MANUFACTURING—CHEMICAL PRODUCTS

1990

JUNE — DEC.
R6bn plant is undecided

THE naphtha cracker plant being investigated by Sentrachem and AECC will produce the feedstock base to make the SA chemical business far more competitive on the world market.

However, Sentrachem CE Johan van der Walt stresses, no decisions have been taken on the project's scale, which it is estimated will cost R6bn, and its feasibility will depend on various factors.

A technical feasibility study has been done and the commercial viability of the plant is being examined. The project aims to bring in international partners.

Discussions have already been held with parties from Taiwan, and an Italian delegation is expected to visit SA shortly (183).

The cracker will produce the basic feed stocks required by the SA chemical industry — methane, ethylene, propylene, butadiene, benzene, toluene, and xylenes. Only two of these are produced locally.

No decisions have been taken on where the plant will be situated, but because of its export orientation, it will be on the coast. The earliest the project could come on stream is 1995, and a decision will be made within a year.
Farm-ag boss picks up R3m

By JULIE WALKER

FARM-AG managing director Robert Mangard must be delighted with this week's deals announced between his company and chemical giant Sentrachem.

The agricultural chemical businesses of both companies have been merged into new company SA National Agricultural Chemicals (Sancem). In addition, Sentrachem will pay R8.5-million for the retail agricultural-chemical portion of the interests Farm-ag bought from Staalchem earlier this year.

Mr Mangard will become managing director of Sancem, and Sentrachem has appointed John Job non-executive chairman.

So, not only does Mr Mangard shed some of the problems which came to Farm-ag after a deal with the small-stake Staalchem, he gets a new lease on the life of Farm-ag's manufacturing facilities and a R13-million restraint of trade payment from Farm-ag itself in respect of Sentrachem's requirements.

Godsend

Farm-ag director Richard McElhgot says Sentrachem meant on a restraint of trade to protect its interests. Farm-ag sold its wholesale agricultural businesses to Staalchem last year. But the buyer was unable to pay, and in undoing the deal and awarding a rights offer by Staalchem, Farm-ag came to own nearly 80%.

It has caused immense headaches, and Sentrachem's interest in Staalchem's agent-based retail division was a godsend for Farm-ag.

Goodwill of R111-million has been paid by Sentrachem. Sentrachem and Farm-ag are SA's major manufacturers and formulators of agricultural chemicals. Each will bring about R80-million of total assets to Sancem, of which the net asset value will be close to R70-million.

Mr McElhgot says Sancem will have R150-million of assets and R130-million of borrowings to repay Sentrachem and Farm-ag for the assets.

Potential

Farm-ag will sell its share of Sancem to Sentrachem in 1998. The price it receives will be the highest of either 50% of Sancem's net asset value, adjusted for any loan account which Farm-ag might hold in the company on February 28, 1996 or 50% of Sancem's average annual adjusted earnings for the three years to February 1996 multiplied by 80% of the averaged price-earnings ratio of the two relevant JSE sectors in that time.

Farm-ag agreed to the sale of its stake in Sancem in 1996 because its directors believe the full potential of its new manufacturing facilities has not yet been reached. Deferring the sale will enable Farm-ag's shareholders to participate in the benefits of the merger.

Sancem's manufacturing arm is expected to meet 90% of the total SA demand for commodity and specialty crop-protection chemicals. The component businesses are complementary, with little overlap of products. Export potential should increase.
No move to main board yet

PIERRE DU PREEZ

VITAMIN and food supplements manufacturer Leppin does not expect a move onto the main board within the next 12 months, director Nils Hanneman said last week. "Sales and marketing were now well established. "Further developments are anticipated within these established areas without any major diversification in the short term."

Leppin was listed in November 1987 at 8c. The share is currently priced at about 16c.

It was announced in March that turnover had risen by 40% in 1988, but that margins and cash flow suffered, and debt was increased to finance trading operations. On its current shareprice, Leppin shows a historical yield of 6.3% and earnings yield of 21.3% against sector averages of 8% and 11.4% respectively for the DCM.
Local management to take on Asgrow

US-owned seed company Asgrow SA is to be sold to local management, Asgrow MD Pieter Jansen confirmed yesterday.

Asgrow is presently owned by the Michigan-based Upjohn Company, which said a letter of intent had been signed to sell the SA company.

Upjohn was selling Asgrow SA as it was too divorced from its main seed operations.

Those operations would be focused on the East European market, said Jansen.

Upjohn is to continue to operate Upjohn Ltd, its SA subsidiary which is involved in the human pharmaceutical and animal health business.

Jansen said the deal would lift constraints, especially regarding new investment.

"Under the Anti-Apartheid Act no new investment could come into the company, which limited our expansion and research and development activity. "We will now be in a position to expand in terms of products offered and turnover," he said.

Approval

Asgrow's turnover for the last financial year was about R20m, Jansen said.

Completion of the sale is subject to regulatory approval in the US and SA.

Asgrow is involved in the development and processing of agronomic and vegetable seeds.

It will continue to operate under licence as Asgrow SA and will hold technical agreements with Upjohn for new hybrids, research and marketing.
DURBAN. — About 240 Chemical Workers' Industrial Union members at Shell's oil and chemical plants in Durban and the Eastern Cape are on strike. The union is in dispute with Shell's oil and chemical divisions about working conditions.
Regional Court. They were not asked to plead.

Shell plants strike.

DURBAN — About 240 Chemical Workers' Industrial Union members at Shell's oil and chemical plants in Durban and the Eastern Cape are on strike. The union is in dispute with Shell's oil and chemical divisions about working conditions.
LOONWET, 1957
INTREKKING VAN LOONVASTELLING 446:—CHEMIESE- EN VERWANTE PRODUKTE-
NYWERHEID, REPUBLIEK VAN SUID-AFRIKA

Die Minister van Mannekrag is van voorneem om kragtens artikel 16 van die Loonwet, 1957, Loonvast-
stelling 446: Chemiese- en Verwante Produktenyrwe-
heid, Republiek van Suid-Afrika, gepubliseer by Goewer-
mentskennisgewing No. R. 2531 van 8 November
1985, in te trek

Enige persoon wat kommentaar oor die voorgestelde
intrekking wil lewer, moet sodanig kommentaar binne
30 dae vanaf die datum van publikasie hiervan aan die
Direktur-generaal Mannekrag, Privaatsak X117,
Pretoria, 0001, voorlig.

WAGE ACT, 1957
CANCELLATION OF WAGE DETERMINATION
446:—CHEMICAL AND ALLIED PRODUCTS IN-
DUSTRY, REPUBLIC OF SOUTH AFRICA

The Minister of Manpower proposes, in terms of sec-
tion 16 of the Wage Act, 1957, to cancel Wage Deter-
mination 446: Chemical and Allied Products Industry,
Republic of South Africa, published under Govern-
ment Notice No. R. 2531, of 8 November 1985

Any person who desires to comment on the proposed
cancellation should submit such comment within 30
days from the date of publication hereof to the Direc-
tor-General Manpower, Private Bag X117, Pretoria,
0001.

WET OP ARBEIDSPROVINGE, 1956
HOTEL-, DRANK- EN SPIESENIERSBEDRYF,
GRENNS—OOREENKOMS

E. van der Merwe Louw, Minister van Manne-
krig, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op
Arbeidspowering, 1956, dat die bepalings van
die Ooreenkoms wat in die Bylae hiervan verskyn
en betrekking het op die Onderneming, Nywer-
heid, Bedryf of Beroep in die opskrif by hierdie
kennisgewing vermeld, met ingang van die tweede
Maandag na die datum van publikasie van hierdie
kennisgewing en vir die tydperk wat op 30 April
1992 eindig, bindend is vir die werkgewerorgansa-
sie en die vakvereniging wat genoemde Ooreen-
koms aangaan het en vir die werkgewers en
werknemers wat lede van genoemde organisasie of
vereniging is; en

(b) kragtens artikel 48 (1) (b) van genoemde
Wet, dat die bepalings van genoemde Ooreen-
koms, uitgesonderd die vervat in klausule 1 (1)
(a), 2 en 14, met ingang van die tweede Maandag
na die datum van publikasie van hierdie kennis-
gewing en vir die tydperk wat op 30 April 1992
eindig, bindend is vir alle ander werkgewers en
werknemers as die genoem in paragraaf (a) van
hierdie kennisgewing wat betrokke is by of in diens
is in genoemde Onderneming, Nywerheid, Bedryf
of Beroep in die gebiede in klausule 1 van die
genoemde Ooreenkoms gespesifiseer.

E. VAN DER M. LOUW,
Minister van Mannekrag.

NYWERHEIDSRAAD VIR DIE HOTEL-, DRANK-
EN SPIESENIERSBEDRYF, GRENNS

OOREENKOMS

oorloos omstreeks die Wet op Arbeidspowering, 1956, gesluit
deur en aangaan tussen die

Fedhsa Employers' Association (East London and Border)
(hernama die "werkgers" of die "werkgewersorgansasie"
genooi), aan die een kant, en die

East London and Border Liquor and Catering Trade
Employees' Union
(hernama die "werknemers" of die "vakvereniging" genooi),
an die ander kant,
wat die partye is by die Nywerheidsraad vir die Drank- en
Spiesenersbedryf, Grens.

E. VAN DER M. LOUW,
Minister van Mannekrag.

LABOUR RELATIONS ACT, 1956
HOTEL, LIQUOR AND CATERING TRADE,
BORDER,—AGREEMENT

I, Eli van der Merwe Louw, Minister of Manpower,
hereby—

(a) in terms of section 48 (1) (a) of the Labour
Relations Act, 1956, declare that the provisions of
the Agreement which appears in the Schedule
hereto and which relates to the Undertaking, In-
dustry, Trade or Occupation referred to in the
heading to this notice, shall be binding, with effect
from the second Monday after the date of publica-
tion of this notice and for the period ending 30
April 1992, upon the employers' organisation and
the trade union which entered into the said Agree-
ment and upon the employers and employees who
are members of the said organisation or union, and

(b) in terms of section 48 (1) (b) of the said Act,
declare that the provisions of the said Agreement,
excluding those contained in clauses 1 (1) (a), 2
and 14, shall be binding, with effect from the
second Monday after the date of publication of this
notice and for the period ending 30 April 1992,
on all employers and employees, other than
those referred to in paragraph (a) of this notice,
who are engaged or employed in the said Under-
taking, Industry, Trade or Occupation in the areas
specified in clause 1 of the said Agreement

E. VAN DER M. LOUW,
Minister of Manpower.

INDUSTRIAL COUNCIL FOR THE HOTEL, LIQUOR AND
CATERING TRADE, BORDER

AGREEMENT

in accordance with the provisions of the Labour Relations
Act, 1956, made and entered into by and between the
Fedhsa Employers' Association (East London and Border)
(hernama referred to as the "employers" or the "em-
ployers' organisation"), of the one part, and the

East London and Border Liquor and Catering Trade
Employees' Union
(hernama referred to as the "employees" or the "trade
union"), of the other part,
becing the parties to the Industrial Council for the Hotel,
Liquor and Catering Trade, Border
Ozone-friendly plant is opened

ZILLA EFHRAT

DURBAN — C G Smith chemical's R12,5m dimethyl ether (DME) plant was officially opened by Environment Affairs Minister Geff Kotte here yesterday.

The plant is the first in Africa and only the third of its kind in the world. DME, or prozone as it is branded in SA, is an ozone-friendly alternative to damaging chlorofluorocarbons (CFCs).

C G Chemicals is part of C G Smith Sugar, a member of the Barlows group. The plant has orders for an annual 1,000 tons of prozone to supply the SA market.

"This is ahead of our expectations, and we are sure we will capture a substantial market share. We have the capacity to grow, as the plant is capable of producing 5,000 tons of prozone a year," said C G Smith Chemicals Merchbank GM Mike Buchanan.

Many major aerosol manufacturers had switched to prozone, and now that the plant was on stream, Buchanan expected many others to make the switch. He said C G Smith Chemicals hoped to make a major inroad into the paint spray market as prozone, with its good solvency, had a natural affinity for these products.

"We also think the product is ideal for personal care aerosols. He said prozone was miscible with water, which meant aerosols could be formulated with reduced or zero flammability.

Prozone was also extremely gentle and would not irritate or sensitize people's skins.
MCC acquired by Karbochem

ALRODE-based Multi Construction Chemicals (MCC), which deals in chemical compounds for the mining and construction industries, has been acquired by Sentrachem subsidiary Karbochem for an undisclosed sum.

According to a joint announcement, Karbochem took a 31% controlling interest in MCC, a privately owned company specializing in admixture technology — the use of chemicals to enhance the performance of various construction materials for mining, industrial and commercial applications.

