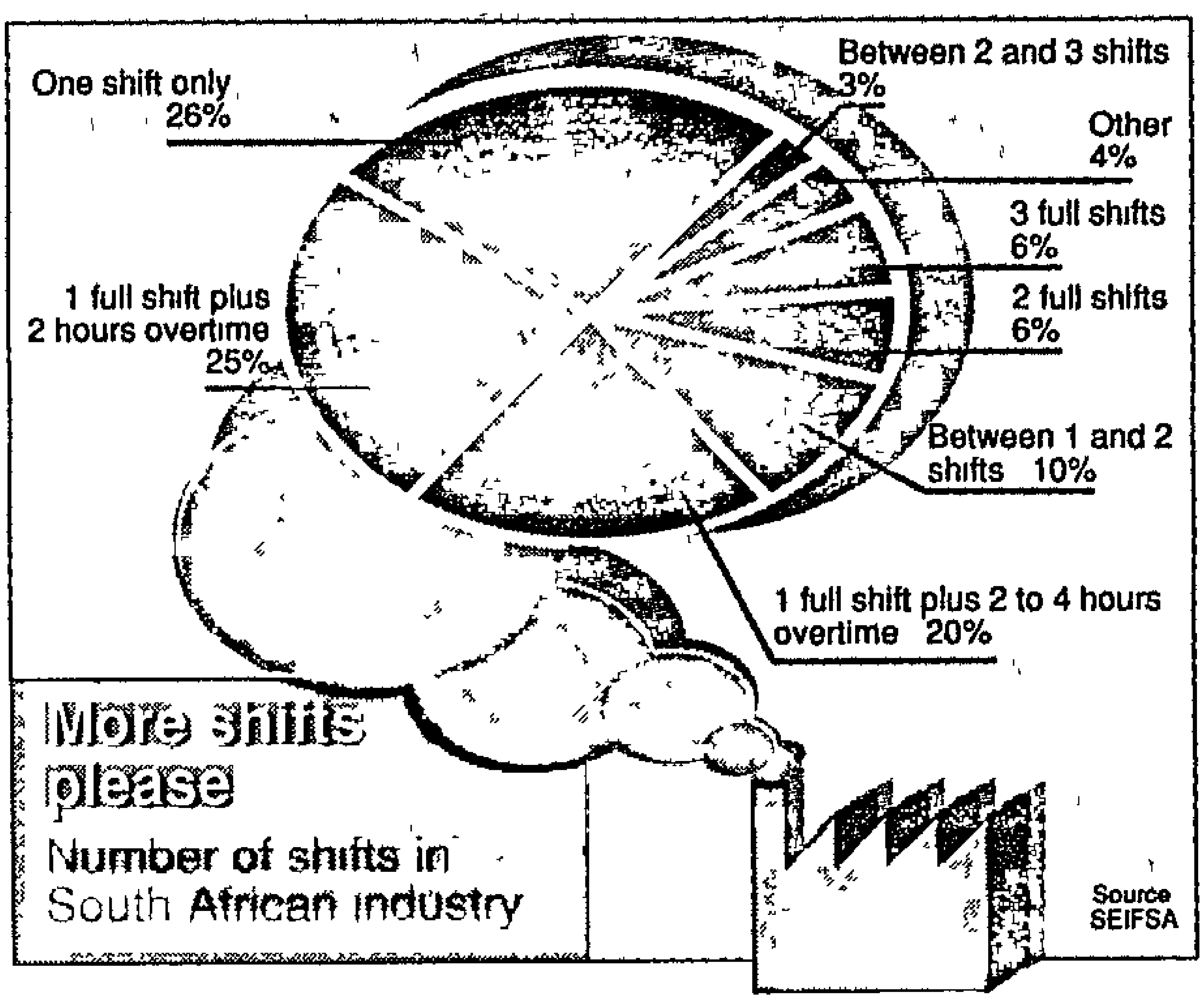
"Secondly, it should get together with industry and set the timetable and action plan for the next 10 years to enable industrialists to do some long-term planning, such as improving our skills and productivity levels to enable us to become global players

"One minute we've got a structural adjustment programme for textiles, then we hear it's been removed or has it? It's pure Alice in Wonderland"

Under the new industrial policy, inefficient industries will — or at least should — be treated as lame ducks According to Sacob deputy director-general Ron Haywood. "Industrialists will have to accept that we won't go on making everything in this country Import substitution is now yesterday's policy and in future only the identified sunrise industries will be encouraged"

Every industry likes to give itself the sunrise tag, even established industries like clothing and textiles claim it And a sunrise industry in the rest of the world like electronics would have a quick sunset here without protection

Haywood adds: "Obvious manufacturing opportunities have been missed in the past.



More shifts please
Number of shifts in South African industry

FM 20/7/90 (189) (180)

Frame's King ... planning ahead is a tricky business

We are only just starting to make stainless steel exhausts"

McDonald concedes that government priorities have shifted from large engineering projects — such as Mossgas — and this will hurt the engineering industry in the short term "Spending will shift towards housing, education and health But in any case industrialists have learnt that they can't rely on the consistency of industrial policy"

For instance, Dorbyl was encouraged to set up a rolling stock plant — but then government changed its mind and cut back on rolling stock purchases It was also encouraged to build a seamless tube plant for Mossgas but, unless export markets are developed, this too could become redundant as there won't be any more synfuel plants

From now on, maybe SA can spend on capital projects for the same reason as everyone else in the world — to make products that make money, without a subsidy ■

Sacob's Haywood ... substitution is yesterday's policy

Labour action looms for metal workers

ASS 20/7/90 189

By SHARON SOROUR
Labour Reporter, and Sapa

WHILE health workers have joined almost 40 000 employees on strike in various industries nationwide, labour action is looming in the metal industry following a deadlock in annual wage negotiations.

Annual wage negotiations in the metal industry ground to a halt yesterday and there was "a very real possibility" of strike action after attempts to solve a wage dispute between the Steel and Engineering Industries Federation (Seifsa) and the National Union of Metalworkers of South Africa (Numsa) and other unions.

According to Seifsa executive director Mr Brian Angus Numsa, which represents 115 000 workers, the federation rejected an amended wage offer of a 15,5 to 19 percent increase and intends holding a strike ballot to test the response of workers, who are demanding a 56 percent across-the-board increase.

The Food and Allied Workers' Union (Fawu) remains locked in two disputes. In Cape Town about 150 Enterprise Bakery workers are threatening to strike after the union turned down management's R30 a week wage offer of . Workers are demanding R35.

Chaplate Industries in Johannesburg, a Cadbury subsidiary, is threatening to retrench workers after a wage dispute with Fawu. The company is refusing to increase the wages of 800 workers to R5 an hour.

About 300 members of the National Education, Health and Allied Workers' Union (Nehawu) went on an illegal strike yesterday at the J G Strijdom Hospital in Johannesburg.

Nehawu spokesman Mr Vuyani Mabaxa said the workers had accused one of the senior employees in charge of the hospital kitchen of an allegedly racist attitude and had complained about their working conditions.

Southern Sun Hotels and the South African Commercial, Catering and Allied Workers' Union (Saccawu) resume mediation today in an attempt to resolve a strike by more than 6 000 workers at 43 hotels nationwide.

Hundreds of domestic workers, members of the South African Domestic Workers' Union, staged a protest march in Johannesburg armed with brooms and dusters. The workers marched to the offices of the Department of Manpower and handed over a list of demands which incuded a minimum monthly wage of R450, a 40-hour week, decent accommodation and maternity leave.

Meanwhile the Western Cape engineering industry continues to be plagued by industrial action, including wildcat strikes followed by nearly 400 dismissals.

Still out

Earlier this week hundreds of workers staged illegal work stoppages at the Gabriel SA plant in Retreat, Grapnel Exhaust Systems in Atlantis, Shelco Shelving near D F Malan Airport and SA Metal & Machinery in Salt River and Epping Industria.

More than 100 workers are still on strike at the Steeldale plant in Epping Industria, while workers fired from the Gabriel plant are protesting against their "unfair dismissal".

Numsa plan to hold ballot is confirmed

(189)

MATTHEW CURTIN

THE Steel and Engineering Industries Federation of SA (Seifsa) yesterday received official confirmation from the Industrial Council of the National Union of Metal Workers (Numsa) decision to hold a strike ballot from Monday, said Seifsa spokesman Hendrik van den Heever. B/Day 26/7/90

Numsa rejected Seifsa's revised final wage offer, where a half percentage point increase in employers' provident fund contributions was converted to an extra 0,5% pay increase

Van den Heever said the 14 other trade unions had still to respond to the offer as they were consulting their members. They had undertaken to advise the council of membership reaction by Wednesday.

In a statement last week after the Dispute Resolution Committee deadlocked, Seifsa executive director Brian Angus said some of the unions "seemed willing" to reach a settlement.

Numsa has not altered its original demand for a R2 an hour across-the-board increase, 56% up on the lowest rates The last Seifsa offer amounts to 19% and 15,5% increases for labourers and artisans respectively

Numsa revised its original demand for a 40-hour week to a phased reduction from 45 hours to 44 hours, followed by a timetable for further reductions. Seifsa has made no offer to reduce normal hours of work from 45 hours

Deadlock in Paarl strike action

2/8/90

By SHARON SOROUR
Labour Reporter

ABOUT 195 striking workers at Satchwell Controls are still locked out of the Paarl South plant after a deadlock in annual wage negotiations.

Steel, Engineering and Allied Workers' Union spokesman Mr Peter Roman said the company was awarded an interim interdict on Friday restraining workers from entering the premises, damaging property, interferring with other workers or security guards

The union has proposed mediation to resolve the strike but has condemned the company for allegedly calling in police to monitor the industrial action

"Police confirmed the company called them in even though Satchwell assured the union they had not," Mr Roman said "We condemn this because the strike is legal and we see it as bad faith bargaining as there was no violence and it is a ploy to get workers to accept management's wage offer"

Union members filed charges at the Paarl police station against Satchwell security guards, accusing them of assaulting employees

The strike action follows a dispute over wage increases and service conditions

The union intially demanded an across-the-board weekly increase of R100 but dropped to R65 Management offered a final increase of R40 on a minimum wage of R173

Other issues to be debated included annual, sick and maternity leave, long-service allowance, annual bonus and public holidays

Cape Times 7/8/90

Most Mossgass workers back

MOST of the 9 000 Mossgas onshore refinery workers who stopped work for four days in a wildcat strike, resumed their duties yesterday, Mossgas spokeswoman Ms Denise Gee said The return-to-work follows two days of negotiations between 22 contractors and a 17-member employee team led by the National Union of Metalworkers

T & N results dismal, with no relief in sight

B/Day 15/8/90

(189)

LIZ ROUSE

TURNER & NEWALL Holdings' (T & N's) attributable profits slumped 75% in the six months to end-June because of extremely tight trading conditions for all its divisions.

A highly competitive market had the effect of reducing volumes, and put pressure on margins

Earnings plummeted to 9,6c a share from the 1989 half-year's 38,6c, and the interim dividend has been cut by 65% to 3,8c (11c) The prognosis for the second half of the year is also dismal

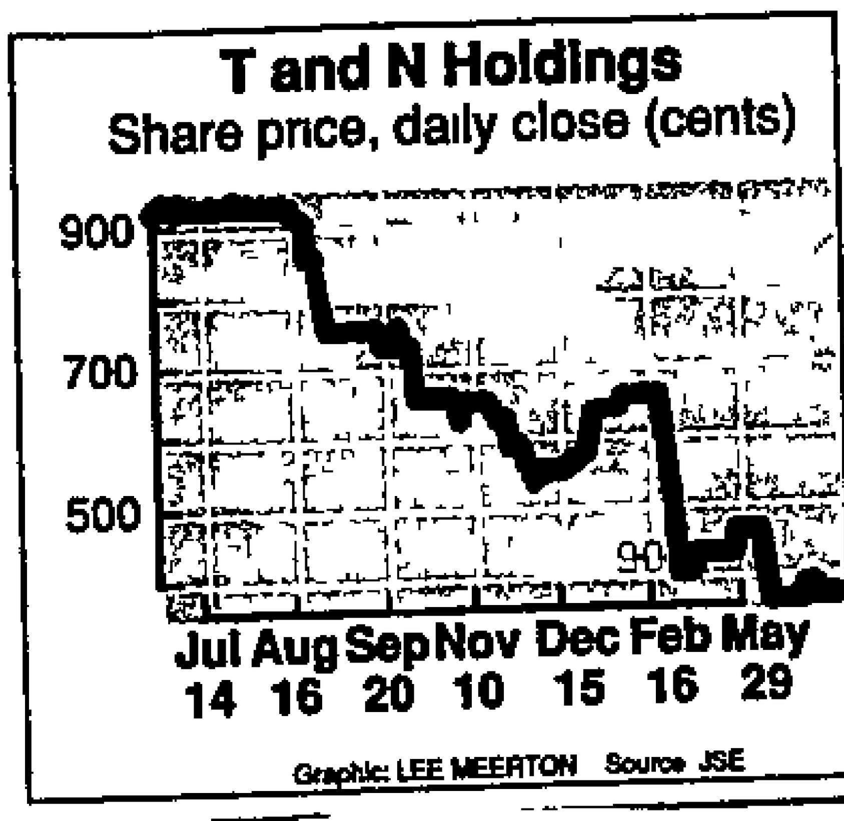
Turnover rose only 4% to R197,3m (R189,8m), reflecting a retrogression in real terms, while attributable profits declined to R2,2m (R8,9m)

Increased finance charges of R10,2m, up 62% on the previous R6,3m, added to the group's woes A lower tax charge of R800 000 (R4,2m) had minimal impact on the bottom line

CE Matthys Pretorius said the downturn in the economy and in particular in the automotive industry was reflected in the results.

The results of automotive subsidiary Asseng showed a 36% drop in trading profit, while the T & N group decline was only marginally lower at 35%

Ferodo, Belaco-Beral and Asseng all suffered from a reduction in demand The radiator and heat exchanger companies were down on original equipment supply in line with the trend in new car sales



However, Silverton Services, the aftermarket supplier and repairer, suffered a greater degree of reduced activity Radiator imports improved

To promote rationalisation and savings, the Belasco-Beral business in the automotive sector was sold for R7m in exchange for a 28% holding in Dancor The benefits would flow once the full programme of rationalisation had been implemented, said Pretorius

On the chemical side, BIP's trading suffered from lower volumes whereas Butakem showed an improvement on last year's results because of better factory efficiencies and reduced raw material costs

Pretorius said the slowdown in the economy had been more severe than foreseen Trading in the second half of the year was expected to be difficult

T & N shares are bumping at a year's bottom of 350c and there were no takers yesterday

Numsa reverses plan to strike

CAPE TIMES 24/8/90

A THREATENED national strike in the engineering industry seemed to be averted yesterday following a recommendation by the National Union of Metalworkers of SA (Numsa) that its members accept revised employer offers

The violence raging through Transvaal townships played a major role in persuading the giant union to reverse its strike plans, Numsa spokesman Mr Bernie Fanaroff said yesterday.

However, workers would first have to be canvassed before final agreement could be reached on a series of revised proposals by the Steel and Engineering Industries Employers' Federation (Seifsa)

Numsa and 13 other trade unions in the sector met Seifsa yesterday in a last-ditch bid to settle wage and other differences

Numsa, with about 140 000 members, and the significantly smaller Metal, Engineering and Allied Workers' Union of SA (Meawusa) were the only trade unions to reject Seifsa's final offer before deadlock was declared in annual negotiations

Yesterday's talks centred on six revised proposals tabled by the employer grouping last Friday

Seifsa is expected to issue a full statement today, followed by Numsa on Monday — Sapa

City march for peace

A NATIONAL day of action has been called for tomorrow to urge President F W De Klerk to end the violence sweeping the country

The local branch of the ANC's Women's League said a morning march, led by the league and organisations including the Black Sash and Cosatu, would start at District Six and end at Tuynhuys where a memorandum would be handed over.

COMPANIES

189

Staff defection listed among causes of Claude Neon's woes

28/8/90 BDay

BOTTOM line earnings at Anglovaal Industries subsidiary Claude Neon plummeted 85% to R451 000 (R3,1m) in the year to end-June

Reduced sales, staffing problems, under-recovery of costs and higher interest rates on increased borrowings were blamed.

This follows a number of years of static profit growth for the group, which is a supplier of advertising signs

Earnings dropped 86% to 7,7c (54,3c) a share The dividend — 24c last year — was passed

Claude Neon directors attributed the decline in sales largely to a number of senior and sales staff having left the company to establish an opposition business

Brian Bain is MD of Claude Neon and David Royston is chairman.

This led to litigation — which was at present sub judice — to enforce certain agreements and protect

MARCIA KLEIN

proprietary rights

Profit before tax and interest fell 41% to R4,3m (R7,4m), and was reduced further to R894 000 (R5,7m) after interest charges Although tax was reduced by 84% to R421 000 (R2,6m), bottom line profits took a 85% knock after preference dividends of R22 000 were paid.

Decline in profit was attributed to reduced sales volumes resulting in substantial under-recovery of costs

● BAIN

Increased working capital, rental contracts and capex were funded by higher borrowings, bringing interest paid to R3,4m (R1,6m)

According to the directors, significant cost savings had been achieved, and sales had improved since year end But a return to acceptable levels of profit would be delayed "until factory loadings improve to levels consistent with cost recoveries"

Arrangements with a commercial bank resulted in an interest rate saving on debt, in an attempt to cut down on operating costs and borrowings, a spokesman for the company said

The spokesman said yesterday a future turnaround to profit would depend very much on the state of the economy, but steps have been taken to restore profit growth

Cape Times 29/8/90 189

Engineering strike called off

ABOUT 40 000 members of the Metal and Engineering Workers' Union of South Africa (Mewusa) have withdrawn from a planned national strike after accepting a final employer offer "under protest", Mewusa general secretary Mr Tommy Oliphant said yesterday

He said union members would call off a strike, but still had reservations on proposals regarding reduced working hours and March 21 as a paid holiday

The union and its much larger counterpart, the National Union of Metalworkers of SA (Numsa), were the only unions to opt for a strike ballot when talks in the engineering sector broke down — Sapa

Safes lock up value for Klipton

S/Times 29/8/90

189

GROWTH in physical security at Klipton has resulted in investment security for shareholders of the industrial holding group

Announcing splendid earnings growth this week, the group's joint chairmen Robin and Nigel Matthews are modestly proud about the way their group is blooming

Starting life on the Development Capital Market in 1987, Klipton has graduated to the main board, and is attracting a profile of shareholders usually identified with better-known companies

Allied

Turnover in the year to June jumped by half to R89-million, and earnings a share were up a quarter at 58,6c With the shares at 285c, the price-earnings ratio is 4,9 By comparison, Malbak's is 4,8 — it has yet to report for the year to August — and Barlows and Amic are both on 6,7 times historic earnings

Klipton is paying a dividend of 19c, up from 15c, and yielding 6,7% The contribution from Austen Safes, bought in the previous year for about R6-million — was high

Klipton is in the market for companies which are either small and complementary to its business, or bigger yet in a field vaguely allied to the existing divisions The most important factor is a respectable gross-profit margin

Nigel Matthews says Klipton stalked Austen for several years because it had earmarked physical security as a growth area Patience was required before the deal was struck last year The purchase of Access & Mobility was suggested to Klipton

Nigel admits that he had never heard of the group, but is delighted to have had first crack at it It was bought for R10,5-million, settled by the issue of shares placed with institutions

The two businesses are aluminium ladder and scaffolding manufacturer Forlezer, and Caster & Ladder Their large client base of more than 4 000, and non-reliance on a single sector made them attractive to Klipton

The instrumentation and valves divisions of the Harvey & Russell company were sold during the year at an extraordinary net loss of R6 000 Nigel says it is important to realise that the capital can be better employed elsewhere if underperforming divisions are sold

Goodwill

"It is important not to become emotionally attached to a business," he says

Several achievement targets were outlined in the group's prospectus and they have been met on all fronts Initially, 75% of the products were imported, now down to 35% Robin Matthews says that although SA sourcing is not as important as it was because of sanctions, it insulates the group against currency factors

Brothers ROB (seated) and NIGEL MATTHEWS

There is still room for manoeuvre regarding the balance of the imports If it becomes cheaper to buy them here, Klipton will switch, and vice versa

Robin says that if the businesses themselves are sound, they will generate a strong cash flow

The quality of the earnings is much higher, and returns on capital and shareholders' funds are respectively 55% and 40%

The conservative balance sheet (goodwill written off immediately) has already been improved, and Klipton will continue to work on it Gearing is 34%

Nigel says nothing will be bought if it means straining the balance sheet

At listing, about two-thirds of the business was in mining supplies It is now below 10%

The group has been reorganised on a managerial level now that it falls into two broad classes Nigel will chair the safety and security division, under which come Austen and Gardwell protective clothing and equipment

Founders

Robin will oversee the industrial operations under a heading yet to be decided on It will comprise Forlezer, Caster & Ladder and Sapco, which deals in pneumatic, welding and lifting equipment

Klipton has had two institutional shareholders since it was listed, each with 15% The two did not want to be diluted when shares were issued for Access & Mobility, and took proportional amounts Two new institutions also came aboard for shares

More than 70% is held by the big boys, the founders and staff The brothers Matthews jointly own 25%

"We do not have any hang-ups about a controlling stake," says Nigel "If we do a bad job, we deserve to be taken over and would probably welcome it But while we are doing a good job we are confident of the current backing "

Tight margins lead to Unihold earnings drop

B Day 29/8/90

(189)

MARIETTE DU PLESSIS

SQUEEZED operating margins saw industrial group Unihold posting an earnings loss of 18,7% to 11,2c (13,3) a share for the six months to June 1990.

Contributing factors were a higher tax charge of 43% (35%) and a 5,4% increase in issued ordinary share capital to R29,7m from R28m last year.

Attributable earnings fell to R3,6m (R3,8m) while an interim dividend of 4,5c (4c) was declared

Turnover increased by 22% to R89,6m (R73m) but difficult trading conditions, industrial unrest and delays in completion of new production facilities resulted in pressure on operating margins.

Operating margins contracted to 11% from 11,6%.

Commenting on the results, chairman James Haslam said Unihold, whose core activities were within the engineering, foundry and electrical industries, continued to invest in improved and expanded manufacturing facilities.

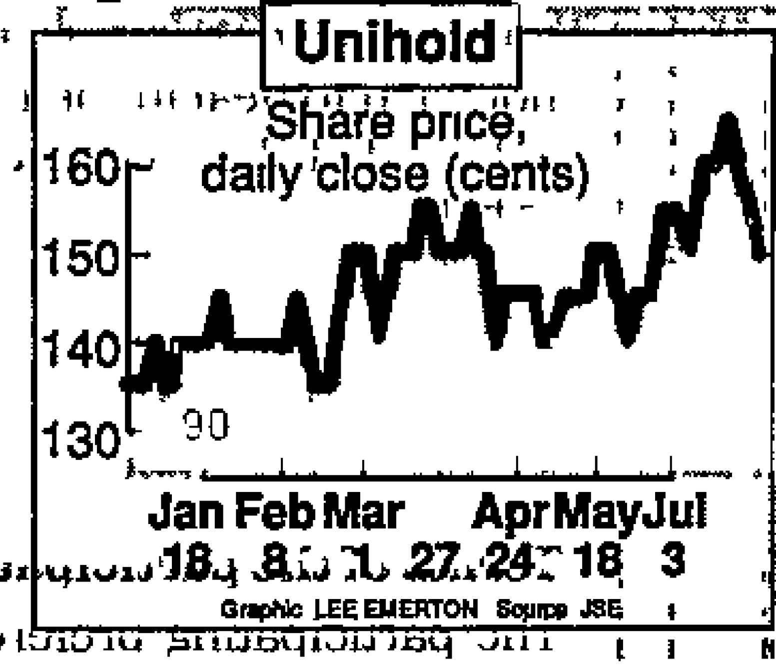
This, together with higher capital commitments and the prevailing high interest rate, resulted in a large increase in interest charges and long-term borrowings on the balance sheet by about R6m to R15m (R9m).

U-Control, the pyramid holding company of Unihold, which was listed on the JSE in April, reported an interim dividend and earnings of 2,25c a share for the same period

Haslam said comparative figures could not be applied for the six months to end June in view of the change in status of U-Control from a private to a public company in February.

The company's only investment presently is its 76,8% interest in the ordinary share capital and its 91,8% interest in the 15% automatically convertible debentures of Unihold.

Unihold's share price closed unchanged at 150c yesterday.



Star 30/8/90 (189)

Rembrandt dividends

Interim dividends for the four listed companies in the Rembrandt group were announced yesterday

Dividends for ordinary shares are

Rembrandt Group 10,5c.

Rembrandt Controlling Investments 7,78c

Technical Investment Corporation 6,82c

Technical and Industrial Investments 7,23c

Market quick to mark up M&R

Star 31/8/90

(189)

By Ann Crotty

It seems that not everybody was surprised by the sterling results reported by industrial group, Murray & Roberts Yesterday, ahead of the release of the financial '90 figures, the share firmed 175c to a close of R21,25

The 27 percent advance in earnings to 542c (426c) a share, was ahead of most expectations A final dividend of 92c a share was declared bringing the total for the year to 132c a share — 20 percent up on the previous year's 110c

At the half-way stage — helped by an excellent performance from its construction division — M&R posted a sterling 35 percent hike in earnings. Analysts had felt that the slow down in the economy would be sufficiently sharp to pull the full year improvement back to around 20 percent But for the fourth year in succession M&R managed to get ahead of market expectations

The result is that the group has now achieved a convincing turnaround from the financial '86 loss of 55c a share. And it has not been at the expense of the balance sheet. Year-end gearing was a comfortable 25 percent and the group had surplus cash resources of R167 million

On yesterday's price of R21,25 M&R is on an historic price/earnings rating of 3,9 times and a dividend yield of 6,2 percent Which means that yesterday's price increase compensated for the increase in earnings and dividend and leaves the market's p/e and dividend yield unchanged on Wednesday's levels

Which reflects a fairly mean rating for a group that has produced solid figures for four consecutive years. It is no doubt a measure of the market's unforgiving view of the losses suffered in the early Eighties and also its concern about prospects for the construction and engineering sectors

During the review period turnover increased 17 pecent to R4 billion (R3,4 billion). Operating profit before interest rose 36 percent to R300,9 million from a restated R221 million (restated to take account of the changed management structure of the group). The actual figure reported for '89 was R216 million.

The group's industrial division accounted for 32,3 percent of operating profit — down sharply from the previous year's 64 percent. On the back of an excellent year, the construction division's contribution shot up to 31,7 percent (18,8); supplies and services was down to 22,2 percent (27), engineering was slightly up at 7,8 percent (6,5) and, properties rose to 5,9 percent (3,6).

Management is looking for real dividend growth for financial '91 which, given the sharp increase in ordinary shares (due to conversion of debentures) points to good earnings growth — assuming no significant change in dividend cover.

MD suspended over bugging, says union

Star 31/8/90 (189)

By Brendan Templeton

The managing director and two senior employees have been suspended at Nampak's Rosslyn plant in Pretoria after a listening device, linking a trade union office with the MD's office, was discovered by workers earlier this month, union sources said yesterday.

Confrontation between workers and management over the issue burst into the open again at three Nampak plants this week.

About 500 workers at Nampak Corrugated, Boxcraft and Transvaal Box held a one-day strike on Wednesday, and demonstrations at 39 plants were held over the past week, the Paper, Printing, Wood and Allied Workers Union said

The union demanded that a company-wide investigation into illegal bugging be launched by management to establish their "bona fide" concern

An investigation was held, but according to the union, it was restricted to the corrugated division of the company

Nampak said in reply that a smear campaign of misinformation was being waged against the company and it was shocked and dismayed by the union's allegations, "particularly in view of productive meetings we held with them on the matter."

All documents on the bugging issue had been made available to the union's lawyers.

The union also claimed to have in its possession reports by trained informants who were given specific instructions to spy on union activities

Fraser Alexander group maintains good growth

(189)

BDay 6/9/90

RIAAN SMIT

MATERIALS handling group Fraser Alexander has sustained its steady growth since 1986 with a 24,4% increase in attributable income for the year ended June

Chairman Peter Flack said yesterday the group had done well in trading conditions which had become progressively more difficult during the year because of the downturn in the economy

The mining, mining services, bulk material handling divisions and the pipe business within the concrete products division performed well and were primarily responsible for the reported results

The group's attributable income over the past five years increased steadily from R3,6m in 1986 to R5,3m in 1987, R8,2m in 1988, R16,4m in 1989 and R20,4m for the 1990 financial year

The dividend kept pace with this growth, rising from 18c a share in 1986 to 21,5c in 1987, 27c in 1988 and 38c in 1989

A final dividend of 32c a share was declared yesterday to bring the total for the year to 46c

Dividend cover increased from 2,1 times in 1986 to 3,6 for the year under review

Fraser's turnover rose 22% from R176,5m to R215,1m

Holding company Fralex announced it had achieved a 22% increase in attributable income to R14,8m, generating earnings of 91,8c a share

A final dividend of 18c a share made the total for the year 26c (21c)

Fralex is 39% owned by the Rembrandt Group, which also had a 72,9% interest in Fraser Alexander

Control was exercised by agreement between the Daly family, which had a 35% stake in Fralex and management, which held 18,5%

Flack attributed the group's performance mainly to the fact that it operated in niche markets in which it had big market shares

"We provide essential products and services in essential industries," he said

Another factor was the high productivity achieved by a stable workforce

Flack said 45% of Fraser's workforce had been with the company for five years or more

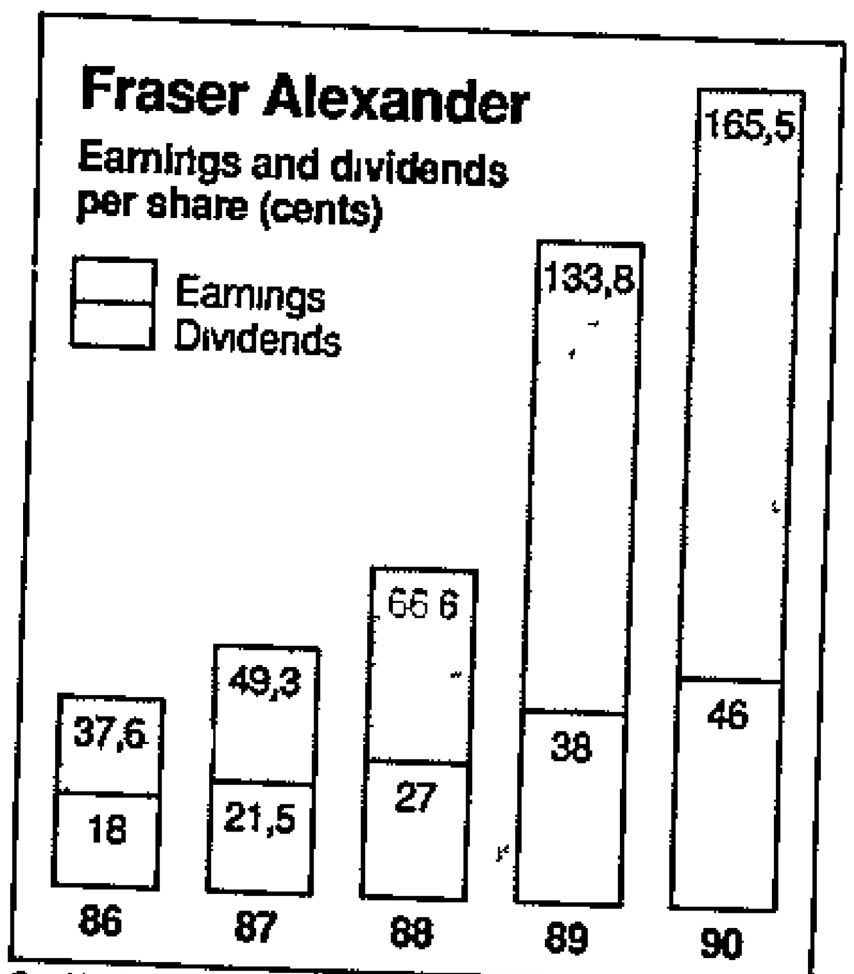
"We also have a very settled management team Senior management has been together for more than 10 years Almost everything they own is in the company"

He said a fourth factor was the group's stable shareholding and its strength in strategic planning

"We have never been in a better position to ride out tough times Given half a decent hand of cards, we will do better

"But in the coming year those companies which merely maintain their performance would be doing well"

Fraser's was looking at three possible acquisitions at the moment, Flack said, but he was adamant the group would not move out of its core business — "certainly not in the coming year", he said



Graphic: FIONA KRISCH Source FRASER ALEXANDER

Noristan lifts earnings 43%

CAPE TIMES 10/9/90

PRETORIA. — Noristan Holdings, the Pretoria-based healthcare group, showed a 43% growth in attributable earnings of R10,5 for the year-ended June.