Karbochem MD Ben Schoeman said yesterday the purchase represented a move to exploit chemical products that would contribute to productivity and growth in the construction sector. "It is a logical extension of Karbochem’s core business, which includes manufacture of chemicals and feedstocks, many of which form the basis of this new technology.”

Newly appointed MCC GM Basil Kramdorff said the acquisition should be seen as a small step in terms of looking for new markets. "This is not a major capital investment as MCC is small, but it should be looked upon as a strategic move.”

Several board changes had been made, while the company restructured and new technology was introduced to cope with anticipated growth.

Schoeman said the deal opened up a new market for Karbochem with strong growth potential for existing products. New products would provide customised solutions for the construction industry.

Kramdorff said although the emphasis was on national and new products and technology relevant to the local market, MCC’s products had export potential in the African and North American markets.
SA Druggists 'back on track for growth'

NEIL YORKE SMITH

MAJOR pharmaceutical group SA Druggists (SAD) is well on track to resume earnings growth, MD Tony Karis said at a presentation yesterday:

"We are reasonably confident earnings growth for the current year should be in the upper teens," he said.

The group recently announced a 1.1% fall in attributable earnings for the year to March.

Karis said SAD had dealt with major problems by focusing on operating efficiencies and improving marketing mix.

One of SAD's biggest downfalls last year was its over-commitment to low profit government business, he said, and it would now concentrate on private sector business.

183 Controls

Remedial action has started, especially in SAD's largest divisions pharmaceuticals and distribution, which contributed more than R47m to total pre-tax profits of about R74m in 1983.

Restructuring of these divisions will involve improving the focus of the different operations and improving financial controls, Karis said.

In his operations review in the annual report — released yesterday — Karis said prospects for this financial year were good.

Directors stated objectives include generating returns of 40% on investment, 21% on capital, 26% on assets and reducing gearing to 24%.

Despite last year's poor performance the targets appear realistic. Returns on investment and capital exceeded these targets last year and the asset and gearing figures are within four percentage points of their respective targets.

SAD, part of the Federale Volksbeleggings (Fedvolks) group, has until recently been a star performer in the Fedvolks stable. During the past seven years it has generated compound annual earnings growth of 24%.
SA Druggists looks set for major growth

Tony Karis, managing director of SA Druggists, has good news for his shareholders. The increase in attributable profits this year should be in the "upper teens", he said yesterday.

After SA Druggists' pedestrian results in the year to March, this forecast should make its shareholders somewhat happier.

Although turnover in this period rose 19.9 percent, three unfortunate developments held the increase in operating income to 3.7 percent, and attributable income dropped 1.1 percent to 28.6c a share. The dividend was unchanged at 18c a share.

Fortunately, the unfortunate developments are unlikely to recur.

They all involved the loss of export sales — in two instances when their US customers shut down and a third when their European customer found the SA Druggists' product profitable enough to start manufacturing it itself.

The result is that the group plans to do its overseas marketing and selling itself — and expects to raise the share of its overseas profits from well above their present level of 10 percent of the total.

He said it was wrong to devote 99 percent of the selling effort to one percent of the market (South Africa) and devote only one percent to 99 percent of the market.

He said SA Druggists's technology was world class. In the past the company had refused to sign manufacturing licensing agreements, which limited its market to South Africa.

This meant the group was forced to develop its own technology, a policy that was now paying off.

The result was that export activity in the Lennons pharmaceutical division had escalated dramatically.

Many products had reached the final registration status in Britain and other West Europe countries.

SA Druggists expected to gain a great deal when the EC frontiers came down in 1992.

The Lennox factory in South Africa was approved during the year as an acceptable source by the Taiwanese health authority by 1992. It also recently secured some important export contracts in Japan where a high-quality product was required, but where price was of lesser importance.

Mr Karis said he believed in time that SA Druggists could become a multi-national.

The other development affecting profit was the great difficulty encountered in commissioning new equipment in a warehousing facility in Johannesburg run by LPA Distributors.

This company acts as distributing agent for a large number of organisations.

The difficulty caused customer service to suffer, a major principal was lost and high expenses were incurred.

But the problems have been resolved and LPA Distributors is expected to show a marked improvement in profit, though from a low base.

Other divisions are also expected to do better, and looking ahead to 1992, the group's new R53 million factory for the manufacture of injectable products will come on stream.

The Bethlehem factory was unable to keep pace with the demand for these products.

SA Druggists has strengthened its marketing arm and intends paying more attention to promoting its own products.

With the export market opening up and with an increasing number of blacks able to spend more on health products, SA Druggists looks set for major growth in the months and years ahead.
WEAKER MIX

<table>
<thead>
<tr>
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<th>1989</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>2,044</td>
<td>2,083</td>
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<tr>
<td>Operating profit (Rm)</td>
<td>253.2</td>
<td>264.2</td>
</tr>
<tr>
<td>Attributes (Rm)</td>
<td>93.7</td>
<td>100.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>81.1</td>
<td>85.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>26.0</td>
<td>27.5</td>
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</table>

Tougher conditions and limited growth outlook in the near term. For this period real bottom-line growth can be ruled out. Van der Walt says even a nominal increase in EPS will be very difficult to achieve over the next 12 months. However, the group's businesses are looking more promising than in many years. The share should be a good recovery stock when the upturn comes.

Andrew McNulty

Another step

Sentrachem continues to make progress in its quest for a better and more sustainable return on assets.

Closure of Karbochem's polyisoprene plant at Newcastle (for March 9) should mean an early improvement in the rubber division, which made a small loss in the 1989 year before again heading deeply into the red.

Last week's merger of the Agrinhold manu-

facturing operations with Farm-Ag's agricultural interests is expected to strengthen the group's position in agricultural chemicals. Though agricultural sectors generally have a dour image, C.E. Johan van der Walt sees this as an attractive area for expansion. "This is certainly the kind of business that can give us the margins we are looking for," he says.

Sentrachem is targeting a 20% after-tax return on average capital employed. There is still some way to go, though results for the 12 months to end-March show the return improved from 14.8% to 16.7%. These figures do not yet reflect benefits of the Karbochem rubber closure, and include a R120m extraordinary write-off on the plant, as well as provision for losses expected to be incurred between April and September when the plant is finally closed.

Benefits from the Farm-Ag deal are seen as primarily long-term, but Van der Walt does say there are plans to rationalise the business and achieve synergistic benefits in the short term. The group will acquire only assets, without burdening its own balance sheet with Farm-Ag's debt.

The deal has two legs. Initially, agricultural chemical production, and formulation and wholesale distribution operations of Sentrachem's Agrinhold division — FormChem and Agbro — will be merged with those of Farm-Ag. These will be held in a new company, Sanachem, owned equally by Sentrachem and Farm-Ag. After five years, Agrinhold will buy the Farm-Ag interests in Sanachem.

Sentrachem's annual sales are expected to exceed R300m and the company should meet about 50% of total demand for commodity and specialty products for crop protection through local manufacture. From a strategic standpoint, Sentrachem will ultimately dominate the agricultural chemical business at manufacturing level and will have a substantial slice at wholesale level.

Demand under pressure

These developments should start taking effect in the 1991 year, when the group will need an additional boost. The end-March figures are given in a second interim report, following the change in the year end to end-August. Comparison of the 1990 result against the pro forma 12-month figures for 1989 shows turnover — adjusted for the Pedina sale — rose by only 8.4% while trading income was virtually static.

Van der Walt says the problems reported at the previous interim in Safripol, Mega and Karbochem continued to affect trading, as was expected. Safripol's excessive stocks have been brought down to normal levels, while Mega is still forecast to be over its setbacks by September. However, Van der Walt says demand is now under pressure across the board, though effects have been seen on prices rather than volumes, which generally have not dropped much.

The share price has dropped from last year's R50c and trades at 550c, reflecting the
Mike Sander, MD of SA’s most diverse chemical group, AECI, sees no limit to opportunities but is increasingly concerned about skills constraints. Overcoming that could be the most important factor the chemical industry has to deal with over the next 20 years. Without skills, chemical firms are likely to slip behind world competitors.

Opportunities are all very well — we have more than we can conceivably handle over the next 10-20 years. But the extent to which we realise them will depend crucially on availability of skilled or trained people.

Frankly, the education system is not targeting its training on producing the people needed by the economy and business. For a start there is the tendency for scholars to pass exams based on ability to learn by rote — that’s worse for black children than for white — and there is too little emphasis on technical education.

Now skilled people are leaving eastern Europe in droves, but it is not acceptable to hire them as an alternative to developing our own people. If we do not develop our own people we will be constrained from investing in businesses which require a high degree of skills and won’t be able to compete internationally, even if political changes permit.

Without guessing what new products will be developed over the next 20 years, AECI will be moving in two general directions. The first will be towards adding value to exports. For years we have exported what are essentially feedstocks. We must emphasise value-added exports, for example, high-quality insulated electrical cable rather than bulk plastic to foreign cable manufacturers.

The second recognises that research abroad is unlikely to be directed towards products specific to our needs. The thrust of our developments has to be towards goods appropriate to our requirements and resources.

Two important technological focuses will be on developing coal-based feedstocks and environmentally sound products for farmers in a semi-arid environment.

Rather than large-scale irrigation techniques, which cause soil salinity problems, we could follow micro-irrigation techniques as used by Israeli farmers. They use about 50 000 t of PVC for irrigation, of total national consumption of 80 000 t SA farmers use only a few thousand tons out of national consumption of 150 000 t. This could lead to technological alliances with firms in, say, Israel or Australia where environments are similar.

We will also push development of such things as cost-effective pharmaceutical and agricultural products needed to solve the subcontinent’s agricultural and health problems. We need decent, affordable medicines, not the latest, fancy and expensive drugs.

Another development line will be into low-cost housing products. The most recent is a composite cement-plastic foam building panel we’ve developed with LTA.

Neighbouring countries will become increasingly important in the next 20 years, not only as important markets but as sources of raw materials. We’ve already started with Sua Pân soda ash venture in Botswana which will supply soda ash to SA’s steel, glass and chemicals industries as well as scarce common salt to central Africa.

Then there are gas reserves in Pande, Mozambique, and offshore in Namibia, which could provide feedstocks. Even if countries do not have saleable mineral resources, they can supply derivatives of surplus agricultural products such as sugar. We have already prepared for that and are researching production of food supplements, amino acids and fine drugs from sugar cane.
SA Druggists looks set for major growth

Weekend Argus Correspondent

Johannesburg – Tony Karis, managing director of SA Druggists, has good news for his shareholders. The increase in attributable profits this year should be in the "upper teens", he said this week.

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The problems all involved loss of export sales — in two instances US customers shut down and in the third their European customer found SA Druggists' product profitable enough to start manufacturing it itself.

As a result, the group plans to do its own overseas marketing and selling — and expects to raise the share of its overseas profits from well above their present level of 10 percent of the total.

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This meant the group was forced to develop its own technology, a policy now paying off as export activity in the Lennox pharmaceutical division had escalated dramatically.

Many products had reached final registration status in Britain and other West European countries.

Mr Karis said he believed SA Druggists could become a multi-national.
Bloodshed threats as Shell strike grips

By DAVID YUTAR
Labour Reporter

THE strike by Shell workers which began on Wednesday at several of the company's plants throughout the country, has taken a turn for the worse with allegations of threats of violence and "bloodshed" by strikers.

In Port Elizabeth, where 100 employees are on strike, Shell said it had to suspend operations and take steps to protect lives and equipment in response to alleged unruly behaviour and threats of violence by armed strikers.

A company spokesman said that yesterday's negotiations had deadlocked "because the union rejected suggestions even on the procedure and rules of strike action unless we met all their substantive demands."

And in Queenstown, a customer who defied striking workers and loaded his own truck with petroleum products, was threatened by strikers when he attempted to drive away with his load, Shell has alleged.

The strikes resulted from deadlocked negotiations between Shell and the Chemical Workers Industrial Union (CWIU) over wages and the union's demand to change the renewal date for the salaries of unisoned employees so as to coincide with the date on which the salaries of non-unionised employees are reviewed.

Defends offer

With regard to the strike by 60 Shell employees at the company's Reunion chemical plant outside Durban, Shell said that it expected to reach a settlement with the CWIU soon.

The company has defended its offer of wage increases of between 16 and 22 percent, together with improvements to housing and education benefits, as "equal to any of the comparable recent settlements entered into by the CWIU with other members of the industry."

The CWIU is demanding that the renewal date for salaries of unionised employees be changed from March 1 to July 1 — the date for non-unionised employees.

Repeated efforts to obtain comment from the CWIU before going to press were unsuccessful.
By IAN SMITH

SA Druggists caught a cold in the year to March. But managing director Tony Kars insists that he has the cure, for his company at least, for the increasingly common market ailment.