Turnover was up 54,9% to R97,09m (R62,6m) with profit before taxation increasing by 46,9% to R13,6m

Earnings per share rose 12% to 19,6c (17,5c), after taking into account the issue of "A" ordinary shares for the acquisition of Norimed in June this year

MD Hugo Snyckers said "In view of the long-term benefits which are expected to flow as a results of strategic moves during the year, the results for the period under review are considered satisfactory.

"The pharmaceutical business, which accounts for 60% of turnover, showed good results in spite of difficult trading conditions and continuous pressure on margins

"The consumer products division turned in an excellent performance with profit contributions dramatically increased over last year.

"Excellent progress has also been made with the development and registration of new generic products A number of high-quality products, scheduled for introduction in the coming financial year, are expected to further improve noristan's mix of available products as well as contribute to the increased market share

"The acquisition of 79% of Norimed (formerly Aurochs Investment Co (SA) Ltd) constitutes our initial investment in the broader healthcare industry. Norimed is well positioned to make significant progress in the year ahead

"Our entry into the manufacture and distribution of medical equipment through the acquisition of Crest Healthcare Technology by Norimed in October 1989 was one of the significant moves from which long-term benefits are expected to flow

"The balance sheet remains strong, with cash resources exceeding interest-bearing liabilities "

Noristan is the vehicle for FSI's entry into the pharmaceutical and healthcare markets, in partnership with the Snyckers family, which continues to excercise control of Noristan

"With a sound management and financial structure, the group is now able to actively investigate and take advantage of opportunities in the broad healthcare market," said Snyckers

"Given reasonably stable trading conditions, and before allowing for deployment of liquid funds in deposit, the directors expect the earnings will show satisfactory growth in the year ending June 30, 1991."

Dividends of 6c a share will be paid to ordinary shareholders

A final dividend of 6,8c a share will be paid to "A" ordinary shareholders making a total dividend for the year of 13,2c.

After having paid the dividend for this year, Noristan will revert to its policy of paying dividends covered on average three times by earnings — Sapa

Mining show set to pull in 500 000

Star 12/9/90

By Frank Jeans

As the international community warms to the new South Africa, this year's Electra Mining exhibition is expected to be the biggest crowd-puller since it was first held 26 years ago

Opening at the National Exhibition Centre (Nasrec), south of Johannesburg, on September 19, the show, which is claimed now to be the second-largest of its kind in the world, will have nearly 500 exhibitors and mining and industrial equipment valued at more than R400 million

Specialised Exhibitions (SE), organisers of Electra Mining, reports a last-minute rush by people wanting to take part

RESPONSE

Howard Pell, managing director of SE, says "The great response to this year's Electra Mining indicates the changing world perceptions about South Africa

"Significant interest has come from countries that previously regarded South Africa as a closed book"

● Specialised Exhibitions' other major industrial show, Interbou, which was also held at Nasrec recently, was a success, with an attendance figure of more than 25 000

Anglovaal Industries repeats performance

FM 14/9/90 (189)

By Ann Crotty

Reasonably solid second-half performances from its five business sectors enabled Anglovaal Industries (AVI) to sustain its first-half performance and report a 23 percent hike in attributable profits for the 12 months to end-June

However, the improvement at share level was diluted significantly by the increase in shares in issue after the June '89 restructuring

The increase in earnings per share was just 12 percent — up from 657c to 733c The dividend is up 12 percent to 135c (120c) a share

Management says trading conditions in the review period were tougher than had originally been expected, with second-half conditions showing a particular deterioration

The business sectors include Grinaker Holdings, Diversified Holdings (textiles and engineering-related companies), National Brands (foods), Irvin & Johnson and Consol.

Group turnover was up 42 percent to R6,5 billion (R4,5 billion), with operating profit up 32 percent to R631 million (R476,9 million)

Income from investments increased 16 percent to R56,4 million (R48,8 million)

Interest payments more than doubled to R100,2 million (R44,8 million), which reduced the advance at pre-tax level to 22 percent — from R480,9 million to R587,2 million

The sharp increase in interest charges is attributed to a higher level of borrowings and higher interest rates. But management says that despite the higher debt, the group's gearing is little changed at 31 (30) percent — reflecting the significant increase in shareholders' funds.

Income from associates was halved to R6,1 million (R12,5 million), due to the disappointing performance by Control Instruments Group

Management says that a provision of R10 million has been made against the carrying value of this investment This is part of the R17 million in extraordinary items which was not taken into account in earnings

Group attributable earnings were R207,8 million (R164,6 million).

Although the group expects to meet exacting challenges in the current financial year, it is planning for a further improvement in earnings

'Undemocratic' white union vote under fire

ARGUS 3/10/90

By SHARON SOROUR
Labour Reporter

THE National Union of Metalworkers of South Africa (Numsa) has proposed voting changes to weaken the influence of white-dominated unions at industrial council level, SA Labour News reports

The union affairs digest said the 130 000-strong union wanted to abolish the present one-union, one-vote system and replace it with a proportional representation system on the National Industrial Council for the Engineering and Metal Industries

The council was the largest in South Africa, comprising 14 unions and the Steel and Engineering Industries' Federation of South Africa (Seifsa) which represented about 70 employer bodies

DISPROPORTIONATE

If the union's demands were met, they would have a ripple effect across the industrial council system, according to the digest

The present voting system gave disproportionate power to the smaller, generally conservative and white-dominated craft unions which occupied most of the seats on the industrial council, the journal said

Numsa national organiser Mr Alistair Smith said Seifsa and all 14 unions had equal representation regardless of their size

He said "This means that when it comes to important decision-making, all it takes is one of the 14 unions to vote with the employers to get a simple majority"

It was an undemocratic process as some of the smaller unions had only three or four thousand members

"We want representation on the basis of membership so that if 50 percent of the trade unions are not in favour of a particular decision, then it cannot be passed," Mr Smith said

Numsa had raised the issue several times "with little success" as the council accepted the proposal "in principle", he added

"We now have an agreement to pursue the discussion and we are hoping to make significant progress"

Cape Times 28/9/90 (189)

Multi-million rand losses from Duros

'A very different creature' emerges

By AUDREY D'ANGELO
Business Editor

MULTI-MILLION rand losses reported by the Duros Group — now in the process of being renamed the Tollgate Holdings Group — for the six months to June 30 stem from decisions taken before the change of control in midyear, new joint chairman Julian Askin said yesterday

"We have stopped all losses and now have a very positive cash flow The company has been turned around and is a very different creature"

Holding company the Duros Group reported a pre-tax loss of R17,8m compared with a profit of R22,7m in the first half of last year The after-tax loss was R15,3m compared with a profit of R16m Losses to ordinary shareholders were R10,1m compared with losses of R7,5m

Non-recurring losses on discontinued operations and the termination of long term contracts were R15,8m Nett losses from the disposal of assets and shares in subsidiaries, discontinued operations, retrenchment costs and assets written down totalled R38,8m

Turnover was R285,1m (R388,6m) and operating income R16,1m (R44,1m) The interest bill was R18,1m (R21,4m) The loss before abnormal items — the disposal of nonperforming assets — was R1,9m

● **Tollgate Holdings** (TGH), holding company for the operating companies, reported an after-tax loss of R14,8m compared with a profit of R23,4m, and a loss to ordinary shareholders of R10,3m compared with earnings of R13,5m in the first half of last year

● **Entercor Holdings** which, under a scheme of arrangement, will be de-listed and become a wholly owned subsidiary of TGH, reported earnings per share of 15,6c (14,6c)

Operating income rose to R4,4m (R3,9m) on a turnover of R44,2m (R59,9m) But an interest bill of R1,3m (R69 000) reduced income to R3,1m (R3,9m)

Chairman Mervyn Key and director G C O'Leary say that although the operating results are "pleasing and in line with expectations" the disposal of "the nonperforming cycling, public relations and advertising divisions" has resulted in an extraordinary loss of R6,1m

● **Gants Holdings** report an operating profit of R738 000 (R14,8m) on a turnover of R67, (R129,2m) The interest bill was R4,1m (R9,2m)

The loss to ordinary shareholders was R3,4m compared with attributable earnings of R5,5m This translates to a loss of 5,7c a share compared with a profit of 9,2c

However, comparisons are misleading because results for the first half of last year included those of the agricultural machinery division, subsequently sold to North's Industries

The directors say that unfavourable local trading conditions affected results The effect was exacerbated by aggressive discounting and dumping of excess stock by competitors, and industrial action against major retail customers

They expect the market "and, in particular, price levels" to improve in the last quarter.

"Management has now addressed the area of operating efficiency, which will also give rise to improved financial performance in the future, and greater emphasis will be directed to those products which are able to be exported

"In addition, certain other strategies are being considered to increase performance"

● **Crendell Investment Corporation** — formerly Arwa — is now a cash shell with R42m It is about to acquire Duros' insurance interests

● **The assets of North's Industries** have been sold to Chmarnic (Pty) in a management buy-out for R12m Under a scheme of arrangement the cash shell will become a wholly owned subsidiary of TGH

Ruthless disposal of of company 'dogs'

Business Editor

THE new controlling shareholders of the Tollgate Group (TGH) have had to be "absolutely ruthless" in disposing of non-performing assets and reducing debt, joint chairman Julian Askin said in an interview yesterday

He said that by Christmas they would have had six months in which to "tidy up the mess At the beginning of the year we hope to have a company that is extremely profitable"

The "tidying up" has included the disposal of all the bus companies except that in Cape Town, which is profitable

Askin said this could result in improvements in the local transport services since management would now be free to give all their attention to these "instead of having to deal with all the 'dogs' they had in the company"

Some of the buses from the companies which had been disposed of had been kept for use in Cape Town

The loss-making bus-building company had been closed down The group's employees had been reduced from 19 000 people to 12 000

Other companies disposed of, including Entercor's cycle division, had been sold to their managements

Askin, who is based in London, said he intended to spend a large part of the year in Cape Town attending to the group The results for the first half of the year "do not present a happy picture, but those days are gone"

He said he intended to build up a strong base in SA before expanding operations in the UK.

He hoped to make an acquisition in the UK within the next six months "But I don't want to start on overseas activities until we have straightened things out here

"I do not want people to regard this as a rand hedge share to be bought for speculative reasons The group is a very good base I don't intend to sit on our SA assets and not make them work."

He was optimistic about the future for SA This was why he had bought his stake in the group

"You have to buy at the right time If I had waited for things in this country to improve it would have been too late"

Askin said the disposals and a R45m rights issue had reduced group debt by 53% from R374m to R176m "Of these borrowings, some R120m reflects the group's investment in, and the consolidated borrowings of, Gant's"

Nampak ordered to pay court costs

Star 28/9/90

By Cathy Stagg

Nampak Products Ltd should not have brought an urgent application for repayment of R2,3 million which was allegedly obtained fraudulently, because it should have expected a "massive dispute fact", a Rand Supreme Court judge ruled yesterday

Mr Justice P J Streicher said three men, accused by Nampak of fraud, had replied to the allegations and had therefore incurred "substantial unnecessary costs which they should not have to pay no matter whether they were honest or dishonest".

He ordered Nampak to pay their costs.

Give evidence

The dispute is to go to trial in the ordinary way Both sides will give evidence instead of attempting to resolve the matter on papers, as is done in motion proceedings

The urgent application first came to court on July 2

The respondents were Corrugating Machinery Services CC (CMS), A H Barker, a Nampak director and Nampak managers R L Webb and G Germanis

● A strike by more than 3 500 workers at Nampak outlets over their demand for centralised bargaining has spread to 27 factories in the Transvaal, Natal and the western Cape, a union spokesman said yesterday

Workers are demanding a single bargaining forum for wages and working conditions

Management said yesterday they believed the interests of employers and employees were best served by plant-level bargaining

Scharrig on target to beat forecast

Star 28/9/90 (189) (338)

By Derek Tommey

Earth-moving and open-cast mining operator Scharrighuisen, reports earnings of 17,9c for the six months to June and 34,8c for the 12 months to June, and expects to beat its profit forecast of 45,3c for the 18 months ending December, its directors report A 5c dividend has been declared making 10c for the 12 months ended June

Police act to disperse strikers

Star 4/10/90

189

By Brendan Templeton

Tension between Nampak management and workers hotted up yesterday when police used teargas and rubber bullets to disperse strikers gathered outside the company's Polyfoil plant in Nancefield

The Printing, Paper, Wood and Allied Workers' Union said several workers were injured, but this was denied by Soweto police liaison officer Colonel Tienie Halgryn

The union has gone on strike at 29 plants nationwide, demanding that Nampak submit to its call for centralised bargaining. The firm has refused to do this

Nancefield strikers were fired when they ignored a court order to return to work

MASTERBORE FM 5/10/90

OFF COURSE

(189)

Activities: *Exploration, geographical, horizontal and water well drilling, micro tunnelling and pump and irrigational installation*

Control: *Directors 37%*

Chairman: *W H P P Rawson, MD W J Davies*

Capital structure: *13,5m ords Market capitalisation. R2,7m*

Share market: *Price: 30c Yields 17,3% on earnings, p e ratio, 5,8 12-month high, 115c, low, 20c Trading volume last quarter, 2,14m shares*

Year to Feb 28	'88	'89	'90
ST debt (Rm)	0,14	8,4	9,6
LT debt (Rm)	0,22	2,1	1,8
Debt equity ratio	n/a	0,95	1,20
Shareholders interest	0,54	0,41	0,31
Int & leasing cover	115,1	2,38	1,22
Return on cap (%)	23,4	9,9	9,6
Turnover (Rm)	17,0	27,7	38,5
Pre-int profit (Rm)	3,3	2,6	2,9
Pre-int margin (%)	19,6	9,6	7,5
Earnings (c)	24,6	16,6	5,2
Dividends (c)	13	5	—
Net worth (c)	71,3	73,8	64,1

Masterbore says its strategy has always been to achieve technical excellence and leadership in each of its operating subsidiaries Unfortunately, the same has not been achieved in the financial and administrative spheres That contributed to dismal 1990 results