The company sagged, earnings dropping by 1.1% from 29.1c a share to 28.8c on a 19.9% increase in turnover to R948-million.

Before the hiccup, SA Druggists was showing a seven-year compound earnings growth of 25% a year. But it still has a respectable compound annual growth of 24%, and if the promised cure takes effect it could quickly start to move up again.

Mr Kars says the sudden fall in earnings was particularly disappointing because at the halfway stage they had risen by 17%.

But several problems, some of the group’s own making, came together.

The main setback came from Lennon, the pharmaceutical manufacturer and marketing company which is the group’s biggest single contributor.

The Government’s switch to centralised tendering for its pharmaceutical needs led to heightened competition and, determined not to lose too much business, SA Druggists went in with competitive quotes.

In the event, the group won the major share of the business and pressure on manufacturing facilities meant that it could not fill more profitable orders from the private sector.

Mr Kars says Lennon has been the dominant force in this market for many years, and its initiatives have contributed to the State’s multi-million-rand savings in health-care costs.

“Aftr the past year’s experience, Lennon will be more selective in its allocation of production capacity to the State tender market.”

Fine Chemicals Corporation also lost exports when two major customers in the US ran foul of the Food and Drug Administration and had to close their plants for a time, cutting demand for SA products. Efforts are being made to open up new markets.

Mr Kars is bullish about exports, and the group has increased activity in foreign sales.

“We are looking for growth ahead of the inflation level in exports this year,” he says.

Significantly, the Lennon factory has been approved as a manufacturing resource by the Taiwanese health au-
Plastall boosts share earnings and income

PIERRE DU PREEZ

PLASTALL, a diversified manufacturer in the Danexx stable, has boosted earnings per share to 13.4c (7.6c) — up 78% for the six months to end March. This was achieved on a 29% increase in turnover of R22.5m (R22.8m). No interim dividend was declared, because of the need to preserve cash for expansion.

The former DCM-listed company, which manufactures and distributes polyethylene bags and sheeting, conveyor idler rollers, furniture components and office seating, also increased its net income by 78% from R1.1m to R1.9m. During the six months under review net asset value per share grew by 33% to 113c (84.5c).

Commenting on the results Plastall directors said new products and developments in the Horizon Group and Swan Plastics contributed to the improved performance.

On future prospects, the board said with increasing competition, high interest rates and general tightening of overall economic conditions, management would continue to focus on cost reductions, strict asset management and production improvements.

The improved performance was expected to continue for the remainder of the financial year.

Plastall shares are priced at 70c, trading on a p/e ratio of 5.2 and an earnings yield of 31.4%, against averages of 8.1 and 12.3% respectively for the paper and packaging sector.
Strikers' eviction granted

PORT ELIZABETH. — On Friday night Shell was granted an interim court order to evict striking employees from their premises. Thus they proceeded to do with the assistance of a major contingent of armed riot police with Hipo, accompanied by Shell company officials.
THE MINISTER OF LAW AND ORDER


THE MINISTER FOR ADMINISTRATION

THE ADMINISTRATION OF THE GOVERNMENT IS TO BE IMPROVED TO SELECT THE BEST QUANTITY OF LIVESTOCK AND THE MAINTENANCE OF GOOD ORDER IN THE COUNTRY.

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SA DRUGGISTS  F M  15/4/90  (183)

Profit crack

Activities: Innovates, manufactures, markets and distributes pharmaceutical, medical, dental and veterinary products.

Control: Sanlam via Feedwolks 68.3%.

Chairman: P J J van der Watt, MD A M Kans.

Capital structure: 141.2m osts Market capitalisation R349m.

Share market: Price 247c Yields 4.1% on dividend, 17.7% on earnings, p/e ratio, 8.58.

Year to Mar 31 '87 '88 '89 '90

ST debt (Rm) 11.0 4.68 15.5 37.5
LT debt (Rm) 42.3 14.1 7.4 15.6
Date equity ratio 0.57 0.13 0.12 0.26
Shareholders' interest 0.40 0.65 0.53 0.49
Int & leasing cover 4.01 7.07 0.62 0.46
Return on cap (%) 23.6 25.0 26.2 22.1
Turnover (Rm) 566.8 650.7 790.6 948.0
Pre-Int profit (Rm) 52.2 64.3 84.1 87.2
Earnings (c) 19.9 23.3 29.8 28.8
Dividends (c) 7.7 8.1 10.0 10.0
Net worth (c) 99 118.4 135.8

Compounded problems over the past year cut SA Druggists' pre-tax income by 6% to R74.6m, and pared earnings per share by 1% to 2.8c. But MD Tony Kans expects a better performance this year and says things are back on track.

Net income before taxation in the pharmaceutical division, usually one of the high growth areas, fell 4% to R25m. This was mainly because of large volumes of unprofit-

able state tender business which hammered margins at the Lennon factory. The lesson has not been wasted and the group will now be more selective about its allocation of production capacity to the state tender market and concentrate more on the private market.

Good signs are the significant increase in the export market. A number of products have reached final registration status in the UK (registration takes 2-3 years) and Germany (6 years) and others are due to be exported to Taiwan for the first time this coming financial year.

The introduction of two new products considerably enhanced the profits from the sterile manufacturing unit, Labethica. The construction of a new R45m sterile factory in Port Elizabeth, due for completion in 1992, is expected to enable the group to participate fully and more profitably in the market, which is currently dominated by Adcock's Sabax.

The chemical division was let down by two major US customers who had their production units closed by the Food & Drug Administration Board. This left the division's income before taxation static at R14m, though Kans believes profit growth can exceed 10% as new customers are found.

Growth in the consumer division, the smallest contributor to group profits, with only R2m income before taxation was also zero, mainly as a new energy drink, Excel, failed to achieve sales or gross profit forecasts.

Rationalisation of the medical, industrial and commercial division led to the sale of dental product distributor Taylor & Home which had failed to yield acceptable returns. Wholly owned textile manufacturer Superweave might also be sold during the coming year because it does not slot conveniently into the group's pharmaceutical base. Kans expects considerable growth from Panvet, a manufacturer of farm-feed concentrates and veterinary products.

Income before taxation in the distribution division also remained the same as 1989 at R22m. This was mainly because of the poor performance of LPA, a national distribution service with five warehouses. The Johannesburg warehouse, renovated at a cost of R9m, was found to be inefficient and an additional R1m had to be spent on it before service levels could be restored. But with the wheels now turning smoothly, Kans expects 20%-25% growth in this area for the coming year.

Because of the higher asset base than intended, the interest bill raced upwards to R12.6m from R3.4m. Kans believes higher profitability during the coming year will compensate for an asset base bound to remain high in the face of growth.

Heather Forbay
OMNIA AT THE CROSSROADS

BY IAN SMITH

The Swiss-based founding chairman of the Omnia fertiliser group has flown to SA to preside over a vital board meeting this week.

Dr Joe Winkler will hear arguments as to whether the group should diversify or continue to grow in its chosen fields.

"I have an open mind, and will be listening carefully to my fellow directors," he said.

Omnia, the smallest of the "big three" in South Africa's R1.5-billion-a-year fertiliser industry, has done remarkably well, despite the recent drought, floods and a vicious fertiliser price war.

Stable

The year to December 31 saw record sales and profits. Turnover jumped 39% to R358.3-million, net income rose 43% to R23.9-million and earnings 53% to 66.6c a share.

Omnia is confident it can maintain its 25% share of the local fertiliser market. About 10% of production was exported "very profitably," said group managing director Neville Crosse.

There is also hope that agriculture has moved into a more stable era, improving prospects in the longer term.

But the group's tentative moves to diversify, all prompted by markets or raw materials, have proved a useful hedge against the vagaries of farming.

Omnia has about R42-million in retained earnings, and decisions will be made soon on the direction in which the group will move.

Omnia moved successfully into explosives through Bulk Mining Explosives because its facilities are common to both fertiliser and explosives production.

Its takeover of the SA arm of US-based Cargill and Ciba-Geigy's seed operation in 1989 led to the formation of Carma Seed.

"This takes us into the high-tech area of agriculture in the development and marketing of improved varieties of seed for a number of crops," said Dr Winkler.

A small trading operation acquired in the Cargill deal was transformed into Omnia Trading, which became the biggest grain trader in SA last year.

Copia Farming Enterprises was set up to gain first-hand knowledge of farmers' problems and to demonstrate the effectiveness of fertilisation.

"We are very happy with our diversification, but we are not certain that we want to go further in this direction," said Dr Winkler.

He believes that Omnia's profitability compares well with its giant competitors - Kynoch and Sasol.

Not bad for a company registered in 1963 by Dr Winkler and his partner Wilhelm Marais, who met when they were clerks working for Anton Rupert's fledgling Rembrandt group.

The initial capital was £125. Market capitalisation today is nearly R168-million.

The share is standing at 330c, close to its 366c high. But Mr Crosse reckons that it is still underrated.
Investors place value on CNA Gallo's style

By Ann Crotty

CNA Gallo looks well placed for the tough trading times that lie ahead, not only in terms of its balance sheet but also from the point of view of corporate culture.

The group's latest annual report shows that at end-March 1990 CNA Gallo had cash and near-cash of R12,4 million and that, as chairman Mr Vaughan Bray points out, was after funding capex of R22 million and acquisitions of R5,8 million during financial 1990.

A five-year statistical review shows improvement in most of the key financial ratios - trading margin is up from 6,2 percent in '96 to 9,8 percent in '99; return on equity up from 12,9 percent to 34,9 percent; inventory to turnover down from 18,8 percent to 16,2 percent and gearing down from 30 percent to a mere five percent.

Underpinning the group's strong financial performance is its emphasis on marketing.

Referring to the tougher trading conditions Mr Bray notes that the 24 percent hike in turnover was pleasing, given that much of the group's sales are dependent on discretionary spending. "Higher market shares in most products, mainly as a result of increasing emphasis on customer care and service, are the source of the continuing turnover buoyancy. This has been the prime business strategy of the past four years."

It certainly looks as though investors appreciate management's efforts. Back in 1986 investors were prepared to pay a 28 percent premium over net asset value for the share (on the basis of end-March figures); in '87 they were paying a 47 percent premium; in '88 they were paying 55 percent; in '89 123 percent, and at end-March '90 investors were buying shares at three times the level of the underlying net asset value.
Sentrachem goes more for speciality products

CHEMICALS giant Sentrachem's major thrust has been to balance its portfolio by moving more into value-added speciality products, and to become more self-sufficient in obtaining raw materials.

The group, in the Sankorp stable, has undergone considerable rationalisation since its large losses in 1985. Its strategy has involved targeting niche markets which have high barriers to entry, and adding value to locally sourced raw materials.

MD Johan van der Walt says major moves in recent years out of heavy commodities include the disposal of Coalplex, the sale of its fertilizer operation Fedmus and the mothballing of its polyisoprene plant.

In terms of managing its growth, Sentrachem acquired Sappi's chlor alkali business and the remaining 24.9% of Agbro. It also merged its agricultural chemicals operations with Farm-Ag's into Sanachem, which will focus on the agriculture chemicals market.

To reduce raw material vulnerability it is building a R27.4m propylene purification plant next to Sappi's Durban refinery. This will handle a capacity of 38 000 tons a year and replace imports of about 18 000 tons a year.

It is also expanding maleic anhydride production by 6 000 tons a year by erecting a R47m plant next to its Luyengo plant. This will replace imports of about 3 000 tons a year.

In addition, Sentrachem and ABCI are jointly investigating a R6bn naphtha cracker plant which will produce the seven types of building blocks required by SA's chemical industry.

Sentrachem is also involved in certain expansion programmes.

It is expanding chlor alkyli capacity by 40% at a cost of R73.3m and its R68m high density polyethylene (HDPE) expansion project will increase HDPE production by 80% a year and granulation capacity by 40%.

In addition, the R15.1m polypropylene compounding expansion will more than double existing capacity and improve Sentrachem's flexibility to manufacture new speciality grades.

Areas highlighted for future development include bio-technology, metal chemistry, agriculture and speciality conversion.

Van der Walt says as a result of the group's diversification efforts, plastics now account for 30% of turnover, industrial chemicals for 22%, agricultural chemicals 15%, rubber 13%, plastics conversion 11%, foodstuffs 5% and mining chemicals 4%.

The group achieved sales of more than R2.1bn in the year to March, but earnings rose only 7%.

A major influence on Sentrachem will be the direction of government's strategy for the R25bn a year SA chemicals industry, expected to be announced soon.
**Explosives industry is in turmoil**

**Zilla Efrat**

The explosives industry worldwide was relatively stagnant, showing little growth and even declining, due to lesser use in the military sphere and increasing mining mechanisation. This was the view of Sasol chemicals SMX division manager De Wet Deetlefs at "The Chemical Industry in the 1990s" conference in Randburg yesterday.