Chairman Peter Rawson concedes "Much of our management emphasis has centred on technical and operational aspects and has not always been complemented by the necessary administrative skills in the subsidiaries "

Turnover growth of 39% over the past year and a tenfold increase, since 1985, strained management and financial resources The first nine months were encouraging, according to Rawson, but then matters deteriorated rapidly The major subsidiary, Universal HS Drillers, experienced technical problems with excessive wear and collapse of drill rods at depth and some expensive redrilling had to be undertaken at the firm's own cost

Many wrong decisions which had been taken earlier also helped buckle the latest figures Masterbore's investment in Prinsloo drilling, "which proved to be a greater drain on capital resources than the most pessimistic assumptions," was sold at year-end, for a R1m loss Irrigation engineering company Masterbore Borehole Engineers stopped operating Its closure costs and the provision for bad debt arising from the failure of a Cape retirement village scheme, was treated as an operating loss of R681 000

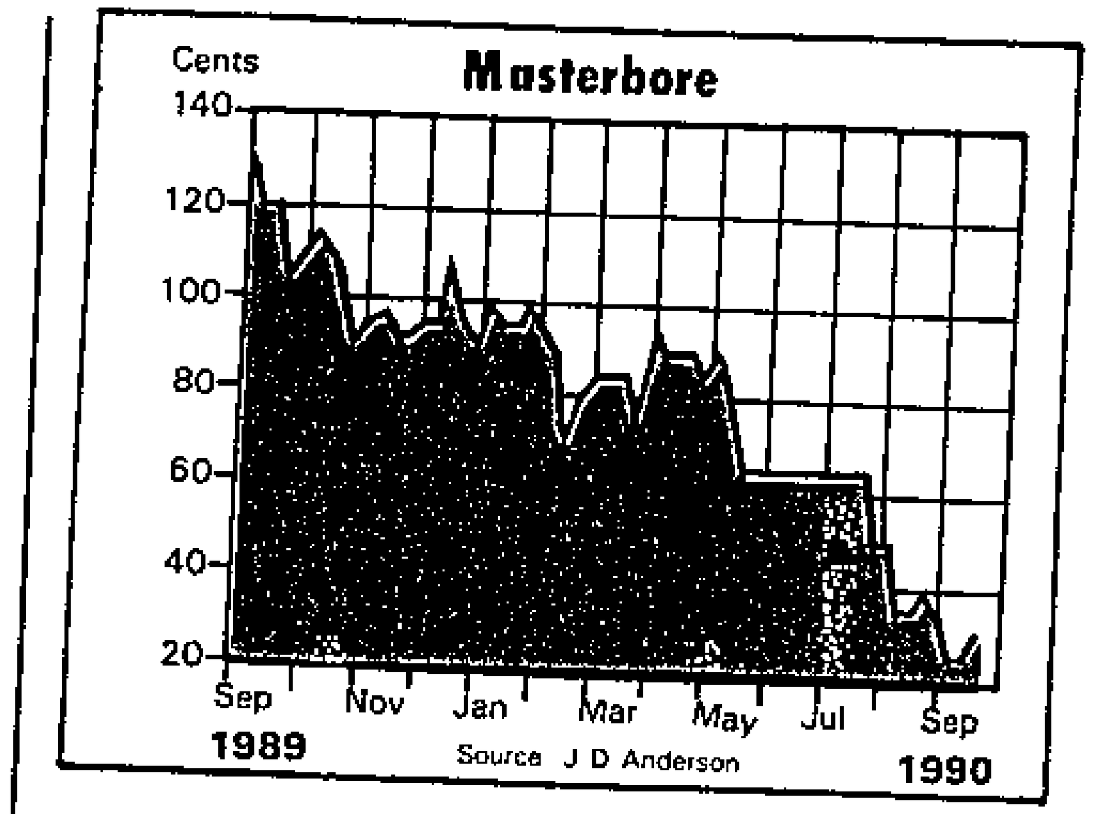
Operating income swung from R352 019 to a R764 807 loss Attributable income remained in the black only because of a R1,3m abnormal item consisting of profit on sale of rigs which have been rented back by subsidiaries, the previous year pre-tax profit was boosted by a R1,2m abnormal profit on the reorganisation of operations

Long-term assets had been financed with short-term money, making the group vulnerable to rising interest rates Steps have been taken towards reducing the interest burden and lengthening the maturity of some loans Since year-end the group decided it would issue 10m variable rate redeemable prefs, the effect on the balance sheet has yet to be clarified

Senior management appointments were made to improve financial reporting and controls However, MD Tony Hobbs resigned in July because "he was not able to reconcile his perception with regard to the future group strategy with that of the other board members " Two other directors also resigned

The share has fallen steadily over the past two years from 240c to 20c, about two-thirds below net worth Near-term prospects remain dull

Gerhard Stabber



M & R hoping to lift dividends

Star 5/10/90 189

By Derek Tommey

Construction and industrial giant, Murray & Roberts, expects to beat inflation with its dividend increases in 1990-91, even though turnover may not grow in real terms

Last year it increased dividends by 20 percent from a 25 percent increase in earnings a share

Murray & Roberts chairman Marinus Daling says the conversion into shares of 7,4 million debentures will increase the issued share capital by 26 percent

This will make it difficult to achieve real growth in earnings per share in 1990-91

"However, further growth in earnings a unit of permanent capital is possible and we certainly expect to increase our dividends in real terms," he says

Chief executive Dave Brink says the company should achieve growth in profits through quality and productivity improvements

The engineering, properties and industrial operating groups are all budgeting to increase their contributions to June 1991.

Construction expects to maintain its large contribution, but supplies and services forecasts a decrease.

The group will be well shielded against high interest rates because of its low gearing, he says.

Birdshot hits six strikers

Star 5/6/90 (189)

Nampak strike tension showed no signs of abating when six Western Cape strikers were hit by police birdshot, a union spokesman said yesterday. The shootings followed police action at Nampak's Nancefield plant earlier in the day.

Cosatu structures would be discussing the strike soon, the Printing, Paper, Wood and Allied Workers' Union said. — Labour Reporter.

Barlow Rand sit-in

Sowetan 5/10/90

Labour Reporter in Ga-Rankuwa

The head offices of Barlow Rand were yesterday occupied by about 50 unionists to highlight an eight-week strike by 600 workers in Brits

The strike is being waged at the Barlow subsidiary African Telephone Cables (ATC) where three National Union of Metalworkers (Numsa) shop stewards were dismissed after workers went home early, apparently to protect their families during the recent violence

But also at stake is a precedent-setting ruling by the industrial court in August that it was unfair to strike where mechanisms to resolve disputes have been offered.

ATC accused the union of breaking a pre-negotiation agreement that it would not follow unprocedural action and would abide by due process. The sit-in placed the settlement in jeopardy and the talks were suspended, ATC said

Cutting costs has become a habit

B'Day 17/10/90

AS SA's economy slows down, companies have been tightening their belts and streamlining their operations

Basil Read has the edge in that it has been looking at cutting costs for the past 10 years.

The group has become highly innovative in providing itself with a cost-saving infrastructure.

From car batteries to truck cabs, from fixing torn seats to developing specialised plant, Basil Read has learnt to stand alone, says director of plant Hector Salzwedel. (189)

"One accumulates ~~the~~ bits and pieces to put together replacements and repair," Salzwedel says.

"Things which cost us in the order of R30m, would cost R220m to replace with new items"

This is special work and requires a fair amount of innovation — playing the used market, looking for bargains, training staff, upgrading and improving.

"We would spend between R8m and R10m a year on new equipment which is now covered by our own production"

Cutting away unnecessary costs included standardising machinery to limit the amount of skills and technicians needed

"Most of our equipment is interchangeable We use the same type of truck, the same kind of earth-moving equipment," Salzwedel says

"When I need a clutch plate on site, I no longer have to worry about which kind it is — or whether we have spares in stock"

Star 17/10/90 189

Demands . . . Nampak shop steward Peter Moeketsi hands a memorandum to Barlow Rand public affairs general manager Ken Ironside.
● Picture by Jacoob Rykliff.

3 000 march on Barlow Rand

In the biggest Cosatu demonstration yet against company practices of the Barlow conglomerate, about 3 000 workers from Barlow Rand-owned companies marched on the company's head office in Sandton yesterday.

Nampak shop steward Peter Moeketsi handed over a memorandum of demands to Barlow Rand public affairs general manager Ken Ironside

Dismissed and striking workers belonging to the National Union of Metalworkers and the Paper, Printing, Wood and Allied Workers Union (Ppwawu) demanded their reinstatement. Mr Ironside refused to open the office gate to workers.

The memorandum included demands that Barlow Rand intervene in the current Nampak strike and ensure that management there negotiate with Ppwawu, the reinstatement of four workers dismissed by African Telephone Cables in Brits, and reinstatement of 415 workers dismissed at Barlow Kew

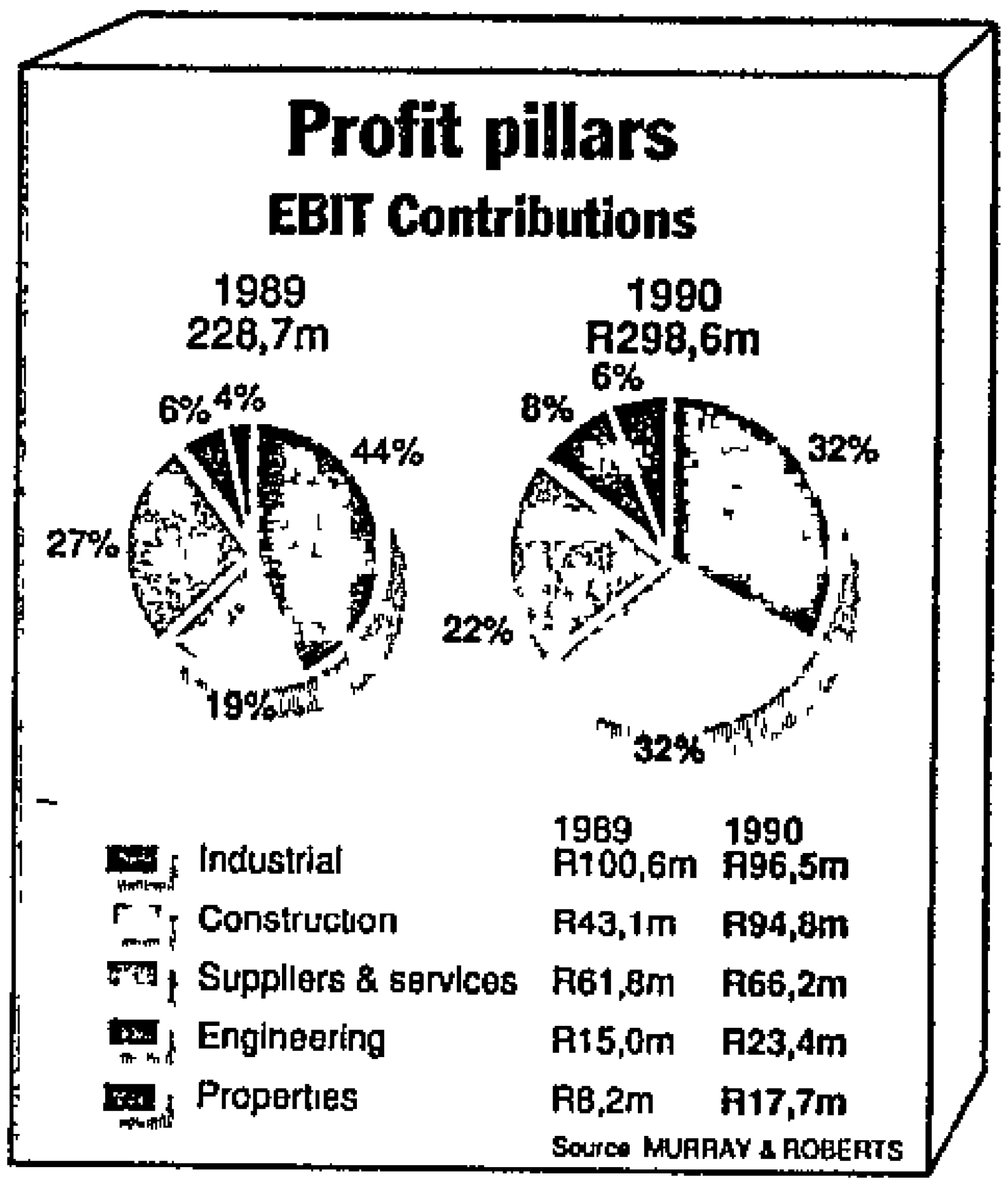
Mr Ironside promised to respond to Cosatu next week

MURRAY & ROBERTS (189) FM 19/10/90

STAYING AHEAD IN TOUGH TIMES

Activities: *Diverse group involved in industrial activities, construction, engineering, supplies and services, and properties*
Control: *Sankorp 36%*
Chairman: *M Daling, CEO D Brink*
Capital structure: *28,5m ords Market capitalisation R628,2m*
Share market: *Price 2 200c Yields 6% on dividend, 24,7% on earnings, p e ratio, 4 1, cover, 4,1 12-month high, 2 625c, low, 1 825c Trading volume last quarter, 393 000 shares*

Year to Jun 30	'87	'88	'89	'90
ST debt (Rm)	60	4,6	4 8	46,3
LT debt (Rm)	48,7	76,4	96,4	101,6
Debt equity ratio	0 49	0,30	—	—
Shareholders' interest	0,36	0,42	0,41	0,41
Int & leasing cover	5,4	5,6	9,7	11,1
Return on cap (%)	11,1	15,8	19,1	20 4
Turnover (Rm)	2 447	3 039	3 445	4 014
Pre-int profit (Rm)	88,3	140,5	221 3	301,0
Pre-int margin (%)	3 6	4,6	6 3	7,5
Earnings (c)	166	303	426	542
Dividends (c)	42	80	110	132
Net worth (c)	786	1 028	1 368	1 710



Conversion of 7,4m debentures on top of a tough economic climate could make it difficult for Murray & Roberts to increase EPS this year CE David Brink is, however, confident that dividends will beat inflation "We may experience negative real growth in turnover but should still achieve growth in attributable profits through organic quality and productivity improvements"

The conversion raises issued equity by 28,5% Last year's earnings would have been diluted by 18,1% after adding back the cost of servicing the debentures Despite this the group should manage 15% dividend growth but at the cost of reducing cover from last year's 4,1 times Stated policy is dividend cover of between 2,5 and 4 times, even with static EPS dividends could beat inflation without taking cover below 2,5

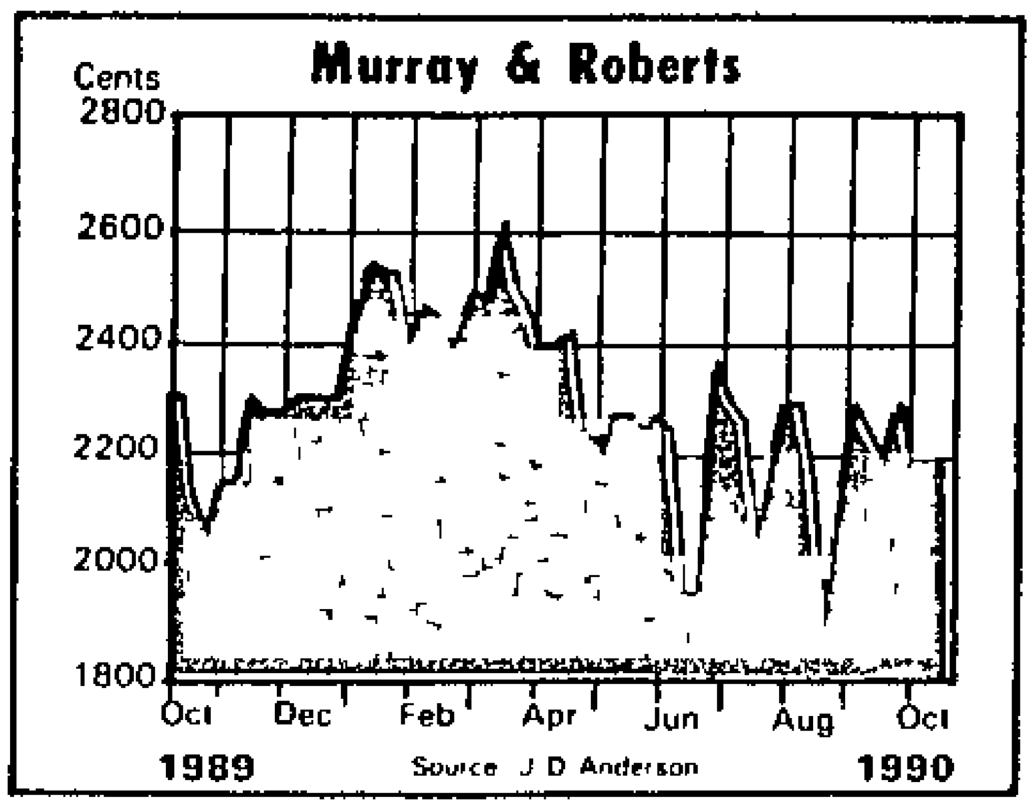
EPS growth of 27% last year surprised the market but would have been less impressive without acquisitions in the industrial division This (just) remained the biggest contributor to operating income Brink says a 4% decline in its profit does not realistically reflect recession in its markets, excluding acquisitions, its profit slumped by about 25%

The second largest contributor was construction, 120% up on the previous year at R94,8m Long-term civil engineering contracts helped to keep trading buoyant Brink says the division has been successful in finding profitable work to replace power station contracts, a feature of the past 25 years

M&R spent R86m on acquisitions last year and still had R167m cash at year-end (R19m net of borrowings) So the balance sheet is healthy and could accommodate substantial takeovers Brink says all operating divisions are pursuing interesting growth opportunities, both organic and through acquisition However, any significant developments will be financed from cash and borrowings, so additional earnings will more or less be nullified in the short run by additional interest charges

Capex will also drain cash this year, with R184m (R155m) budgeted for renewal and expansion of plant and equipment Of significance is M&R Foundries' R20m programme in Port Elizabeth, including the aluminium cylinder head casting facility based on the Cosworth process The plant will come on stream this year Once test proving by overseas parent manufacturers has been completed cylinder heads will be supplied to various SA manufacturers and export opportunities are being investigated Subsidiary Genrec is to erect a R40m machining facility for these cylinder heads

A key feature of the past three years has been the steadily improving operating margin, which Brink says stems from a reduction in wastage and doing things right the first time A refusal simply to chase turnover has also helped He reckons there is still room for improvement in the quality of earnings, and this is addressed in the three-year plan



M&R's Brink *getting things right the first time*

Despite economic slowdown, and though high interest charges may offset additional earnings from acquisitions, M&R should do better than average *Gerhard Stabber*

TRANSUN FM 19/10/90

WILL IT SHINE?

Activities: *Owns and operates the Wild Coast Sun and other gambling outlets in the Transkei*
Control: *Kersaf and ultimately Safren*
Chairman: *K A Rosevear, MD A Chiaranda*
Capital structure: *145m ords Market capitalisation R340,8m*
Share market: *Price 235c Yields 10,9% on dividend, 14,5% earnings PE ratio, 6,9, cover, 1,3 12-month high, 425c, low 190c Trading volume last quarter, 488 000 shares*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	3,5	3,2	—	—
LT debt (Rm)	14 5	38 0	38 4	38 4
Shareholders interest	0 57	0 47	0,47	0,51
Return on cap (%)	27,1	28	30 1	25 9
Turnover (Rm)	81 5	116 7	145	163
Pre-int profit (Rm)	35 8	49 8	62 5	64
Pre-int margin (%)	44	42 7	43	39 2
Earnings (c)	22 8	26 1	31 1	34 1
Dividends (c)	19	20	23 5	25 5
Net worth (c)	51,8	58	67 9	86,3

Fewer day-trippers to the Wild Coast Sun and lower average spending hit results but haven't deterred the group from R100m ex-

Despite loan, Abercom declares a R15,4m loss

189

B|Day 19|10|90

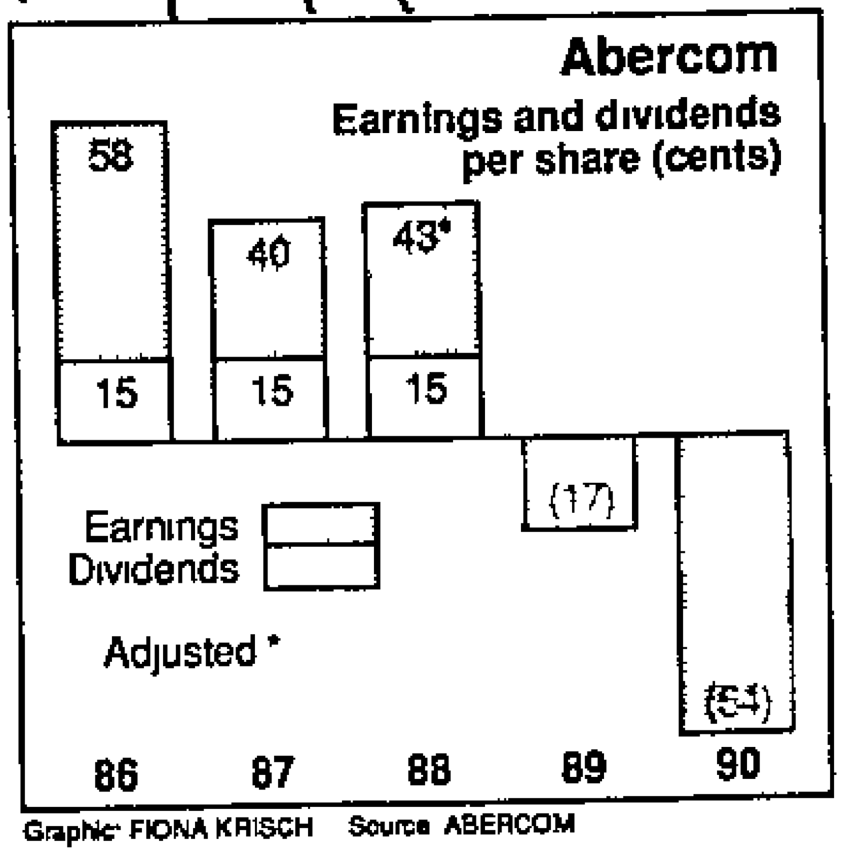
BRENT MELVILLE

ABERCOM, despite receiving a R51m interest-free loan from parent Malbak earlier this year, has declared a R15,5m (R4,4m) loss for the year to end August and issued a warning to shareholders that a rapid turnaround for the group was unlikely

Directors in the group, the sole investment of which is its 86% interest in packaging group MY Holdings through wholly owned Tawneydown, toned down the loss Chairman Ian Willis said it was actually a sign that the recovery process was well under way, in view of the group's R10,6m loss at the interim

Willis, who spent 12 months in the UK setting MY back on the recovery path, said the company should now progressively reduce its losses "A number of corrective actions were taken in the past year which should combine to put the company back on the road to profitability"

Those actions included the appointment of John Monks as CE and John Grainger as chairman elect, both from Norton Oppax plc, and the



Graphic: FIONA KRISCH Source ABERCOM

rationalisation of 27% of the workforce with a subsequent increase in productivity

In addition MY's debt was reduced by R35m and interest charges by R6m with the sale of surplus properties and the consumer goods division (consisting of Dawes Cycles and MY Sports and Games), while stocks were reduced by 18% (not including stocks held in businesses sold)

Total borrowings for the group have been shaved from R133,6m to R83m, reducing gearing to 93% from 209% "However, because interest rates remain high in the UK and we only reduced borrowings towards the end of the financial year, there has not been a marked decline in the interest bill but we should see the benefit of our lower gearing and lower interest rates in the year ahead," said Willis

Malbak's interest free loan had the effect of slashing R8,5m from Tawneydown plc's interest bill, although interest paid for the group rose 40,6% to R19,8m (R14,1m), contributing to a loss before tax of R19,2m (R4,9m) from sales of R233m (R223,4m).

The results come in the wake of assurances made last year by directors that Abercom would be back in the black by the end of this financial year. Willis said endeavours during the past year had been focussed on getting the business into better financial shape and all operations, bar one, are now profitable

"Stocks have been reduced and as the UK economy starts to recover and inflation and interest rates start to decline, so the results from MY will improve," said Willis

Star 23/10/90

Nampak strikers seek European company help

189

By Shareen Singh

As the strike over centralised bargaining by 4 000 workers at Nampak outlets enters it's 35 th day, a Cosatu union has approached several companies in Europe to boycott the company's products

The Paper, Printing, Wood and Allied Workers' Union (Ppwawu) said the action had been taken after repeated attempts to resolve the strike had failed

"Nampak has refused to meet us. Despite our firm commitment to centralised bargaining we are prepared to meet Nampak divisions separately," union spokesman Rob Rees said

Only one Nampak division had met the union

Head office management said Nampak companies were willing to meet Ppwawu, "but meetings so far, for example with Business Forms, had not taken the matter further".

The strike is seen by Cosatu as part of its broad campaign for centralised bargaining

Star 26/10/90 (189)

Fenner boosts profits

The Fenner Group's turnover for the year ended August rose by 19 percent to R209,28 million while net operating profit grew by 22 percent to R24,71 million.

The group reported a 22 percent increase in operating profit which translates into earnings a share of 60,7 cents, an increase of 20 percent.

A total dividend of 20 cents a share has been declared for the year which is 21 percent higher than last year.

Taxation rose in line with pre-tax profits and post-tax income was up by 22 percent at R10,95 million.

Attributable profit was R9,1 million or 26 percent up after deducting extraordinary items in the previous year.

Fenner shares are currently listed at an earnings yield of 22,3 percent and a dividend yield of 7,3 percent which compares with 15,2 percent and 5,6 percent for the engineering sector — Sapa.

— Foreign News Service.

Star 27/10/90

Nampak workers protest

189

About 200 dismissed Nampak workers picketed in Commissioner Street yesterday in protest against their dismissal by the company. This follows a dispute with Nampak, a Barlow Rand subsidiary, declared by Paper, Printing, Wood and Allied Workers Union in August after about 4 000 workers nationwide went on strike — Staff Reporter

Star 31/10/90

Radio strike ends

The strike by more than 100 SABC employees over a "racist" appointment at the Pretoria studios ended yesterday. The Media Workers Association of South Africa said S L du Toit, whose appointment as production organiser on Radio Ndebele had led to the strike on Thursday, had resigned.

Troubles at Nampak give investors pause

Star 31/10/90 (189)

Diagonal Street

Jabulani Sikhakhane

Hit by a strike involving over 20 percent of the workforce and an alleged fraud at one of its divisions, investors are re-thinking Nampak's market rating

From the end of July to mid-October, Nampak's share price fell more than 23 percent from R45,75 to R35, compared with a decline of just over 12 percent in the paper and packaging sector's index

At R35, the market is placing Nampak's P/E at 7,8 and dividend yield at 4,7 percent, compared with 10,1 and 3,6 percent at the end of July.

Nampak's share price has since recovered 200c to R37 where it is trading on a P/E of 8,2 and dividend yield of 4,5 percent.

Nampak's problems started at the beginning of August, when rumours of over-invoicing of equipment sold by an engineering company to the corrugated division started surfacing in the market.

Initial estimates were that R40 million was involved, but this was dismissed by Nampak managing director Don McCartan

He said indications were that no material sums were involved and that the irregularities would probably not affect Nampak's earnings perfomance.

At about the same time, unionists found a bugging device at Nampak's Rosslyn paper and corrugated cardboard plant, which set off a chain of events leading to the current strike by an estimated 5 000 employees (At the end of financial 1989, the Nampak group had a total of 22 627 employees)

Impact

Analysts attribute Nampak's negative re-rating to the alleged fraud at the corrugated cardboard division and the expected impact of the strike

Davis Borkum analyst Gil Catton is now revising his initial forecast of a three percent decline in earnings for the full financial year.

He thinks a fall of five to six percent is more likely

But he adds that Nampak, being a big company, might maintain the dividend. The current Nampak rating in terms of dividend yield appears to back this view

Nampak is currently trading on a dividend yield of 4,5 percent, compared with an average of 4,7 percent for the sector

In contrast, Frankel Kruger Vinderine analyst Teigue Payne forecasts unchanged earnings in financial 1990.

He reckons that the strike won't impact a lot on Nampak's perfomance.

But should the strike continue longer, some of Nampak competitors might benefit in the short term.

The strike started towards the end of August, which means that it only had an impact in one month of financial 1990.

Also, Nampak has contingency plans for a strike situation. In fact, Nampak management reported that the strike-hit Rosslyn paper mill showed record production for September, despite the absence of its shopfloor staff

Mr Payne says Nampak's customers have been de-stocking, while unrest has been an added negative factor. The effect of this on Nampak will be a cut in turnover and depressed margins.

The strike should also see production fall by at least 8 percent, he says

In the six months to end-March, Nampak showed a decline of three percent in attributable earnings to R96,6 million and directors made a forecast that earnings for the full financial year would decline by the same three percent.

The drop in earnings was attributed to lower turnover from the Foodcan and Divpac divisions. Foodcan was hit by significant de-stocking in the food canning industry and retail chains

Also expected to have an impact on Nampak's perfomance is the change in the wear-and-tear allowance from the "50·30 20" formula to a 20 percent straight line per year method

Nampak chairman David Brown told the annual general meeting in January this year that the change was likely to increase Nampak's tax charge by about R10 million, reducing earnings by 21c per share

Overall, analysts think Nampak is on oversold territory and forecast an improved perfomance — depending on when the labour dispute is resolved — in financial 1991

CM-Times 31/10/90

Judgment soon on lock-out of strikers

189

Supreme Court Reporter

JUDGMENT will be handed down in the Supreme Court tomorrow in a lockout dispute between the Metal and Electrical Workers' Union of SA and National Panasonic

This follows an application by the union against National Panasonic (Parow), after 197 of its striking members were locked out of the National Panasonic premises on September 3.

Mr A P Blignault SC, for the union, told the court the lock-out was invalid and unlawful because National Panasonic's reference of the dispute to the Industrial Council was in breach of the Labour Relations Act.