He said due to the emergence of peace the military industry, and the military explosives industry in particular, was in turmoil worldwide. This was especially true in SA and Armascor constantly sought new outlets and new ways of doing business.

While the nature of Armascor's strategies was unknown, Deetlefs expected increasing military technology to become available for commercial use.

Growth in SA's explosives market had traditionally been about 4% a year, but had dropped to below 2% over the past few years. In future, it would be slow or would stagnate.

Explosives generally remained the primary energy source in mining, especially hard-rock mining. Although they were slowly being replaced by mechanical means in softer ore bodies, they remained a competitive energy source regarding performance and price.

The SA explosives industry was relatively labour intensive with mechanisation not having taken place to any great extent. Due to the large volume of explosives manufactured in SA, prices were the lowest in the world.

Explosive technology and innovations had been mainly cost driven in that mining management looked at the cost per unit hole blasted, opting for the cheaper product.
Oil rig workers down tools for better pay

Staff Reporter

Oil rig workers on three rigs off Mossel Bay went on strike this week, demanding higher wages and were taken off the rigs, a Chemical Workers' Industrial Union (CWIU) official said yesterday.

CWIU spokesman Mr Martin Jansen said about 120 workers—employed by Sopelog—downed tools on Tuesday on three rigs demanding an 18% salary increase and a minimum wage of R2 200 a month.

The union and the management of Sopelog, one of the sub-contracting companies to Soekor, began negotiations yesterday and will continue today, Mr Jansen said.

He added that management took the striking workers off the Nymphia, Omega and Actinia rigs.

A source on one of the rigs said workers had been airlifted from the Nymphia and Actinia rigs on Tuesday night.

Striking workers on the Omega were taken ashore yesterday morning, he added.
Go for Mobil

If there's been anything positive in the bitter dispute between Mobil and the residents of Parktown, Johannesburg, over the oil giant's plans to erect yet another service station on Jan Smuts Avenue, it's the fact that at least the adversaries have met face to face.

On the eve of a Townships Board hearing, which gives the Transvaal Administrator the unenviable task of deciding between the merits of the case against, presented by Parktown residents, and Mobil's arguments in favour, the two factions faced one another in an historic debate.

Meetings like this are common abroad but both Flo Burt, of Parktown Association, which initiated the meeting, and Mobil corporate image consultant Kevin Kevany admitted it was a first for them.

The fact that the meeting took place at all is recognition of the growing power and influence of community action groups. In the past their views could often be ignored but developers now, rightly, have to go to great lengths to explain proposals if they are to have any hope of seeing their schemes approved. They can no longer simply rely on their financial muscle to bulldoze through proposals which could have a devastating impact on the environment.

The meeting showed that both developers and pressure groups alike have much to learn about public participation in the planning process.

Certainly, the 200 people who packed the basement auditorium of Reeva Fornan's new Parktown HQ, to confront the Mobil moguls, admirably got across their antipathy to the proposal.

Equally certainly, if any of the residents seriously listened (which is doubtful) to Mobil's resale marketing director Barry Jordan outline his organisation's worthy environmental record, they too might have been similarly impressed.

But when it came down to it everyone, perhaps with one exception, failed to focus their energies to persuading the opposition that it was wrong. Ward councillor Rae Graham, for example, cheered on by a partisan audience, eloquently and forcefully told Mobil of her excellent track record in fighting unwanted developments. However, she omitted to address the crucial issue of why she was against this particular scheme if she did it was lost.

Mobil was just as guilty of omission. It never tried to tell residents just how (if at all) its new service station would benefit them. The best it could do was a less-than-convincing claim that the area would be no worse off if the service station were built.

Perhaps the only exception was veteran campaigner Bird who did her homework to show that Mobil had not conducted a thorough investigation before submitting its planning application. She also pointed out that the area around the proposed site, which the oil giant believes is already compromised by traffic noise, is happily occupied by genuine human beings.

Indicative of their belief, or lack of it, in the art of logical persuasion the residents have decided to promote a boycott of Mobil filling stations to bring further pressure on the company. It is claimed that about half the garages there are Mobil.
Foskor takes the cake

Foskor, the State-owned phosphate-producing plant at Phalaborwa, is under pressure to privatise — or scupper its plans for downstream competition with SA's three fertiliser giants AECI’s Kynoch, Sasol and Omnia.

This follows the outbreak of a savage price war in SA's R1bn a year fertiliser market after the recent entry of Randburg-based Agriland Fertiliser into the overrated market.

Agriland claims to have saved SA farmers about R42m on input costs following the launch, earlier this year, of its regional franchising concept which involves the mixing of fertiliser, on demand, at a number of small-scale plants across the country.

In a free market economy, such a development would be welcomed — but questions are now being raised about the role Foskor, the best-kept secrets in SA

But Agriland is not at all coy about its foray into the fertiliser market. "Agriland's entry into the market, with a capacity of 400 000 t of granulated product a year, was made possible by the opening of their Richards Bay production facility on 1 May, 1990"

Phosphate plant . . . what happens downstream?

Our competitors out of the fertiliser business if it chooses to go downstream. "Should this be so, I will definitely have a case to take to the Competition Board," says a top official of a fertiliser company who refuses to be quoted as his group is "dependent" on Foskor for its phosphate supplies.

Stanbury says IOF exports about 80% of its phosphatic production, though world prices have weakened over the past two years. He says Agriland obtains its granulated DAP and MAP products from IOF's granulation plant at Richards Bay, but he denies Foskor is supplying any fertiliser to Agriland.

Finrand route

Feelings, however, are running high in the fertiliser industry as Foskor is perceived to have moved downstream using third parties.

It is unfair that we have to compete with our expensive plants, built with commercial terms, against a State corporation which is supported by foreign investors who have moved into SA via the cheap finland route," says another industry spokesman.

Meanwhile, Foskor keeps piling up the profits. After increasing its phosphate prices from R277/t in 1988 to R403/t in 1989 and its phosphate rock prices from R108/t in 1988 to R90/t in 1990, earnings have shot up. Turnover jumped from R231m in 1986 to R427m in 1989, while attributable profit increased from a mere R8m to R98m.

So, as profits increase and the private sector complains bitterly about the unfair competition and pricing policies of a State-owned corporation, the time must be ripe to put Foskor's privatisation on the backburner once again.

ISCOR

ISCOR has been padding out scarce supplies of straight coking coal with imports from Poland and the US. In the past six months, the steelmaker has imported about 700 000 t.

Most of it from the US.

Overseas merchantes believe the tonnage imported will eventually build up to 1 Mt annually. Though the US bans imports of coal from SA, there is nothing in its statutes to prevent anyone from exporting to SA.

There are, however, still political sensitivities and, as The Financial Times Interna-
Positive forecast for Chemserve

ZILLA EFRAT

CHEMICAL Services could achieve an 18% improvement in earnings and a 20% rise in dividends this year following static earnings growth last year, Davis Borkum analyst Gil Catton has forecast.

In the five years between 1983 and 1988, Chemserve, an AECI subsidiary, recorded a solid 26% compound earnings growth. Much of the slowdown in its earnings in the year to December stemmed from the decision by a major supplier to cut credit terms. The move pushed finance charges to a high of R6m (R3m) and helped cut pretax profit marginally to R30,8m (R31m).

While these conditions should improve significantly by the first quarter of 1990, Catton said Chemserve would face a heavy interest burden again, and high interest rates would restrict growth this year.

A positive short term factor was a partial recovery in operating margins which came under pressure in 1989 when a contraction in overall economic demand tilted sales volumes towards trading and distribution operations at the expense of higher margin manufacturing sales.

Gearing was recently boosted by Chemserve's R84m acquisition of Aekel-Marcon and SA Paper Chemicals. Because they came into effect only this year, the transactions are not reflected in the 31% gearing at year-end.

Catton expected subsidiaries Chemserve Tro and Chemserve Systems would achieve excellent results in the current year, and Chemserve Food Sciences and Chemserve Trading would show moderate earnings growth. Industrial Oleochemical Products profits might fall marginally.

But synthetic polymer manufacturer Chemserve Colloids was in for a difficult year, with price cuts hitting margins and labour strike action adversely affecting production. Its results last year were dented by dumping by an overseas competitor and a fall in mining industry sales.

Gear gun producer Chemserve Stenhall last year experienced a shrinking market, but has commissioned a plant to produce modified starches. Sales are expected to start soon and there is a prospect of a trading improvement later this year.

In the longer term, Chemserve will be the sole distributor for AECI's Soda Ash project in Botswana. Bulk production will start in 1992.
SASOL has announced six new projects which will cost R1.2bn and result in foreign exchange savings of over R400m by the 1993 financial year.

Sasol MD Paul Kruger says the new projects will boost operating income by R330m or 18% by 1993.

The programme will consist of a production line for candle and specialized waxes, a new ammonia plant, a production facility for paraffin products, an n-butanol plant, an anode coke plant and an expansion of the ethylene recovery plant.

The programme is the first of about 20 new projects with a capital value of about R3bn. Other projects will be announced when viability studies have been completed.

Kruger says Sasol has indicated that its future lies in higher value added chemicals, but the importance of its synfuel operations should not be underestimated.

While the Sigma Colliery and coal gasification plants at Sasolburg will continue to provide synthesis gas feedstocks, the wax facility at Sasol One will be expanded and the existing ammonia plant will be replaced with a larger and more efficient facility. A facility to produce paraffinic products will also be built at Sasol One.

The costs of these projects at Sasol One will be about R750m and the plants will start operating by January 1993.

The wax expansion project will be directed at the local and foreign candle wax market and the production of specialised waxes. Sasol's total wax production capacity will rise from 66 000 tons to 123 000 tons a year.

The new ammonia plant will produce 240 000 tons of ammonia for use in the fertiliser and explosives markets.

In addition, the capacity of the plant could be substantially increased should discussions between Sasol and AECI lead to further rationalisation and replacement of old ammonia plants.

Kruger says a R40m plant to recover acetylene from the Secunda facilities and to produce 17 500 tons of n-butanol will be in production by January 1992.

It will replace four 10 000 tons of n-butanol imported annually and its world-scale size will enable it to export large quantities at competitive prices.

In addition, two plants will be erected at Sasol Two at Secunda at a cost of R330m. This project, which follows years of research by Sasol scientists, entails the construction of a delayed coker to produce green coke and a calenzer to process the green coke to anode and needle coke.

These plants, which will come on stream by March 1993, will completely replace imports and could result in exports.

Sasol's R115m expansion of its ethylene production facility at Secunda will increase ethylene production by 66 000 tons to over 400 000 tons a year.
Technology for sale

The Atomic Energy Corp is the latest State-owned body to step into the bright lights of the commercial sector.

Administration & Economic Co-ordination Minister Wim de Villiers says the corporation will make some of its technology commercially available on both local and international markets. It hopes to distance itself from some of the more mysterious and clandestine connotations associated with nuclear energy in SA and seeks to be recognised as a supplier of high technology products and services.

Though this is the first time the corporation has made a fanfare about the trading of its technology, it has been in the commercial market for some time. In its last financial year, the corporation generated R138m by selling products, technology and skills to industry. Sales should reach R174m this year.

CE Waldo Stumpf says the corporation began selling locally developed technology about three years ago. Now its activities are being brought into the open.

"The Atomic Energy Corp has been far too secretive about its work. We aim to be more open. After all, it's the public's money that has been invested."

Much of the technology the corporation aims to sell was developed during the construction of the nuclear fuel production facility at Pelindaba. It involves specialised fabrication and welding processes, dust control, medical and industrial isotope production, identification of mineral deposits and development of other technologies. Its most sought-after technologies are expected to be in the area of pollution control.

Most of the sales so far have been on the domestic market, though Stumpf says there has been some trade with the Far East, Eastern Europe and the Soviet Union. It is likely to be high on the corporation's list of potential markets. Barter deals with them are possible.
Agriland quits war

THE fertiliser price war is over. Two months after entering the market at "abnormally" low prices, Agriland Fertiliser has been forced to close.

Sales it concluded, mainly through farm co-operatives, will be met by AECl's Kynoch Fertiliser at previously agreed prices.

Agriland entered the market on May 1 after taking over the lease of a Richards Bay granulation plant once owned by Tromf Fertiliser and now by European-based Indian Ocean Fertiliser.

It intended to sell about 400,000 tons of fertiliser into an oversupplied market,, causing considerable concern among the three other manufacturers, Kynoch, Sasol and Omnia.

Agriland also planned to establish regional franchise operations to which it would supply raw materials and allow franchisees to mix products for bulk delivery. This idea has been scrapped.

Agriland managing director Rhysa Greeff says: "To enter the market, we had no option but to offer fertiliser at abnormal discounts. The industry requires high levels of finance. In the agricultural sector's present economic circumstances, it was difficult to obtain money (1838)."

"We required working capital of about R15-million, but with the long payment period, we were unable to exist. We had to decide whether to continue operations and run up debts or to close the company (5 times)."

Dr Greeff estimates that because of the discounts Agriland was offering and the fact that it forced the three other manufacturers to cut prices, farmers saved R20m in a few months. The saving for the year was estimated at R70-million.

Agriland sold 40,000 tons of fertiliser through cooperatives. About 40,000 tons of this will be delivered by Kynoch (17/90).

Kynoch technical director Bob Fogel says his company has been approached by Indian Ocean Fertiliser to take over the lease of the granulation plant at Richards Bay (17/90). Agriland will not be liquidated, but wound down...
No change at Chemserve

Some divisions performed well while others battled in 1989 — that’s the message from Chemserve’s annual report.

After four years of dynamic growth, the group was unable to sustain its momentum in 1989, says chairman Dries Nieuwoudt.

With a slowing economy and reduced demand for group products, is Chemserve looking abroad for some assistance?

A joint venture company, Chemokat (PTY), was formed in partnership with an unnamed European company to trade and handle bulk oils and fats.

Also, Chemserve is negotiating to buy the shareholding held by Albright & Wilson of the UK in associated companies Akulava Marchon and SA Paper Chemicals for R24 million.

“This further investment in two proven operations always managed by Chemserve will have considerable long-term benefits,” says Mr Nieuwoudt.

But what’s the use of spending R24 million on investments that will not have a material effect on group earnings in the next two years? An explanation was surely necessary.

Chemserve had a lacklustre 1988, with export sales down 28 percent. It was only the reduced effective tax rate from 46.5 percent to 43.9 percent that enabled the bottom line to increase by R263,000.

If the effective tax rate had been the same as in 1985, the bottom line would have declined by R77,000.

‘This was despite total sales increasing by nearly 20 percent. What happened?’

In MD Peter Francois’s review there is a short essay on each division plus the problems and achievements in 1989.

Then there are 10 pages devoted to products and their applications. But without the individual sales and income or loss contribution with 1988 comparisons it is really a waste of time. Putting it quite simply, there are no numbers to talk to me.

Management has tried to liven up the show with staff portraits galore and their achievements.

Bottom Line

MICHAEL MENOP

Earnings per share were R39.46c (1988 39.46c), with the annual dividend of 100c unchanged.

The man problem seems to be subsidiary Chemserve Stein-hall which suffered from reduced demand by the mining industry for its gear-based additives.

Escalations in raw material prices, which were not passed on, and a major reduction in credit terms offered by soda ash supplier Ansec, resulted in profit being materially down on 1988’s figures despite increased sales.

Shareholders’ equity increased to R223.9 million (1988 R67.4 million) at end-December 1989.

The retained income for the year of R12.7 million plus R2.2 million devaluation of property were the reasons.

Working capital improved to R29.6 million (1988 R30.2 million). Net worth increased to R13.24 per share, with the current JSE price around R15.35.

Chemserve’s objectives for return on net assets and improvement on productivity were not met, but management has promised to focus on these in 1990, which is being seen as a tough year of slow economic growth and increased competition.

But Mr Nieuwoudt is forecasting an earnings pattern of real growth in 1990 with a commensurate increase in dividends.

Mr Francois says the group enters the new decade with resolve and a commitment to excellence.

These are brave words, but while Chemserve’s profile says it is proud of its problem-solving and innovative capabilities, its 1989 numbers have no qps or aahs for shareholders.

Those employees with the honour of having their pictures and work history revealed were perhaps the only ones who had anything to smile about.
Engen man warns SA’s refineries need updating

ZILLA EFRAT

RAPIDLY expanding vehicle fuel consumption and the freezing of future synfuels projects meant SA’s refineries needed to be updated and expanded, said Engen technical director Theo van der Pas.

Speaking at the Techno-Economic Society of Southern Africa’s chemical conference in Randburg recently, Van der Pas said since the energy crisis, SA’s refinery industry had been overshadowed by synfuel production. Rationing and price increases had also suppressed growth in SA’s oil industry.

The commissioning of Sasol II and III had adversely affected refinery throughput. However, Sasol was now in full operation and the market growth would once again be absorbed by the refineries.

Based on an average market growth of 4% to 5%, expansion of refineries in SA would become necessary in the 1980s. Engen had already announced large capacity expansions and Van der Pas believed other crude oil refiners might also be investigating expansion.

Based on Engen’s prediction that the real price of crude oil would increase 2%/a year, it did not appear that prices would rise to a level that would justify new investment in the production of synfuels or chemicals from coal. Chemical production based on existing synfuel production capacity might increase at the expense of synfuel production.

Based on an average crude oil consumption increase of 3%/a year worldwide, there would be sufficient reserves for several decades.
R200 000 boost for local primary school

By Abel Mush

Paint manufacturers AECI yesterday donated a cheque of R200 000 to St Martin's Preparatory School in The Hill, Johannesburg, for the erection and equipment of a science laboratory.

The laboratory will also run science seminars for the in-service training of black primary school teachers in Tokoza township.

Close

The offer is part of AECI's "Quality of Life" programme which has resulted from a close relationship between the company and the staffs of St Martin's Preparatory School and the RP Maphanzella School in Tokoza township.

The three have co-operated on numerous educational and extra-curricular activities in the past.

Glen Greenway, headmaster of St Martin's Preparatory School, received the cheque from executive director of AECI, Errol Frewen, who said his company considered the project a "very worthwhile effort."

Mr Greenway told The Star the laboratory would be completed by the end of this year, adding that the school would provide an extra R20 000.

Hand-over

Staff members of both schools, pupils and members of the school's governing committee witnessed the hand-over.

St Martin's Preparatory School is a private non-racial institution with a current enrolment of 380 pupils.

Oliver Tambo, president of the ANC, was a teacher at St Martin's Preparatory School in the early 1950s, said Anthony de Souza, the school's public relations officer.

Errol Frewen (left), executive director of AECI, hands a cheque for R200 000 to Glen Greenway.
AECI earnings hit by negative factors

BRENT MELVILLE

NEGATIVE market factors affected Anglo American associate and chemical giant AECI in the half year to June, knocking earnings by 13% to 79c (84c) a share. Virtually the entire AECI stable (with the exception of Chemserve) was hit by slashed margins, leaving net trading income down 14% at R219m (R250m) on a 5% rise in turnover to R2.37bn (R2.36bn). The dividend was retained at 30c, reducing cover to 2.4 (2.8) times.

MD Mike Sander said yesterday the six months had been hard across the full spectrum of the group's interests. The group had been forced to accept that there was no longer the same level of domestic demand for its product-line. Domestic sales volumes dipped by 6% over the period.

He said domestic demand had been affected by extensive destocking as well as sporadic work stoppages in consumer industries. AECI itself had "considerable exposure" to industrial actions, which disrupted production at two of its largest factories, Modderfontein and Sasolburg.

In addition, pricing on the international side had been very poor. Although exports were increased over the period to 14% (8%) of total sales, the fact that prices had come off about 30% in the same period had resulted in exports in money terms reducing marginally to R199m (R201m).

Sander said, however, that the results should be seen in the light of the high base which the group established during the comparable 1989 period. The group had also reduced the ratio of working capital to sales to 23.5% (26%).

Reflecting the drop in borrowings, financing costs for the period dipped to R47m (R53m). Gearing was slightly lower at 41% (42%).

"Present indications are that the worst of the destocking is over and that end-user consumption will translate more directly into demand for the group's products during the second half of the year."

Assuming there was no escalation of industrial action, he said, the stabilisation of demand and measures taken to contain costs should enable the group to achieve similar earnings for the full year.
R45m plant to boost SA Drugs' exports

BY DON ROBERTSON

WORK has started on a R45m pharmaceutical plant which will give SA Druggists capacity to boost its export drive.

The plant, next to Loseno's in Port Elizabeth, will be completed by the end of next year and production is scheduled for the first half of 1993. SA Druggists expects to export about 10% of the factory's production.

About 80% of the pharmaceutical raw material production from the Servane factory in Cape Town is exported. The Fine Chemical plant, which produces diagnostic enzymes, exports about 40% of its production.

The biggest factory, Loseno in Port Elizabeth, expects about 10% of its output.

Largest

Managing director Tony Kars says "Our access to investment capital, sophisticated foreign technology and competent management has enabled us to go ahead with this expansion."

A technology agreement has been signed with a large European company and licences have been obtained to manufacture new and established pharmaceutical products.

The new plant will take the strain off the Bethlehem factory. Already the largest pharmaceutical manufacturer in the southern hemisphere, SA Druggists exports to New Zealand, Chile, Hong Kong and Taiwan.

Senior general manager Clive Stalma says "There is huge potential for our export business to grow in Europe, the US, the Far East, the Middle East and in Africa. But it needs a disciplined and co-ordinated approach."
Mines seen as source of right-wing terror explosives

MONICA NICKSON INVESTIGATES: CRYING KORZE AND
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The problem, despite the fact that it would be very difficult to establish ex-

real explosives, this we keep in mind. That is why we keep it under such a light

right-wing explosives, we keep it under such a light

or better for a minute to

right-wing explosives, we keep it under such a light

explosives, we keep it under such a light

Plastics workers still out

WORKERS in the plastic moulding section of the United SA Brush Manufacturing Company in Bellville South continued a wage strike yesterday, but work had resumed in other departments, the company said in a statement.

The company met representatives of the Chemical Workers' Industrial Union yesterday following a sympathy strike by most of the workers, company personnel director Mr Garth Snyman said.

The company's final offer for all areas other than plastic moulding was accepted by employees and an agreement had been signed, said Mr Snyman.

Although both parties made minor changes to their position, there had not been a settlement with the plastic moulding section workers – Sapa.

PICKETER... A hotel worker pickets outside a Cape Town hotel yesterday. Workers say they intend striking and picketing until their demands are met.
TENS of millions of kilograms of explosives are made in South Africa every year, making the country one of the biggest manufacturers and users of explosives in the world.

AEC's Modernisation plan on the site is the single largest factory of its kind in the world. These explosives must be transported and stored in large quantities and a large number of accidents between manufacture and usage - a chain which, at first sight, seems particularly vulnerable to interception and sabotage by various elements.

But with rigid controls at factories over explosives' appearance and the storage of explosives for use above the ground, the system seems impregnable.

**Problem**

It is, say the experts, at the end of the chain - the widespread availability and use of explosives at underground mines - that the real problem lies.

Thousands of tons of explosives are dug up from South Africa's mines every year and transported to police and mine sources, at a virtually impossible to control total control over explosives under mining conditions.

It is a problem in South Africa.

Most mines along with police forces, and with the rise in crime, have raised the question of the use of explosives at various mining operations. Sources tell of widespread theft, particularly in the Northern and Southern provinces.

Several sources believe the mines are particularly attractive to explosives because of a lack of control over the mines.

At Least two military bases have been the targets of theft - that at Kimberley's South Africa's Northern Province.

**Suspects**

Police, in possession of a photograph of an accused in a membership card with a picture of one of the suspects on

At this stage it is not known whether the man will be a suspect for that reason or any other crime, other than alleged illegal possession of the group.

The group does not seem to have any links with 10-10 suspected rightwing terrorists detained over the weekend.

The case against the three suspects is registered in Kimberley, but police are still unsure of where the explosives are.

The judge included a possibility that illegal explosives could be seized from a mine plan in the underground.

The case included a possible witness to a mine plan explosive in a mine plan.

The case was heard in the Pretoria Magistrate's Court, but police are still unsure of the location of the explosives.

**Bombs**

Police yesterday released a list of the names of the suspects in the rightwing terrorism arrests being held in connection with a series of bomb blasts in Johannesburg and Pretoria.

**Media Council**

The South African Media Council is an independent body whose function is to receive and act upon complaints from members of the public who have not been satisfied by any other means of dealing with the issue concerned.
NOTICE 572 OF 1990

INVESTIGATION INTO THE CUSTOMS TARIFFS APPLICABLE TO PLASTICS AND PRODUCTS OF THE CHEMICAL AND RELATED INDUSTRIES

Notice is hereby given for general information that the Minister of Trade and Industry and Tourism has requested the Board of Trade and Industry to investigate, report on and make recommendations, in terms of section 4 of the Board of Trade and Industry Act, 1986 (Act No 107 of 1986), on the tariff protection afforded the industries manufacturing plastics and chemical and related products, with special reference to a possible reduction in the level of the existing duties to free of duty, in due cognisance of the contribution made by the industries to the economy as a whole, the ability of the industries to compete on the international and local markets and the effective protection afforded by the duties.