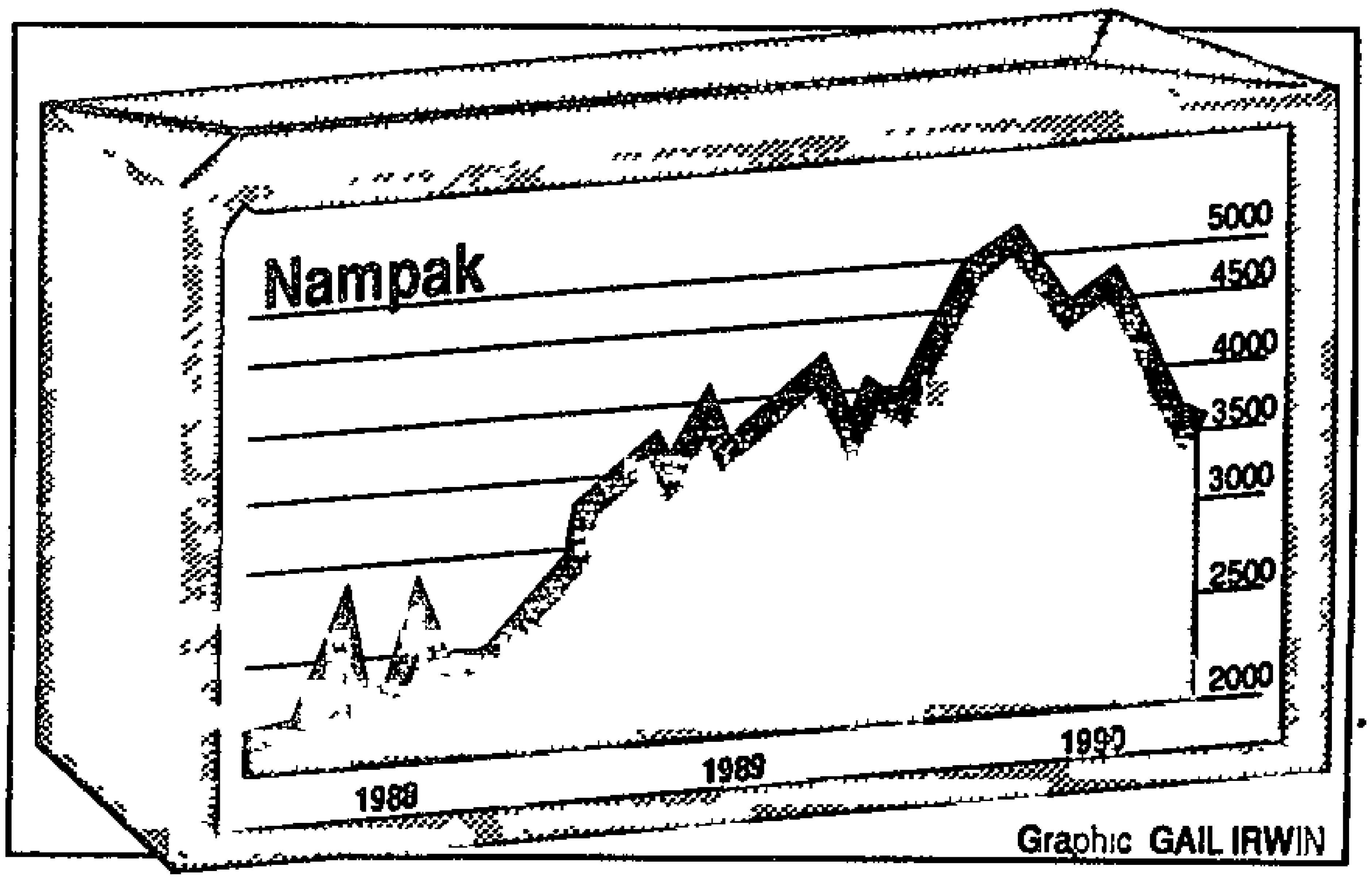
A deadlock had not been reached on the date of the lock-out and further dispute-settling procedures, agreed to between the parties, had not been attempted

National Panasonic contended that the lock-out was legal and raised several technical points in its defence

Mr Justice J H Conradie presided. Mr Blignault was assisted by Mr A Freund and instructed by Bernadt Vukic and Potash Mr Jeremy Gauntlett SC, with Mr Les Rose-Innes, appeared for National Panasonic (Parow)

Nampak has its problems

By Ann Crotty



Graphic GAIL IRWIN

Nampak's eight percent decline in earnings to 422c (458c) a share for the 12 months to September was a little worse than the market had been expecting

There was very little impact from the strike which hit the company in August and has yet to be resolved

The final dividend is unchanged at 98c a share, which means the total payout remains at 166c a share

Given that most of the recent industrial company results have been lower than market expectations, it seems that investors and analysts had not realised the extent of the deterioration in economic activity in the six months to September

By the time that Barlows and SAB have finished reporting their subsidiary results for end-September there will be a far keener appreciation of the extent of the weakness in the economy.

In Nampak's case (as with a number of industrial suppliers) the impact of this weakness has been aggravated by the widespread destocking by customers This is the result of customers' efforts to tighten up working capital management

Nampak MD Mr Don McCartan believes most of the destocking has now worked through the system and that group sales will in future more accurately mirror the level of economic activity

This is the chief reason why management is holding out some hope for an improvement in earnings in financial '91

Mr McCartan says they are budgeting for "some mild stimulation" that will support earnings performance

Looking at financial '90, bottom-line performance was hit badly by the increased tax rate — up from 35 percnet to 42 percent — following the changes in depreciation allowances.

The change added R20 million to Nampak's tax bill — equivalent to about 42c a share

Strong demand at the divisions servicing the beverage sector enabled the group to produce a 14 percent hike in turnover to R3,5 billion (R3,1 billion)

But this overall increase in nominal sales, which represents a one percent drop in sales volume, hides a sharp drop in sales in some divisions — Foodcan and Divpac were both well down on the previous year

A squeeze on operating margins (down from 12,67 percent to 11,67 percent) meant that operating profit was up by just five percent to R410,4 million (R391,7 million)

Again, the Foodcan and Divpac divisions were particularly hard hit, with operating profit down 40 percent at the former and 20 percent at the latter

Group interest payments were up at R69,2 million (R58,4 million)

Pre-tax profit was up three percent to R352,7 million, but the increased tax rate meant a much higher tax bill — up at R148,2 million from R120,1 million

Mr McCartan says the tax rate will gradually increase to around 47 percent.

Attributable earnings were down eight percent to R204,5 million (R222,2 million)

Gearing is down to 37 percent (43 percent), with cash outflows during the year held at R12,1 million, compared with R79,9 million in financial '89.

This improvement represents the benefits of much tighter asset management within Nampak

Referring to the investigation into alleged irregularities in the corrugated container division and the pending litigation, Mr McCartan says "Full provision (of less than R2,5 million) has been made and has had no material effect on group profits"

At this stage, and assuming a resolution of the strike within the next few weeks, Mr McCartan believes the industrial dispute will, at most, only have a minimal effect on earnings in financial '91

CT

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2/11/90

189

Union's plea dismissed

Court Reporter

AN application by the Metal and Electrical Workers' Union of South Africa for an order declaring a lockout by National Panasonic (Parow) illegal, was dismissed in the Supreme Court yesterday.

The court, however, did not rule on the legality or otherwise of the lockout.

Mr Justice J H Conradie said he would give reasons later if necessary.

National Panasonic had contended that the lockout was legal.

Rationalisation shifts Spicer into profit mode

(189) (188) MARCIA KLEIN BDay 6/11/90

DCM-listed group Spicer-Mitchell Holdings (Spicer) has produced a R668 000 turnaround from loss into profit for the six months to August as a result of rationalisation and the completion of unprofitable contracts.

The industrial holding company — whose subsidiaries are involved in construction, engineering, manufacture of chemical products and cleaning services — reported a net profit of R429 000 compared with a loss of R239 000 last time around.

This translated into earnings a share of 7,9c (loss a share 1,3c).

Financial director Peter Wheeler attributed the turnaround to the group's rationalisation over the last year. He said unprofitable contracts have been completed and the group is now involved in ongoing contracts which will continue to be profitable.

The trend over the previous six months would continue for the remainder of the year, he said.

SSS Engineering — "which was a thorn in our side" — had returned to profitability.

During the six months, shares in Edentec and fixed assets were sold, resulting in a profit on extraordinary items of R399 000

Last year's results saw a net loss of R1,5m despite a 66% increase in turnover to R15,5m Earnings fell to 15,2c (5,2c) a share.

A Nampak, ...

Sowetan 8/11/90 (180)

Major bodies pressure Nampak

By Brendan Templeton

Major political bodies are bringing pressure to bear on Nampak and its parent body, Barlow Rand, to accept a union offer to end a seven-week strike at 29 Nampak plants.

An ANC-Cosatu-South African Communist Party (ACS) statement yesterday said it would take "concrete action" if Nampak did not resolve the strike by November 13

About 4 000 members of the Printing, Paper, Wood and Allied Workers Union (Ppwawu) are demanding centralised bargaining rights

The union made an offer to return to work yesterday, but Nampak turned it down, describing the move as "unrealistic"

Instead, it challenged the union in full page advertisements today to submit their dispute to independent arbitration

Metal-industry grants

ARGUS 9/11/90 189

By SHARON SOROUR
Labour Reporter

GRANTS for metal industry employers training apprentices have been increased by 33 percent in a bid to stimulate intake, the Steel and Engineering Industries' Federation of SA (Seifsa) has announced

The increase, with effect from October 1 this year, will entitle employers to be granted payments of up to R14 400 for every apprentice trained to artisan status, said Seifsa executive director Mr Brian Angus.

But he warned that the considerable increase in metal industry apprentices during the past year should not be cause for complacency.

"Many companies have been obliged to work short time as a result of deteriorating economic conditions

"This, and the withdrawal in July 1990 of State tax concessions for training, will no doubt impact negatively on apprentice training," Mr Angus said.

"The grant increase has therefore come at an opportune time"

The grant to employers for an apprentice qualifying by passing a trade test increases from R7 200 to R9 600 while that for an apprentice qualifying by effluxion of time increases from R2 400 to R3 200.

The additional grant for apprentices who complete 24 weeks' institutional training is still R4 800.

Mr Angus said the levy-grant scheme, funded entirely by employers, had operated for more than 20 years and made a "very substantial" contribution to assisting employers with financing apprentice training.

Rand-hedge stocks could be losers if finrand goes

Star 14/11/90 (189)

By Derek Tommey

Johannesburg stockbrokers were undecided last night whether the proposal by the Government to phase out the financial rand would seriously affect the share market

In theory, SA investors holding gold and other financial rand-related shares such as De Beers, Richemont and Barlows could be in for a rough ride in the next 18 months to two years

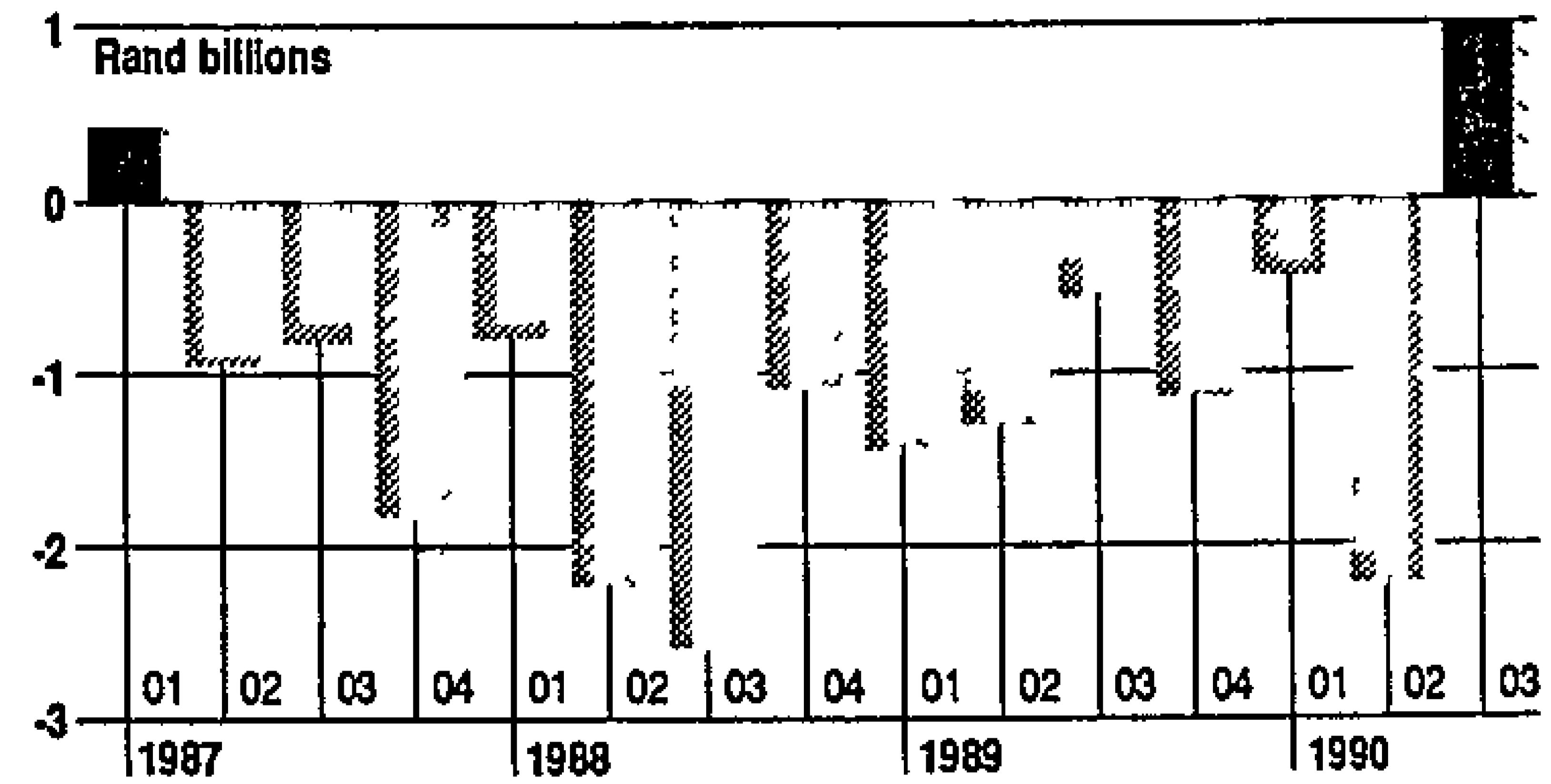
The intention to phase out the financial rand will cause a significant drop in share values — unless there is a foreign-inspired share market boom

Investors in gold and broadly based unit trusts could also be affected

However, there are a number of brokers who believe this will not happen unless investment sentiment overseas towards SA improves significantly

Were this to happen, share prices on the JSE would be more likely to rise than to fall

Governor of the Reserve Bank Dr Chris Stals said in London on Monday it was the Bank's intention to phase out the financial rand when SA was allowed to borrow money again from the International Monetary Fund (IMF)



Positive . . . Inflows of foreign capital turned positive in the third quarter, the first time since 1987.

He gave no schedule for the development, which would depend upon the US Congress withdrawing its direction to the American governor on the IMF board to oppose loans to SA.

But guesstimates are that this could happen anytime in the next six months to two years

The financial rand protects SA investors from price falls in SA shares overseas It keeps up the price of SA shares on the JSE and depresses their prices on foreign exchanges

The financial rand discount to the commercial rand is just below 30 percent This means that SA share prices in London are 30 percent below their SA prices It also means that if the financial rand were abolished by edict, the price of financial rand-related shares could drop by 30 percent

However, some brokers say it cannot happen in this way because the Government could not afford it

Financial rands are created when SA shares held overseas are sold into the Johannesburg market

It would be too expensive for the Reserve Bank to try and mop up these rands with its scarce foreign currency holdings, a broker said yesterday

If the authorities wanted to see the financial rand phased out, it must create conditions leading to an end of foreign selling of SA shares and to foreign buying instead

The need for the financial rand would end and it would simply disappear — without any decline in local share prices

Greater confidence was required to end the financial rand, he said

However, Dr Stals's comments are expected to lead to some reduction in the financial rand discount

In this situation, investors should buy shares which have no London listing, such as Wooltru and Tiger Oats, as their prices would not be affected by a drop in the financial rand discount, said Richard Jesse of the brokers Martin & Co

His firm had been drawing the attention of clients for some time to the possible repercussions of a lower financial rand discount.