To begin with, the investigation will concentrate on the following products:

<table>
<thead>
<tr>
<th>Description</th>
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<tr>
<td>Benzoil</td>
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<td>Tolueol</td>
<td>2707 20</td>
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<tr>
<td>Xylool</td>
<td>7 20</td>
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<tr>
<td>Petroleum gases and other gaseous hydrocarbons</td>
<td>27 11</td>
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<tr>
<td>Acyclic hydrocarbons</td>
<td>29 01</td>
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<td>Cyclic hydrocarbons</td>
<td>29 02</td>
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<td>29 03</td>
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<tr>
<td>Fertilizers</td>
<td>Chapter 31</td>
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<tr>
<td>Polymers in primary forms</td>
<td>39 01, 39 02, 39 03, 39 04, 39 05, 39 06, 39 07</td>
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</tbody>
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Particulars of further steps in the investigation relating to the other products classifiable under Chapters 27, 29 and 39 and the products classifiable under Chapters 28, 30, 32, 33, 34, 35, 36, 37 and 38 will be published in the Government Gazette for general information at a later stage.

Interested parties intending to make representations are requested to contact the Board of Trade and Industry [Mr S Meyer, Mr G. Rudman or Mr G. Bester, Tel. (012) 322-8244] as soon as possible regarding the form of their representations. Representations in writing must be made to the Chief Executive, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, and must be submitted within six weeks of the date of this notice.

(BTI Ref T5/2/7/2/1)

(13 July 1990)

NOTICE 573 OF 1990

CUSTOMS AND EXCISE TARIFF APPLICATIONS.—LIST 5/90

A. The following applications considered by the Board of Trade and Industry during the period 1 May 1990 to 31 May 1990 have not been supported

Increase in the duty on:
Clutch facings (List 22/89, T.A.C. 890385) (Report 2866).
AECI in joint venture with Rand Refineries

Finance Staff

A joint venture to manufacture a high value specialty chemical has been announced by AECI Limited and Rand Refinery Limited, an affiliate of the Chamber of Mines of South Africa.

Neither party would reveal details of the size of the joint venture or exactly what each was contributing.

Production will be aimed chiefly at the international market but will have some import replacement benefits for the local economy.

The chemical, to be used exclusively in the gold plating industry, will be made by a new company, Goldchem (Pty) Limited, in which the partners have equal shares. The technology has been developed by AECI and is new to SA.

The venture which is not very labour intensive, is the culmination of prolonged development by AECI Chlor-Alkali and Plastics Limited's business ventures group.

The partners will jointly manage the business with Rand Refinery looking after production and AECI playing a leading role in marketing the product.

Planned to international scale, the plant is currently being constructed within the core of Rand Refinery's site near Germiston which has recently undergone a R70 million modernisation programme. The Goldchem plant is scheduled for completion in early November.

Goldchem will be competing internationally with similar major industries. The value of the product is closely related to the gold price because the chemical has a 79 percent gold content. One ton of the chemical therefore has an estimated market value of tens of millions of rand.

International

According to a Goldchem spokesman, the company's target market will be Eastern countries (where there is a huge demand for costume jewellery) and the international electronics industries.

"The project is important as it demonstrates the ability of our chemists, engineers and marketing people to pull together in developing new business, including the technology, from scratch," he says.

"The technology is novel and has been patented. We see this venture as the first of many into the arena of high added value chemicals," he concludes.
Acquisitions boost Chemserve

Finance Staff

AECI subsidiary Chemical Services (Chemserve) boosted earnings per share by 20% per cent to 147c (122c) in the six months to end-June, after incorporating recently acquired Akula-Marchon and SA Paper Chemicals.

The interim dividend is up 7.5c to 45.5c.

As a result of the two acquisitions turnover rose 31% to R203.3 million (R156.5 million) and operating profits surged 46% from R14.5 million to R21.2 million.

Chemserve increased its stake in Akula-Marchon and SA Paper Chemicals earlier this year when it acquired the interests held by UK group Albright and Wilson for R24 million.

The deal lifted Chemserve's assets to R200.4 million (R168.9 million), but total borrowings more than doubled to R50.7 million (R25.2 million) and the gearing ratio increased from 31 to 65 percent.
AECI in joint SA chemical venture

A joint venture to manufacture a high value specialty chemical has been announced by AECI Limited and Rand Refinery Limited, an affiliate of the Chamber of Mines of South Africa.

The chemical, to be used exclusively in the gold-plating industry, will be made by a new company, Goldchem (Pty) Limited, in which the partners have equal shares.

The venture is the culmination of prolonged development by AECI Chlor-alkali and Plastics Limited's business ventures group.

Planned on an international scale, the plant is currently being constructed within the core of Rand Refinery's site near Germiston, which has recently undergone a R78 million modernisation programme. The Goldchem plant is scheduled for completion in early November.

Goldchem will be competing internationally with similar major industries. The value of the product is closely related to the gold price, as the chemical has a 70% gold content.

According to a Goldchem spokesman, the company will target Eastern countries, which have huge costume jewellery and electronics industries. "The project is important as it demonstrates the ability of our chemists, engineers and marketing people to pull together in developing new business."
AECI's poor results highlight weakness of the economy

By Ann Crotty

Figures from AECI, the first major listed company to report for the six months to end-June, have stunned the market and highlight the extent of the weakness in the economy.

The giant chemicals, explosives and plastics group has reported a 13 percent drop in interim earnings to 73c a share from 84c. Extensive destocking as well as fairly widespread industrial action aggravated the impact of the economic downturn on the group's performance.

Analysts had been expecting first half earnings to be unchanged on financial 1989's interim with the really tough conditions only being reflected in the second half profit performance.

AECI management had expected the first half to be difficult. MD Mike Sander says they underestimated the much weaker trend in the last quarter of financial 1989. But management could not have anticipated the extent of destocking or the sporadic work stoppages that hit their customers and worked back to interrupt demand at AECI.

Despite the extremely tough first half, Mr Sander is looking to unchanged earnings for the full year. But this hinges on the non-recurrence of the destocking problem and an improvement in the industrial relations front.

He notes: "Present indications are that the worst effects of the destocking process have been seen and that end-user consumption should translate more directly into demand for the group's products during the second half of the year was R113 million — down 13 percent on the previous year's R130 million.

Apart from the reduction in finance costs, there was little cheer in the interim performance. Domestic sales volumes were down 6 percent and although export sales volumes were higher, lower international commodity prices meant that revenue from exports was down on the June 1989 figure.

According to Mr Sander, some areas of the local market were weaker than others. But the list of the weak areas is fairly extensive: the mining industry, construction industry, automotive industry, textile industry and the paint industry.

The generally weaker conditions were exacerbated by extensive destocking which appeared to be precipitated by a sharp drop in business confidence and was aggravated by high interest rates. The impact of this, hit sales in March and April.

In addition, "Industrial action caused considerable disruption to production at the Modderfontein and Sasolburg factories and hampered progress in aligning operations to the lower level of demand." As a result, margins were lower in most of the group's divisions.

Mr Sander is not expecting a pick-up in the economy to help second half performance but rather that (in the absence of destocking) demand will be more in line with consumption. In addition, management is looking at ways to reduce costs in order to improve margins.
'Progress' on R2bn investment

Discussions with Italian state-owned corporation Eni on possible new investment of more than R2bn in chemical, plastic and related industries in SA have reached an advanced stage, Trade and Industry Minister Kent Durr said yesterday.

Durr has just returned from a 12-day visit to Italy, where he met Eni president Gabriele Caglioni and held talks with several Italian cabinet ministers. They included Trade and Industry Minister Adolfo Battaglia and State Participation Minister Carlo Fracanzani. Durr was also received by Vatican Prime Minister Agostino Casaroli.

Durr said yesterday he was encouraged by the meetings. There were several promising opportunities for improving trade links between Italy and SA. A delegation of the Italian business organisation Comunindustria would visit SA later this year to discuss joint projects.

The Italians were interested in discussing joint ventures — particularly beneficiation of a wide range of raw materials. Italy was developing into a post-industrial society and had increasing pollution problems, he said. For this reason the businessmen and politicians he had met were keen that Italy import beneficiated products rather than raw materials.

Durr said he had discussed with Battaglia the possibility of bringing highlights of a "state of the art" handicrafts exhibition, which he had attended in Italy, to SA. Casaroli, he said, had told him the Vatican was watching developments in SA with great interest. "I was impressed by his understanding of our situation. He was confident that a just solution could be found."
Beware of imitation drugs flooding the market in the wake of publicity for Retin-A, warns a leading dermatologist.

Retinoic Acid, which is marketed as Retin-A, was introduced in 1977 as an acne treatment.

Later, it was dubbed the "wonder drug" when research showed added benefits from its use, especially in reversing the effect of aging from sun damage.

The dermatologist, who cannot be named for ethical reasons, says over-the-counter products which contain Retinol (Vitamin A) do not have the same effect as Retin-A.

"Some of the cosmetic houses are making creams containing Retinol and giving the impression that these are different guises of Retin-A. These highly priced creams are sold with unsubstantiated claims that they lead to cellular repair and biological changes in the skin as would occur with the use of Retin-A. However, Retin-A is a Schedule 3 drug and the law prohibits its use in products sold over the counter," she says.

"All products containing Retinoic Acid have to be registered with the Medicines Control Council and prescribed by qualified medical practitioners."

The product is available in South Africa, on prescription only, in cream or gel form and should be used only under medical supervision.

CAROLINE HURRY
Chemical compound

Chemserve's first-time consolidation of newly acquired Akulu-Marchon (A-M) and SA Paper Chemicals (SAPC) boosted turnover sharply in the six months to June. They contributed 18% of the half year's 31% turnover advance.

The fact that the two newcomers sell higher-margin products helped to boost the overall trading margin to 10.3% from 9.3%. However, director Lex van Vught points out that Chemserve also managed to increase margins on its other products.

A-M and SAPC were bought for R24m on January 1 when UK chemicals group Albright & Wilson divested and became wholly owned subsidiaries after acquisition of shareholdings formerly held Albright & Wilson of the UK. The transaction increased Chemserve's total assets to R200.4m (R168.9m) but the borrowings more than doubled to R50.7m and the gearing ratio increased to 65% from 31%.

Van Vught says Chemserve's trading cash flow is good and he foresees that gearing will be cut to an acceptable 50% within six months.

Demand for the group's products weakened during the past few months in line with the overall contraction in economic activity and a difficult second half year is foreseen. Still, it is possible the final could be increased in line with the interim.

Gerhard Slabber

ACQUISITIONS BOOST

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66
Pressed chemical industry looks to specialist products

BRENT MELVILLE

WITH declining domestic demand and crumbling international prices eroding performance figures in SA's chemical industry, the market's major players are finding themselves looking increasingly to specialist products for a reprieve.

The three major producers — Sentrachem, AECI, and Sasol — have all been suffering from a depressed commodity chemical market. The recent performance of AECI in particular, gauged by its results for the six months to June, shows satisfactory growth in only its specialised chemical business — Chemserve.

AECI posted a 13% drop in earnings on the back of what MD Mike Sander termed a "hard, grinding" six months. Conversely, Chemserve's specialty seems to be in achieving new profit plateaus, with a 46% improvement for the half-year.

Chemserve financial director Lex van Vught said specialty chemicals were no longer a small business. "We are following the trend started about two decades ago by the big international corporations which now derive a substantial proportion of their profits from specialist chemicals."

In following their larger overseas counterparts such as German-based Hoechst and Bayer and America's DuPont and Union Carbide into the specialist niche, the industry is also replacing expensive imports and potentially opening up a lucrative export market.

Sasol's R2bn-a-year chemical interest, Sentrachem, has been highly active in investigating the potential for downstream products Sentrachem MD Johan van der Walt says the group's strategy has involved targeting niche markets and adding value to local raw materials.

Prompted by large losses several years ago, and lacklustre domestic demand at present, the group has undertaken extensive rationalisations in its commodity chemical divisions and is gearing itself for the production of specialist chemicals.

As part of this Sentrachem merged its agricultural chemicals operations with Farm-Ag's into Sanachem, it acquired Sappi's chlor alkali business and Agbro, and built two plants worth a combined R1bn aimed at import replacement of specialist chemical components.

More importantly the group has proposed that production begins on its new venture with AECI on a R2bn naphtha-cracking project, which will provide the critical building blocks to SA's chemical industry.

Sasol, although a relative newcomer, has made significant inroads into the specialist chemical game. Sasol intends to continue its expansion into the production of the higher-margin products, such as explosives, where it is already giving AECI a good run, admits an AECI spokesman.

Van Vught says the problem for the big chemical producers is that commodity chemical factories usually require major financial investment and complicated plants. "Whereas there may be more technology involved in the production of specialty chemicals, the end process is simpler."

"There is also always the attraction of higher margins," he said, with the proviso that potential for a much more rapid increase in profits lay within the commodity chemical market in boom times.
SA backs timetable to phase out CFCs

BRENT MELVILLE

A MAJORITY vote to speed up the timetable for phasing out chlorofluorocarbons (CFCs) and other damaging chemicals was passed at a recent conference in London.

SA representatives at the conference, aimed at upgrading steps to save the ozone layer, backed the motion.

Signed by 56 of the 169 nations present at last month's meeting, the agreement included the setting up of a $240m international fund through which industrialised nations could help developing countries adopt environmentally safer technology.

Revisions to the Montreal Protocol, which came into effect in April and was signed by SA in January, include cutting world-wide CFC use by 20% by 1993, 50% by 1995, and 100% by the year 2000. The use of carbon tetrachloride will be cut 85% by 1994 and 100% by 2000, by which time 70% of all use of methyl chloroform should be phased out, with a total ban by 2005.

Ian Macdonald of the Wildlife Society Ozone Assessment Board said on Friday, "To organise and persuade the majority of industrialised nations to eliminate some of the world's most useful industrial chemicals within a decade means that the problems must be of absolutely catastrophic proportions."

A spokesman for AECI, SA's sole producer of CFCs, said AECI would find it quite easy to cut down to the 50% level through reductions in aerosol use, although slashing 75% of CFC out of industry would mean imposing upon refrigeration use. Any higher percentage meant eliminating use in deep-level mining.

Because AECI was in such a confined market the group was not prepared to devote money or technology to research into finding alternatives. AECI's UK parent ICI was putting £100m into research into a CFC alternative called 134A, but this substitute would not be available in sufficient quantities until the middle of the decade.

As an interim measure AECI was constructing a CFC 22 plant at Sasolburg. CFC 22 had only 20% of the ozone-depleting potential of the CFC 11 and 12 currently in use. 
Medicines battle: Govt ultimatum

By CARINA LE GRANGE

The dispute between the medical and pharmaceutical professions over doctors who dispense prescriptions was in the process of being resolved after a recent meeting during which agreement was reached between the Pharmaceutical Society of South Africa (PSSA) and the Medical Association of South Africa (Masa).

While doctors have maintained it was their right to dispense medicine, the pharmaceutical profession has officially claimed this was a "vexing problem" threatening the existence of the profession as a whole.

The agreement in principle between the PSSA and Masa to "jointly resolve their dispute" was reached at one of a series of meetings held between the two professional bodies late last month.

It followed an ultimatum by the Minister of Health, Dr Rina Venter, that the Government would intervene if the crisis had not been settled by August 15.

Details of the agreement will not be made public until after a meeting with Dr Venter on August 2. Neither party is speaking, except to each other.

This sudden lull follows a long period where pitched battles were fought on the pages of the journals of both bodies and in the media, and during which representations were made to the parliamentary joint committee on health in March and April this year.

In May Dr Venter warned unless the two parties managed to get their houses in order themselves, the Government would intervene.
Ruhold's off-shore plan held

Mariette Du Plessis

RUBENSTEIN Holdings (Ruhold), with subsidiaries involved in financial services and plastics manufacture, has postponed its plans to found an off-shore credit operation.

Ruhold financial director Peter Riskowitz said plans to establish an off-shore credit operation for the confirming and establishment of letters of credit had encountered "unrelenting resistance from authorities with regard to necessary exchange approval".

The Reserve Bank, he said, previously approved the transfer of funds overseas more readily, but due to the international community's favourable change in attitude towards SA in terms of sanctions and disinvestment, the bank recently tightened its policy in this regard.

Riskowitz believed the Reserve Bank's view was premature, "The need to establish off-shore operations does exist, because political developments will only have an effect on the current economic climate in the long term".

Ruhold has an effective 34% interest in Combined Packaging and joint control with Lenco Holdings.

Since February 1990 the company has successfully restructured its plastics operations, but as a result of labour unrest in the beginning of July, these operations lost more than a week's production, with a related loss in turnover for this period, Riskowitz said.

In keeping with Ruhold's policy, no interim dividend was foreseen at this stage.
AROMA Liquor Holdings' hotel division was performing well and directors planned expansion in the liquor division, accountant Tziamo Suniovto said yesterday.

And in the annual report chairman and MD Mike Kovensky said there had been an increase in turnover and customers since January. Turnover in the hotel division was expected to reach "record" levels due to favourable public response to the new facilities, including 50 extra rooms and expanded conference facilities.

Improved liquidity ratios were expected as a result of the reduction in stockholdings since year-end.

Kovensky said the listed group had the required infrastructure in place to implement the expansion opportunities opened up by Trade and Tourism Minister Kent Durr.

Durr announced in May, in terms of the Liquor Act, any group or person holding 12 licensed outlets could acquire six more, a move welcomed by Kovensky.

Aroma reported a 10% decline in taxed income for the year to end-February, Earnings fell to 6c (6.7c) a share and dividends were maintained at 25c.

The decline was attributed to trading difficulties, the cost of extensions to the Brackenfell Aroma Protea Inn and provisions in the Liquor Act preventing expansion, later removed by Durr's announcement.

The Munenberg outlet was closed after construction work in the area made it unprofitable.

Although there had been no expansion, directors were looking for the right areas to move into and were "waiting on changes in the Group Areas Act".

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DEPARTEMENT VAN NASONALE GESONDHEID EN BEVOLKINGS-ONTWIKKELING

DEPARTEMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No. 1698  27 July 1990

WET OP DIE BEHORDER VAN MEDISYNE EN VERWANTE STOWWE (WET No 101 VAN 1965)

MEDICINES AND RELATED SUBSTANCES CONTROL ACT (ACT No 101 OF 1965)

INTERNKEKKING VAN DIE REGISTRASIE VAN MEDISYNE

CANCELLATION OF THE REGISTRATION OF MEDICINES

Hierby word ingevolge artikel 17 van die Wet op die Beheerder van Medisynen en Verwante Stowwe, 1965 (Wet No. 101 van 1965), bekendgemaak dat die Registrator van Medisyn, met die goedkeuring van die Medisynenebeheer raad ingestel by artikel 2 van genoemde Wet, die registrasie van die volgende medisynen ingetrek het.

It is hereby notified, in terms of section 17 of the Medicines and Related Substances Control Act, 1965 (Act No 101 of 1965), that the Registrar of Medicines, with the approval of the Medicines Control Council established by section 2 of the said Act, has cancelled the registration of the following medicines.

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No. 1700  27 July 1990

AANSTELLING VAN VOORSITTER, ONDERVOORSITTER EN LEXE VAN DIE SENTRALE RAAD VIR MEDIESE SKEMAS

The Minister of National Health and Population Development has, under and by virtue of the powers vested in her by sections 5 (1) and 7 (1) of the Medicinal Schemes Act, 1967 (Act No. 72 of 1967), appointed the following persons to be Chairman, Vice-Chairman and members of the Central Council for Medical Schemes for a period of three years with effect from 1 July 1990.

**Chairman:**
Mr. Stephanus Johannes Naude Marais

**Vice-Chairman:**
Mr. Herbert Alfred Peters

**Members:**
Dr. Cohn McKenzie Cameron
Mr. Brian Cook
Mr. Johannes Albert de Klerk
Better days ahead
seen for Molyslip

DCM-listed Molyslip has disclosed a disappointing set of results for the year to February, largely because of increased financial costs.

But it could do better in the year ahead, brokers say.

They believe that if export business continues to grow and group borrowings are reduced, or interest rates start easing, profit could show significant growth this year.

In the annual report, chairman Robert Spanjaard is positive about the group's outlook.

He expects further substantial increases in sales and an acceptable level of income.

Molyslip carries on business as a manufacturer and distributor of specialisised lubricants and allied chemical products for industrial and consumer applications.

The company also has the sole distribution rights for metal powders manufactured by a company controlled by two of the directors.

The subsidiaries include a property company and its holding company.

Mr Spanjaard says in the interests of securing the long-term supply of metal powders, the margin on these products was reduced and that this is beginning to bear fruit in that the metal powder manufacturer has improved its trading results since year-end.

In the year to February group turnover climbed 20 percent from R108.9 million to R132.2 million.

There was a substantial improvement in export sales, which form a significant part of turnover, and this trend is expected to continue, if not accelerate, in the current year.

Operating profit increased 15 percent from R746,000 to R801,000.

Margins came under pressure as a result of increased overhead costs due to the establishment of a professional management team and the reduced margins from metal powder sales.

After the interest bill more than tripled from R29,000 to R59,000, pre-tax profit declined by 22 percent from R647,000 to R502,000.

The latter figures also represent attributable profit as no tax payments were made in financial 1998 and financial 1999.

Earnings a share decreased from 11.4c to 8.8c, while the dividend for the year remained unchanged at 3c.

The balance sheet discloses a 42 percent rise in total borrowings from R645,000 a year ago to R916,000.

This pushed gearing up from 25.6 percent to 32.1 percent.

Net asset value appreciated by 13 percent from 44.3c a share to 50.1c.

Molyslip, priced at 75c, is trading on a P/E ratio of 8.5 and provides a dividend yield of four percent.

Brokers believe the thinly traded share is worth holding on to, but should be sold if the interim results are disappointing.

COMMENT: Molyslip's share price entered a downward trend three months ago when the price fell from 95c to 75c.

The price will have to rise above 83c to confirm a trend reversal.
of the downturn. Industrial action disrupted production at the Modderfontein and Sasolburg factories and hampered progress in aligning production to the reduced demand.

AECI successfully spratd its linear low density polyethylene plant to 100 000 t/year in 1989, creating a base for further expansion of exports. Exports rose to 14% of turnover from 8% a year ago, but lower international prices eroded the gains. The international chemical market is thought to have bottomed out ahead of the European summer holiday and a small firming in prices is expected after the holiday season.

If management is right in their belief that the worst effects of the destocking process have been seen and if the labour situation stabilises, some improvement should be seen in the second half. Management is cautiously forecasting unchanged earnings for the year, based on these assumptions. They must also be assuming the economy does not weaken much further.

Meanwhile, the interim dividend has been pegged — there is no chance of an increase for the year — and the share has shed 200c to R15 in response to results which the market regards as worse than expected.

Gerhard Slabber

AECI

Volumes hit

Labour unrest — suffered by customers and in AECI’s plants — was one of the more significant reasons for the 13% slide in the group’s interim earnings.

There were a number of other adverse developments, such as weak international prices and the stable rand exchange rate against the dollar. But the key problem was the drop in domestic sales volumes, which fell by 6%, with turnover rising by only 6%.

MD Mike Sander does not quantify how much of the turnover weakness resulted from labour unrest in the market, but the figure partly reflects general intensification of this activity in recent months. The directors cite extensive destocking, together with sporadic work stoppages which worsened the impact.

FINANCIAL MAIL JULY 27 1990
AECI plan to reduce CFCs

ZILLA EFRATI

AECI Chlor-Alkali & Plastics has announced a R200,000 project to reduce the amount of chlorofluorocarbons (CFCs) being released into the atmosphere.

The programme, which starts this month and is based on technology developed in-house, will recover CFCs from large refrigeration plants and rework the product for later re-use.

AECI will visit major CFC users, collect the product from the customer and take it to its Sasolburg plant where impurities such as oil and heavy metal deposits will be removed.

The operation will not only serve bulk users but will encourage wholesalers and distributors of CFCs to collect the gas from their customers for reworking.
Proteapak withdrawal cases spare capacity

ZILLA EFRAT

SPARE capacity in the competitive woven plastic packaging industry, which became heavily overtraded by the first quarter of this year, will be eased by the withdrawal of Proteapak, reports BMI FoodPack. Proteapak's closing, coupled with cuts in decentralisation benefits, could result in the industry's return to almost full capacity in due course, it says. BMI FoodPack found demand in the woven plastic packaging market is likely to rise 4.5% this year. However, the growth rate in the medium term is expected to fall slightly.

One reason for this is heightened competition from alternative packaging methods. Mineral producers, mining industry suppliers and wool producers are investigating other types of packaging. Purchases by the milling industry, which takes more than half of all woven plastic sacks produced, will continue to expand despite a trend towards bulk deliveries. BMI FoodPack warns that woven bag manufacturers serving the chemical industry — the second largest user of woven plastic packaging — will have to improve their products to meet new international standards coming into effect at the beginning of next year. However, salt, which closely follows chemicals in market size, could provide a major opportunity for woven sacks.
Afrox shares rocket on a rosy prediction

Mandy Jean Woods

GAS manufacturer and healthcare operator Afrox's shares jumped 75c this week to a 12-month high of 3 600c after management predicted a rosy future during an Investment Analysts' Society briefing. The share was bid at 3 475c yesterday.