But while SA industrial shares offered good protection against a lower financial rand discount, he said most SA industrial shares were tightly held

Should Dr Stals's statement trigger heavy foreign investment in SA industrial shares in the hope of making a financial rand profit, the industrial market would become extremely tight, he said

Dr Stals is no doubt well aware of the need to increase confidence

He made an important contribution to this by announcing in London that in the September quarter SA had experienced its first capital inflow since the first quarter of 1987

The inflow exceeded R1 billion and marked a swing around of R3 billion from the situation in the June quarter It followed a net outflow of R15 billion over the past three years.

Bankers said most of the capital inflow in the September quarter had come in the form of trade credits for financing imports and exports

STAR 20/11/90 (189)

Nampak workers end strike after 2 months

By Shareen Singh

About 4 000 Nampak workers are expected to return to work this week after management and the union signed an agreement ending the eight-week-long national strike

In terms of the agreement worked out by Nampak, Cosatu and the Paper, Printing, Wood and Allied Workers Union, workers would return to work within the next three or four days and management would reinstate most of the 1 000 dismissed workers

But the issue that sparked off the strike — centralised bargaining — was one that the union made a major compromise on The parties agreed that no discussion and negotiations on centralised bargaining would take place for the next nine months

Although workers did not win the demand for centralised bargaining, the strike was not a total loss, union spokesman Rob Rees said

"If anything, it highlighted Cosatu's campaign for centralised bargaining throughout the federation and focused every Cosatu and Nactu union's attention on the Barlow Rand conglomerate," he said

Nampak spokesman Tony Mercer said about R10 million had been lost in wages He could not estimate production losses

Star 21/11/90

JSE suspends Norvic, Osprey and Lanchem

189

By Ann Crotty

Three listed companies were suspended by the JSE yesterday in the interests of investors following alleged foreign exchange irregularities

They are Norvic Manufacturing, Lanchem, and Osprey Gold Mine

These companies have undergone significant reorganisation in recent months but the shares have shown a sharp decline.

Ahead of its suspension Lanchem, now listed on the DCM, was trading at 3c — down from a 12 month high of 70c.

Norvic, which was listed on the DCM in January, was trading at 11c compared with an issue price of 50c

Back in August, control of Osprey switched from Golden Osprey to Garditex International Finance at 10c a share

Garditex subsequently sold on 6,2 million Osprey shares to an unnamed foreign investor and a further 2,3 million were sold to Garditex's own Swiss holding company

Ahead of the suspension Garditex was trading at 26c compared to a 12-month high of 82c

Former Mercabank MD Dr Charles Ferreira is executive chairman of Lanchem and a director of Norvic

The only apparent connection between all three companies was the speculation a few months ago that holdings in Osprey, Lanchem and Norvic might be injected into the Manserv cash shell which was acquired from Colfin in February

A company called Financial Ltd, which is headed by Mr Naas Ferreira, was behind the Manserv acquisition

Mr Ferreira was not available for comment yesterday

Minority shareholders in Manserv, which is already suspended from the JSE, were given an undertaking by Financial Ltd in February that they would be paid out They have yet to receive payment

Star 23/11/90

Safex closes trading floor

189

By Magnus Heystek

The South African Futures Exchange (Safex) has decided to close its troubled R3,4 million floor-trading operation

Safex director Stuart Rees said yesterday a lack of volume and a reluctance on the part of several key players in the futures markets led to this decision

Screens

However, futures trading would continue on screens and it would make no difference to the market

The costs of the attempt to establish a dual-market would be borne by Safex members, Mr Rees said.

Safex, in conjunction with the Bond Market Association (BMA) has been trying unsuccessfully for several months to get major players to use both the screen-trading system as well as the physical futures floor.

Several technological innovations were made to upgrade the communication links between screens and the floor, but the response from members was unsatisfactory

According to Mr Rees, stockbrokers also preferred to deal in futures on screens from the equity market, where they had the advantage of live prices

It is not known what the JSE intends doing with the area in the annexe at present occupied by Safex

Trading income dropped 19 percent from R279 million to R226 million mainly owing to the fall in Anglo American Coal Corporation's (Amcoal) operating profit. This was the result of lower export sales, increased unit working costs and the strengthening of the rand against the US dollar.

... forecast that with the continuing difficult economic conditions, the slow down in demand for exports and a firmer rand, together with reduced profit margins in the gold mining industry, the results for the year ending March 31 1991 are likely to show a similar trend to that recorded for the period under review.

Star 23/11/90

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Reunert chief is cautious

(189)

LIZ ROUSE

THE short-term outlook for the manufacturing sector is not good, making it difficult to forecast an improvement in profit for the forthcoming year, says Reunert chairman Clive Parker in his annual review.

High interest rates are likely to continue, government expenditure is expected not to increase in real terms and internationally the outlook is uncertain.

B|Day 10|12|90

Parker says all Reunert's divisions continue to make headway.

The acquisition of Sandock Austral has added to the group's specialised capabilities in the mechanical engineering field

Reunert's taxed profit rose by 18% to R96,9m (the dividend was raised by 16% to 81c) and turnover increased by 25% to R1,4bn.

B Day 19/12/90

CMI boosts Dabi's profit

(189)

PETER GALLI

MINING investment company DAB Investments (Dabi), a JCI subsidiary, posted a 29% rise in attributable profit to R2,78m (R2,15m) for the six months to end-December

A JCI spokesman said this increase was due to the receipt of Consolidated Metallurgical Industries' (CMI's) final dividend for its 1990 financial year during this period

CMI, in which Dabi has a 4,4% holding, had changed its dividend declaration date to July from June and, as a result, this income was included in Dabi's results to end-December

Income from this source was R0,85m or 18,7c a share higher than for the corresponding period last year

The spokesman said little growth was expected in Dabi's portfolio, with most of the companies at best likely to maintain dividends

IRON, STEEL

+ ENGINEERING

GENERAL
EXPORTS
1990

FM 16/3/90 (189)

BATEMAN FM 16/3/90

Going strong (189)

Excessive secrecy, long a characteristic of E L Bateman, is sadly still reflected in the report for the half-year to December

Since December 1988, when the group hived its two divisions into separate companies, Bateman Industrial (which supplies capital equipment to various industries, particularly mining) and Bateman Project (engineering and project management), with a view to later listing, it's taken a more open approach, even employing PR consultants

But this is not reflected in the interim report, which shows only interest paid, not interest earned As there was about R70m net cash at June year-end, compared with R50m at June 1988, much of the 28% increase in interim earnings could come from interest However, cash balances fluctuate through the year Also, some interest earnings can be seen as part of operating income — some contracts are apparently paid for in advance in return for price rebates

Bateman also always stresses that because of the phasing of some large projects, the relationship between turnover and profits varies between accounting periods Thus, for instance, turnover was 31% lower in the latest half-year

The tax rate more than doubled to 10%, but is unlikely to be any higher for the full year because of strong exports The group claims to be SA's largest exporter of capital equipment Last full year, Bateman Industrial and Batepro contributed 31% and 69% respectively of attributable profit

Executives say the hiving-off and accompanying complex "golden handcuffs" management share scheme concentrated their minds wonderfully This seems to be supported by the latest results Apart from whatever may be happening to interest received, the group is apparently continuing to steam ahead following strong results in the last full year It's also likely that "conservative accounting" at interim stage will mean even stronger growth for the full year

Following lower earnings in the 1987-1988 year, the share hit a nadir of about R17 in mid-1988 Since last year's results, it has risen steeply to R33, where it yields slightly less than the engineering sector average In anticipation of higher growth in full-year earnings, it could go higher *Teigue Payne*

HIGHER STILL

Six months to	Dec 31 '89	Jun 30 '89	Dec 31 '88
Turnover (Rm)	314 4	390 3	453 8
Pre-tax profit (Rm)	8,5	10,7	5,7
Attributable (Rm)	6,9	8,9	5,2
Earnings (c)	254	333	198
Dividends (c)	57	125	45

AMIC

Growth from within

FM 13/4/90 189

Activities: *Diversified industrial group*
Control. *Anglo American 44,9%, De Beers 27%*
Chairman· *W G Boustred, Deputy chairman L Boyd*
Capital structure· *53,9m ords, 1m cum 1st prefs, 3m 12,375% cum red sec prefs Market capitalisation R4,99bn*
Share market· *Price 9 250c Yields 3,8% on dividend, 13,1% on earnings, PE ratio, 7,6, cover, 3,5 12-month high, R112, low, R80 Trading volume last quarter, 211 555 shares*

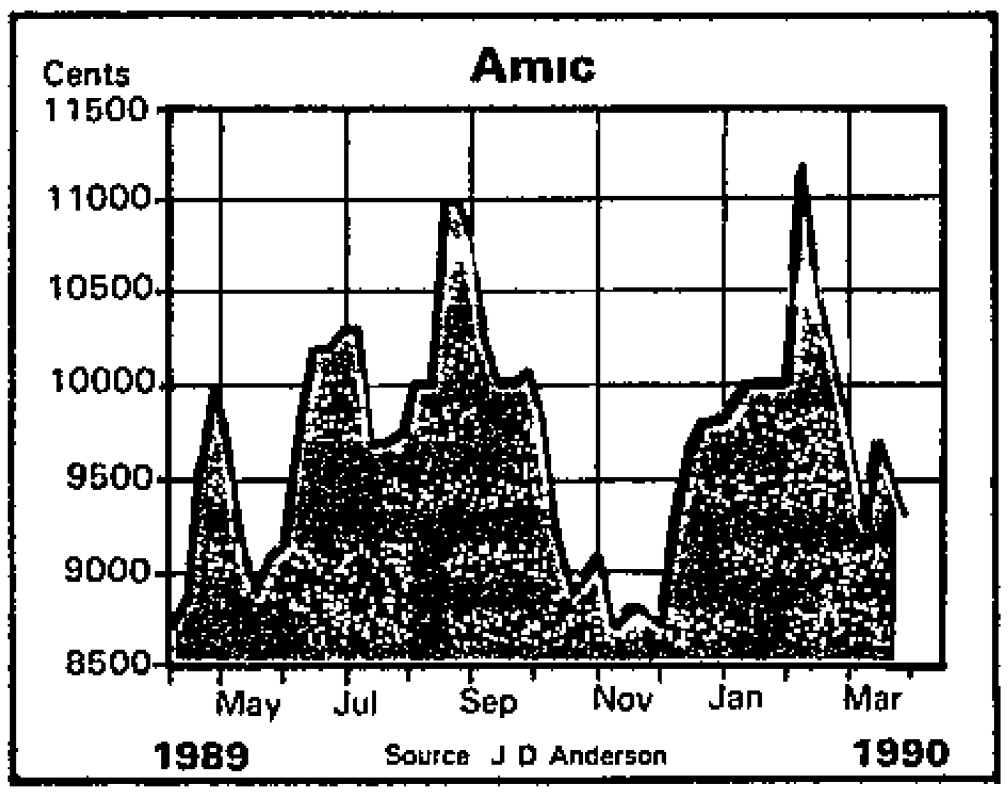
Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	283	191	433	365
LT debt (Rm)	710	344	303	450
Debt equity ratio	0,40	0,30	0,24	0 15
Shareholders' interest	0,64	0,49	0,51	0,49
Int & leasing cover	6,2	8,6	24,9	34,1
Return on cap (%)	11,5	14,9	22,5	23,5
Turnover (bn)	3,14	3,55	4,73	5,78
Operating profit (Rm)	328	399	771	1 057
Investment income (Rm)	169	233	293	355
Pre-int margin (%)	10,5	11,3	16,3	18,3
Earnings (c)	516	673	963	1 211
Dividends (c)	190	225	290	350
Net worth (c)	4 635	4 657	5 874	7 071

Unless business conditions improve sharply, Amic appears to be nearing the end of a growth phase that has seen EPS rise 250% and dividends by 94% over the past four years

Growth has been primarily organic, with few large acquisitions made in recent years, and that approach may remain the basis of expansion The group has maintained hefty capital programmes in major subsidiaries, while strengthening the balance sheet

Export activities have been built up in subsidiaries, particularly Highveld Steel, Mondi Paper, Scaw Metals and Boart Aside from the need to expand capacity and broaden product ranges, chairman Graham Boustred has noted before that exporting tends to involve continuous capital investment simply to maintain quality at competitive levels

A number of capital projects have been nearing completion and authorised capex at end-December was R516m against R683m at the 1988 year-end



Amic's Boustred . . . large spending programmes

Scaw commissioned four projects with a total cost of R67m These comprised the second reduction plant, upgrading of the Morgan mill, the finishing end of the Hille mill and additional heat treatment facilities for the foundry division Modernisation of Scaw's main melt shop is due for completion this year Scaw's earnings rose 24% but the company is facing weaker export prices and an increase in earnings may "prove difficult"

Highveld commissioned the new kiln at Vantra in December and the fifth silicomanganese furnace at Transalloys came on stream in February However, after a year when Hiveld's attributable earnings rose 164% and contributed 25% of Amic's equity earnings (**see table**), a decline is forecast

Mondi has commissioned its R200m BM6 board machine at the Springs mill, which should reach design capacity of 80 000 t/year by mid-1990 The R172m rebuild of the paper division's No 1 paper machine, for completion in the third quarter, is to improve product quality and operating efficiencies and will increase output by some 50% to 120 000 t/year

Mondi's borrowings have risen and that contributed to static earnings For this year the group expects reduced operating margins and higher finance costs, with lower earnings

NTE, the pulpwood and tanning extract producer, has remained a stodgy performer With earnings at R9m (R9m), the return on the R103m equity was only 8,7% and considerably lower earnings are expected

Boart International expects benefits from the recent rally in the gold price, with further improvements from the industrial and geotechnical business

Amic extended its interests in the motor sector with the acquisition in October of 100% of Karl Schmidt, which makes pistons for vehicle manufacturers, the component aftermarket and for export It also holds agencies for various imported components Expansion of the plant is being investigated

Among the managed associates, 19%-held Samcor exceeded its budgeted profit objectives in 1989 and paid its second dividend, in 1990 it will benefit from availability of new products over the full year

In the next five years, "significant investments" may be needed to lift the value of local content and ensure improvements in product quality These will be funded internally

Though Amic's overall spending will ease this year, there are large projects in the pipeline, particularly Highveld's joint venture stainless steel plant, and the pulp mill being considered for Mondi at a likely cost of R1bn

EQUITY EARNINGS (%)

	1988	1989
Highveld Steel	12 2	25,4
AECI	19 4	19,0
Mondi Paper	19,9	15,9
Boart International	18 7	13,3
Scaw Metals	12 1	11,9
Tongaat-Hulett	6,4	6,0
Other	11 3	8,5
Total	100	100

Management is targeting maintained group earnings for 1990 However, Boustred notes that the group determines earnings using the comprehensive method of providing for deferred tax, and a change to the partial method is being considered That could give an additional, once-off boost to EPS

Assuming earnings are maintained, the share offers an historical and prospective yield on the R92,50 price, which is down 17% from the 12-month high The group is sensitive to exchange rates and any renewed weakness in the rand — which is looking more likely — would be bullish

Andrew McNulty

Rand rally puts squeeze on exporters' margins

B/Day 9/8/90

189

ANDREW GILL

THE rand's recent rally against the dollar, and depressed commodity prices on overseas markets have had an adverse effect on exporters, whose margins are suffering as a result

The rand has strengthened by over 3% in two months against the dollar and depressed overseas markets have seen some commodity prices fall by over 50% since their highs in mid-1989

SA Foreign Trade Organisation (Safto) CE Wim Holtes said the rand's appreciation was having a negative effect on all exporters but mainly on primary producers who were not covered by the export incentive scheme.

He said the Reserve Bank had indicated it would attempt to keep the exchange rate at around the R2,60 level, adding that he expected they would keep to that policy

A possible means of counteracting the negative effects of the appreciating rand was to enter the new markets in Eastern Europe, he said

Sappi international GM Rob Hope said the firmer rand made life difficult for exporters although some overseas markets had picked up during the year

He said the rand's appreciation against the dollar had to some extent been balanced out by the weaker position against other currencies like the pound and Deutsche mark

"However the rand is stronger than we would like to see it," he said.

An AECI spokesman said the rand's appreciation against the dollar exacerbated the effects of the depressed internatonal markets

"Some commodities have fallen over 50% since their late-1988 highs and the stronger rand has contributed further to exporters problems," he said

An upturn in the overseas markets was not likely, he said, "but with the Middle East crisis being an unknown, anything can happen"

A Middelburg Steel & Alloys spokesman said the strengthening of the rand aggravated the disparity between domestic and international inflation rates and was hitting exporters' profitability.

→ F|M 19|1|90 (189)

F|M 19|1|90 (189) 4

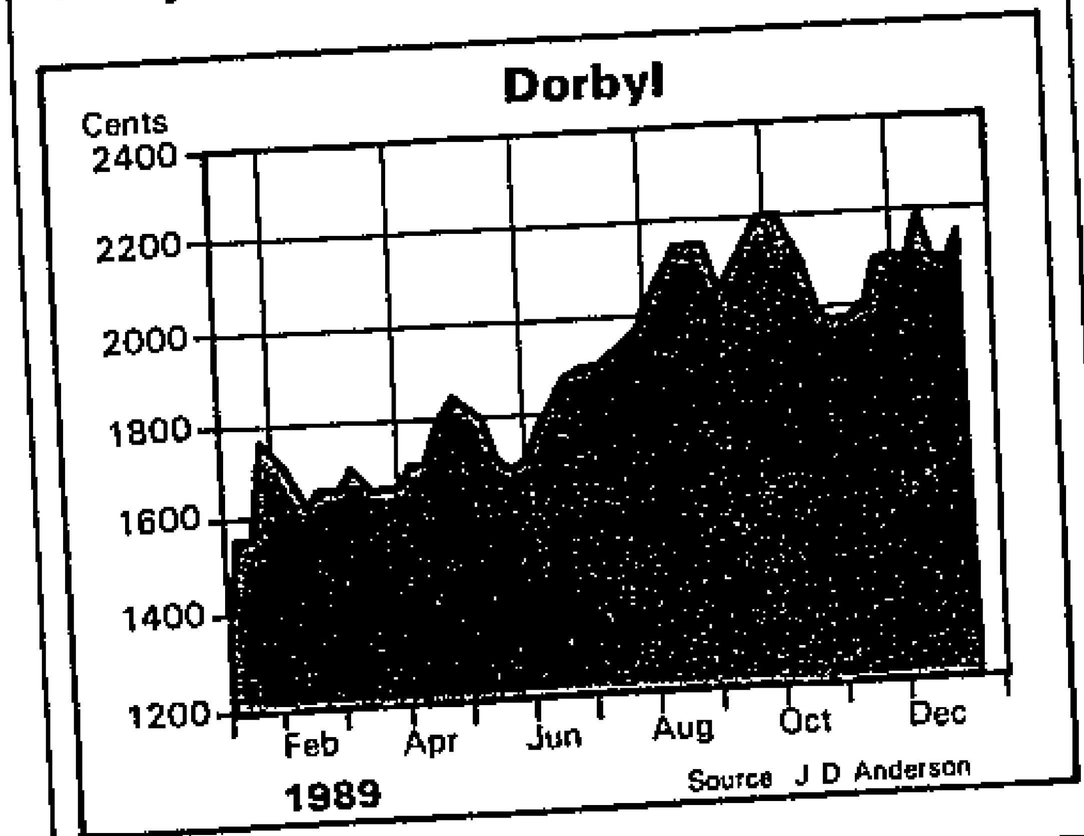
DORBYL F|M 19|1|90

No plateau yet

(189)

Though Dorbyl's turnaround is to all intents and purposes complete, management expects further strong earnings growth despite the economic slowdown

Last year, EPS were up by 40% higher on 21% higher turnover and a 19% better pre-interest margin, while gearing improved to 0,19. This followed two strong years of recovery. Group CE Dawid Mostert says that, while last year's growth will be hard to match, he expects earnings growth to be well above inflation this year. The group's tax rate should stay below 30% (25%).



Last year, trading conditions were generally better and the marine, heavy engineering and transport products divisions turned around Their improvements should continue this year

The first shipbuilding contract in five years was landed after year-end and will be brought to account this financial year, more contracts are expected. The old Tosa seamless tube mill was closed in the second half of last year, and the commissioning this month of the new R90m mill, a 60 40 Dorbyl/Iscor venture, will result in a stong contribution in the second half Massive provisions made for losses in the transport products division because of difficulties with production of the stainless steel suburban trainset will no longer be necessary This should contribute to another improvement in the group margin

Some major contracts, including Mossgas, will be closed and brought to account this year These should more than compensate for expected moderate declines in demand in some of Dorbyl's other sectors

Auto components make up the largest slice, at 18,8%, of group sales Building and construction accounts for 13,8%, gold mining and refining construction 8,9% and iron and steel 7,6%

Dorbyl supplies vehicle components only to original equipment manufacturers Mostert projects new car sales at 210 000 this year, down slightly from 220 000 last year, and is optimistic about demand longer term Phase six of the local content programme must improve demand and is resulting in more exports

Exports comprised 5,1% (4%) of group turnover and Mostert believes they will increase by at least 50% this year The new export incentives provide a "powerful motivator" for industrialists, he says

He sees no flattening of Dorbyl's growth though, in the longer term, it will come from fine tuning and other opportunities which can be developed without acquisitions

Teigue Payne

Activities: *Diverse engineering group supplying particularly to motor manufacturers, the mining and refining sectors, building and construction, power generation, oil exploration, shipbuilding and transport*
Control. *Metkor is the ultimate holding company*
Chairman: *F P Kotzee, MD D B Mostert*
Capital structure· *31,9m ords of NPV Market capitalisation· R702m*
Share market: *Price R22 Yields 4,6% on dividend; 16,3% on earnings, PE ratio, 6,1, cover, 3,5 12-month high, 2 200c; low, 1 300c Trading volume last quarter, 158 000 shares*

Year to Sep 30	*'86	*'87	'88	'89
ST debt (Rm)	84,9	61,2	89,7	63,3
LT debt (Rm)	80,8	80,1	72,7	76,5
Debt equity ratio	0,28	0,33	0,25	0,19
Shareholders' interest	0,56	0,51	0,49	0,57
Int & leasing cover	3,1	5,6	5,3	6,1
Debt cover	0,56	0,68	0,92	0,96
Return on cap (%)	8,4	10,7	9,6	14,5
Turnover (Rm)	1 544	1 725	2 077	2 505
Pre-int profit (Rm)	89,7	117	129	186
Pre-int margin (%)	5,8	6,8	6,2	7,4
Earnings (c)	161,2	180,4	251,5	351,4
Dividends (c)	55	62	77	100
Net worth (c)	1 687	1 765	1 954	2 210

* Based on comprehensive deferred tax

Star 13/11/90 (189)

Market gives sigh of relief over Barlows

Diagonal Street

ANN CROTTY

The market was apparently cheered by the ability of Barlows to hold its drop in earnings to 15 percent in the 12 months to end-September

Yesterday afternoon the share price firmed 50c to R32 as news of the 15 percent fall in earnings to 463,7c (543,8c) a share filtered through. That the dividend was held at 170c also seemed to support investor sentiment

Analysts were expecting an earnings drop of from 15 percent to a collapse of 40 percent

At R32 Barlows is now on an historic price/earnings rating of 6,9 times and a dividend yield of 5,3 percent which looks fairly cheap for a counter of Barlows' quality..

Indications at this early stage are that, in the absence of any major unforeseen developments, any fall in earnings should be held at 5 percent. Chief executive Warren Clewlow says he would be disappointed if there was another drop

The wild cards in '91 will again be Middleburg Steel and Alloys (MSA) and, the international activities

During the review year an unexpectedly strong performance from the international operation helped to counter the impact of a weak contribution from MSA Boosted by a strong sterling, the rand increase in earnings from international activities (including Bibby) were up by around 25 percent.

By contrast MSA contributed only R52 million attributable profit for the 12 months — a drop of 76 percent on the previous year's contribution of R216 million. At the half-way stage MSA had already provided R50 million — so the second six months were particularly grim with attributable earnings of just R2 million

If this is continued into financial '91, there is scope for MSA to again dent Barlows' earnings but Mr Clewlow states that the group's earnings are now not reliant on MSA

The group's foreign earnings (which come from Bibby, a wholly owned international subsidiary and, exports from the group's various divisions) accounted for R273 million or 32 percent of total earnings of R859 million

This was an excellent performance given that MSA made relatively little contribution to exports in financial '90 compared with '89 (The bulk of MSA's output goes overseas)

Looking to the group figures, turnover in financial '90 was up 10 percent to R29,1 billion (R26,4 billion), operating profit was down 8 percent to R2,47 billion (R2,7 billion), interest payments were up 30 percent to R586 million (R452 million), pre-tax profit was down 14 percent to R2,2 billion (R2,5 billion) The tax rate was lower at 31,8 percent (34,7 Percent) which meant that taxed profit showed a drop of 9 percent to R1,57 billion (R1,72 billion)

After allowing for minorities, the drop at attributable level was 14 percent — down from R1 billion to R859 million That the drop at attributable level was greater than at taxed level reflects the impact of the poor performance at wholly owned MSA and other wholly owned interests such as building materials, steel and paint

Tough times now will pay off later

By Ann Crotty

As economic activity continues to shrink with little prospect of any significant improvement within the next 12 months, businessmen seem mixed in their response to government's tough economic stance

Some are demanding a relaxation before an overkill situation sets in Others believe that the government is on exactly the right track and that more of the same is needed to ensure the viability of the economy in the longer-term

Significantly it tends to be the the chief executives of conglomerates that fall into the latter category

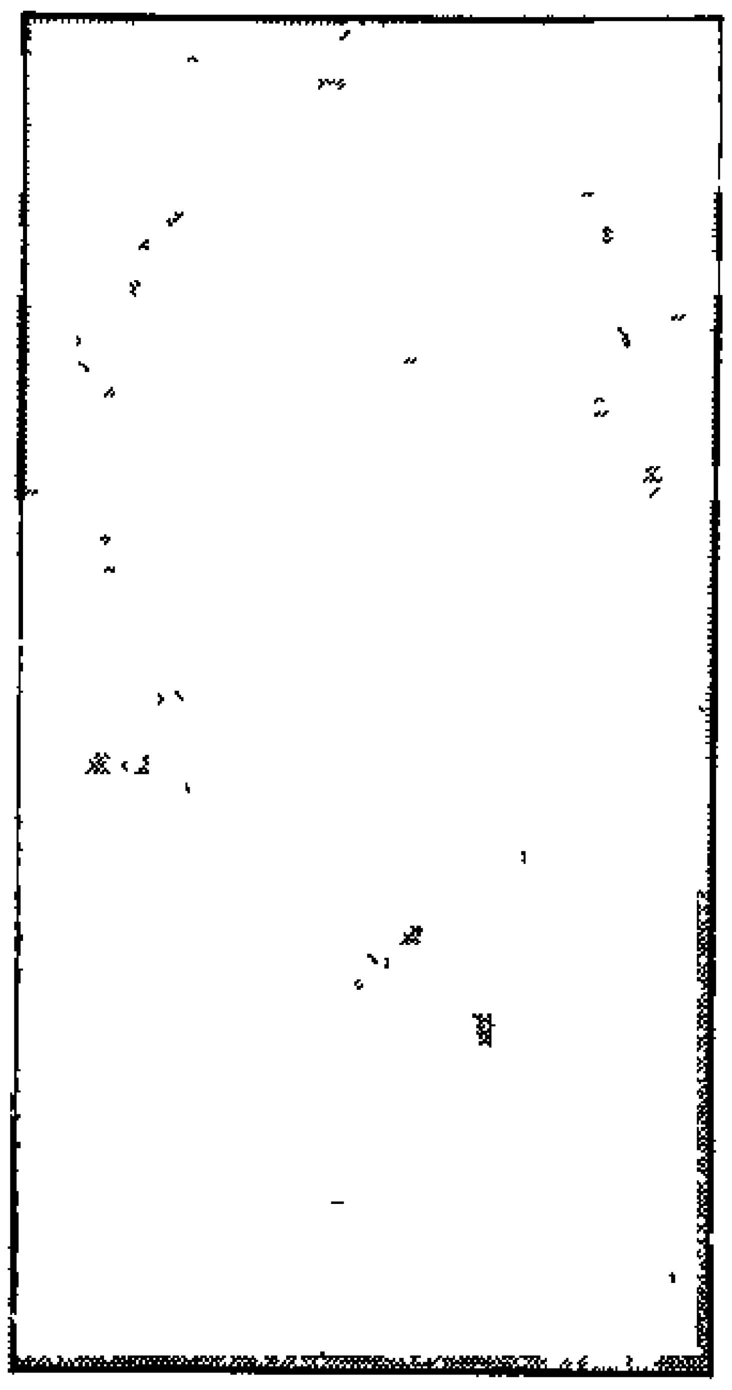
Although tough local economic conditions contributed to Barlows' 15 percent drop in earnings for the 12 months to end-September, the group's CE Warren Clewlow is not dismayed by the difficult trading conditions

"The country has to be internationally competitive It is not enough to be able to compete in the South African market, we must be able to cope with international competition To do this we must knock inflation and increase productivity"

For this reason Mr Clewlow does not seem too perturbed by the current tough stance that the authorities are taking to curb inflation "Economic management is in sound hands — a cohesive strategy is being pursued"

Noting "In financial '90 we faced extremely difficult trading conditions but this is the only way we can get economic conditions right"

While the share market may be currently focusing on financial '90 figures and the prospects for financial '91, Barlows' management is taking a longer-



Warren Clewlow not dismayed

term view "I hope the year ahead will see a continuation of the authorities' tough policies This means that we would have a difficult year but it also means that the groundwork would be laid for good growth in the medium to longer-term"

Also reflecting the commitment to long-term growth is the group's heavy capex plans Despite pressure on cash flow this is expected to be again in the region of R1,7 billion in financial '91 As Mr Clewlow points out "We've got to know where we're going to be in five years time which means we've got to take long-term decisions and stick by them"

In financial '90 Barlows was also hit by trade union difficulties Indications are that these difficulties reflected a test of wills between capitalism (represented by Barlows' management) and labour (represented by the trade unions) Most of the issues were in the nature of broad principles

Mr Clewlow sees the situation with the trade unions as part of the development into a new era and accepts that "it is part of the cost of change"

Fortunately for Barlows, a strong performance from the group's overseas interests (Bibby, a 100 percent held subsidiary and exports from various divisions) managed to cushion the impact of the weak local economy In financial '90 these sources generated R273 million — equivalent to 32 percent — of total attributable earnings of R859 million

Although this represents a drop of 17 percent on the R330 million earned in financial '89 it is a commendable performance given the fact that the contribution from Middleburg Steel & Alloys was down from R216 million in '89 to R52 million Most of MSA's output is exported

In financial '90, the strong performance from the international side and the food interests meant that the group was able to hold the drop in taxed profit at nine percent — Mr Clewlow's target was for a fall of no more than 10 percent

At this stage, he is hoping that earnings will be sustained in financial '91 — a poor performance from MSA will not have the same adverse impact on the figures

On the mining side, the extensive rationalisation at Rand Mines should see some improvement in performance

Although the share price has enjoyed some recovery since the results were published on Tuesday, its price/earnings rating and dividend yield indicate that the market is anticipating a fall in earnings in '91