Afrox's business interests are characterized by stability, steady growth and a broad customer base, which accounted for it usually doing well in a downturn relative to the economy, Afrox CE Peter Joubert said. "We are driven by improving earnings a share and expect it to be much the same at the year-end as previously."

Afrox's UK-based parent company BOC has agreed that, when necessary, it will sell a further 2.5% of its 57.5% shareholding to Afrox to boost its employee share ownership scheme, AOL Unit Trust.

AOL holds 8% of the shares, making it the second-largest shareholder.

"The company's three main interests — gases, welding and hospitals, were all doing well, Joubert said. "The gases business grows in multiples of GNP and always does well. One of our main aims is to extend the range of applications," he said.

"Welding is linked to the domestic consumption of steel, which is going through a lean time. It is, however, the strongest of our businesses in terms of market share. The gases and welding divisions account for 80% of Afrox's profits."

"Afrox's 11 hospitals represented steady growth generally unaffected by economic cycles."

"Major health opportunities lie in poorly managed state health facilities. Generally, inefficiency is abhorrent and we believe we could reduce nurses' training by 40% and make it more effective," Joubert said.

He said Afrox had used with government the possibility of conserving hospital services rather than privatizing state hospitals.

"We hope to lease a hospital soon," Joubert declined to identify the hospital or the terms of the lease, but said he hoped details could be made known within the next few weeks.

Afrox planning and development manager Rodney Man said the long-term prospects of Afrox were very much tied into SA's long-term economic potential. "The company is therefore gearing itself towards a situation of flexibility and responsiveness to meet any challenge which may arise, rather than trying to forecast what may or may not happen."

"For example, sophisticated computer systems are being implemented to manage stocks more efficiently and to obtain optimum output from our gases production plants in accordance with any change in demand."

There were a number of major projects, most of them in the planning stage, to which Afrox was ready to commit its services "in full," he said.

He mentioned the naptha cracker project of ARC and Sentrachem, the Mobil expansion and the possible Iscor Corex expansion in Vanderbijlpark, Newcastle or Saldanha Bay.

"There is also continuing oil and gas exploration offshore, which has also announced its expansion programmes for Secunda," Man said.

"Afrox has traditionally performed well in economic downturns. While healthcare is fairly non-cyclical, much of our gases and welding products are used for maintenance purposes at such times. These characteristics give stability to the company."
Afrox steps on the gas and cares for the sick

SUNDAY TIMES, Business Times, August 5, 1990

Chairman and managing director Peter Joubert, a blue-chip company with a strong employee base and driven by earnings growth on the bottom line.

Health care has great prospects. Afrox entered the field in 1984 not because it saw a market for its medical gases but because it foresaw growing demand for private health care. It was right.

With the money raised through the sale of Dowson & Dobson's engineering business, Afrox bought into Amalgamated Medical Services and debenture. There were four hospitals, and the number has increased by about one a year since then.

Afrox now has about 15% of the private beds in SA. That means about 10% of all hospital beds. Average overall occupancy rates are 65% and more than 90% of patients' expenses are met by medical aid schemes.

The Afrox philosophy is not merely to administer hospitals but to manage them as any business should be.

Dock Williamson, managing director of the medical division, says SA has enough hospital beds, but resources are ill managed.

More than 60% of the cost of operating Afrox's hospitals goes on staff pay. Afrox has found the cheapest entry into health care, having bought all but one of its hospitals and refurbished them. The only one it has built was at a bargain basement cost of R60,000 a bed.

Mr. Williamson thinks no new licences will be granted for private hospitals, but a change in owner-manager profile is coming about.

The group's personnel structure - as few people as possible - works. The line manager is the personnel manager except for specialist functions such as training courses.

The concept of job ownership is sold heavily - a bit like the idea of home ownership.

Mr. Joubert says Afrox is driven by earnings growth at the bottom line. Considering the employee participation it is not surprising, but that bottom line is not inflated to suit - more the opposite.

Earnings a share would be 30% higher than reported if Afrox did not apply current cost, or inflation accounting. Even the management accounts are compiled on current cost.

Trebled

Afrox trades on a relative high PE of 14 but without inflation adjustment, the PE would be commensurately lower.

Mr. Joubert says BOC is a determined holder in spite of pressure on its US interests. BOC was willing to pay 25% of the $245 million acquisition with 2.25 percentage points of its 57.5% holding to the Afrox employee unit trust scheme.

Afrox produces 12% of BOC's profits even though BOC has not invested a cent for 49 years.

Afrox's share price has trebled in three years and it is one of the JSE's blue chips. This week's presentation went a long way to justifying the apparently mean rate and the price of R25.

Fortunes

Large users are supplied from tankers - giant travel-time flasks which cost R1-million or more to make in-house.

Small users get cylinders, of which there are a million costing R60 each a R600-million asset. Afrox spent R21-million on new cylinders last year - asset management is high on the priority list.

Gas use grows in line with the fortunes of the gross national product. Long-term supply contracts help in a slow times.

Welding products rely on consumption of domestic steel. The two factories make all kinds of cutting equipment and welding electrodes, regulators, nozzles and safety products with high local content.

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Peroxide—a new friend of earth

BY CHARMAIN NAIDOO

TWO chemical giants joined forces to commission a R90-million hydrogen peroxide plant, the first of its kind in Africa.

The CG Smith Chemicals and AECI plant, housed at AECI's Umbogintwini premises near Durban, can produce 10,000 metric tons of the odourless, mildly acidic substance a year.

Alliance Peroxide general manager Keith Harris says hydrogen peroxide is gaining popularity as an alternative to "aggressive oxidisers, such as chlorine-based chemicals."

"Hydrogen peroxide is environmentally friendly, emitting no process effluents. It decomposes to produce oxygen and water."

Mr Harris says it is becoming the preferred oxidant in the textile, paper, chemical and water-treatment industries.

Mr Harris says "Obtaining the technology for the plant was a scoop. CG Smith Chemicals was looking for market gaps to diversify from sugar-based chemicals."

"We signed a licensing agreement with Ohio-based international consultants Apel Associates, which has more than 15 years' experience in this industry."

"Because by-product hydrogen is produced at AECI's Umbogintwini factory, we formed a 50-50 venture."

For more information...
Doctors, chemists must co-operate – Venter

The vested rights of the Medical Association of SA (Masa) and the Pharmaceutical Association of SA (PPSA) had to be recognised in seeking a solution towards resolving their differences on the dispensation of medicines.

This was said in a statement yesterday by the Minister of National Health and Population Development, Nita Venter, after discussion with the two organisations last week.

Dr Venter stressed that in seeking a solution, the vested rights of the two professions should be recognised.

Both had a “great responsibility” in determining how they should co-operate without affecting those rights.

She said that at all times the interests of the patient would be paramount – Sapa.
Gresham chairman hopeful

MARIETTE DU PLESSIS

GRESHAM Industries' acquisitions in the year to end-March should make a meaningful contribution to the retail and wholesale-listed group's performance "in due course", says chairman Gordon Utan in the annual report.

Problems initially experienced in the pharmaceutical wholesale distribution division following the merger of Pretoria Wholesale Druggists (PWD) and SA Pharmaceutical Development Corporation (SAPDC) exacerbated the "depressant" effect which the economic slowdown and high interest rates had on the group.

Despite the 6% fall in turnover, Utan said the programme implemented by management of the pharmaceutical division to address industry conditions "already gives cause for encouragement".

However, he remained doubtful that the industry would stabilise in the short-term, and said problems facing Gresham would therefore "take time to be resolved".
BARLOW Rand's pharmaceutical subsidiary, Adcock Ingram (Adcock), is expected by an analyst to report a 26% increase in earnings a share to 130c (143c) for the year to end September 1990.

A dividend of 65c a share is forecast.

Ferguson Bros analyst Richard Price says Adcock's strength lies in its strong position in the ethical drug market, medical care and hospital products, with the self-medication market and exports seen as natural growth areas.

"Shareholders will not be disappointed," says Adcock chairman Robby Williams. Despite the economic slowdown, the pharmaceutical group had a reasonable year during which acquisitions made in 1989 were fully integrated.

An anti-ulcer agent, Losec, cough syrup Panadoc and Rhinocort for the treatment of nasal congestion were products successfully introduced by Adcock in 1990.

Williams declined to comment on Adcock's expected turnover for 1990 since the final results are due in September. However, he says all the divisions have shown substantial increases in turnover.
PSSA Contracts applies to board for exemption

PSSA Contracts, a division of the Pharmaceutical Society of SA (PSSA) which trades as Medikredit, has applied to the Competition Board for permanent exemption from the prohibition on price and supply collusion.

The Government Gazette dated August 3 says PSSA Contracts enjoys a temporary exemption which expires on December 31.

The prohibition affects contracts negotiated between Medikredit and medical aid schemes in terms of which members may obtain prescribed medicine from certain participating pharmacies.

Discounts

PSSA executive director Boet van der Merwe says the Medikredit contract system was developed to give medical aid members freedom of choice in purchasing prescribed medicines from any contracted-in pharmacy in SA.

Medikredit tariffs are based on tariffs laid down by the SA Pharmacy Council, says Van der Merwe. The service is primarily in the patient's interest and guarantees medical aid schemes pre-determined discounts for prescribed medicines.

The Pharmaceutical Manufacturer's Association (PMA) declined to comment until the matter had been considered at PMA's executive council meeting this month.

Medischeme financial director Paul Bosch says the company is in favour of permanent exemption because unnecessary administration costs involved in the processing of medical claims will be cut out by Medikredit contracts.

Medical aid members have benefited from existing contracts between Medikredit and Medischeme and will continue to benefit from less administration and advanced credit at pharmacies.

The temporary exemption has been renewed twice since it was first promulgated in May 1986. Provision is made for the Minister of Administration and Economic Co-ordination to exempt appropriate cases from the prohibition on a recommendation from the Competition Board.

Namibian third party to be backdated

THE promulgation of a Namibian version of SA's Multilateral Motor Vehicle Accidents Fund Act — to be passed by Parliament this week — will settle the concerns of SA motorists travelling to the country without third party insurance.

Namibian Director of State Revenue Hannes Lubbe said yesterday the Act would be made retrospective to March 21 and would cover all who bought petrol or diesel in Namibia.

The fund will be financed through levies on petrol and diesel. All Namibian contributions made to the National Energy Council (NEC) since independence pending the creation of its own fund will be transferred back to Namibia.

As the Namibian Act is retrospective, travellers involved in accidents since independence will have had third party cover, a fund spokesman said.
Noristan undergoes restructuring

THE Noristan health care group has restructured its pharmaceutical, R & D, manufacturing and marketing divisions into one pharmaceutical business unit.

Noristan director and head of the business unit, Dr Fritz Spyker, said it would consist of three operating centres—marketing, commercial and production.

The restructuring would enable the medical division, also part of the new business unit, R & D and clinical trials to combine all Noristan's innovative functions. The production and R & D sections now operated separately, while all Noristan's pharmaceutical marketing activities were combined into one unit.

Market intelligence and information services, part of corporate services, would now form part of the new business unit, he said.

Spyker said the newly created commercial function would incorporate customer services and liaison, tenders, master scheduling and inventory planning as well as export business.

The pharmaceutical business, the group's core activity, together with the non-pharmaceutical businesses Norucel, Noridata and newly acquired Crest Healthcare Technology, formed the group's main operational divisions.
KEMTRADE  F/91 10/89 183

Activities: Manufactures and distributes budget toiletries, pharmaceutical sundries and cosmetics

Control: Directors B1%  
Chairman: RY Lowenthal, MDs M R Yesner and N Tatz

Capital structure 13m ords Market capitalisation R3.9m

Share market: Price 30c 12-month high, 47c, low, 20c  Trading volume last quarter, 100 000 shares

Year to Feb 28  **66  **67  **88  †90
ST debt (Rm) — — — 7.9
LT debt (Rm) — — 0.8
Debt/equity ratio — — 0.32 0.48
Shareholders’ interest 0.66 0.73 0.55 0.22
Int & leasing cover 40 220 6.6 —
Return on cap (%) 21.0 22.8 14.2 —
Turnover (Rm) — — —
Pre-em profit (Rm) 1.3 1.3 1.2 (1.1)
Pre-em margin (%) — — — —
Earnings (c) 7.3 8.6 6.1 —
Dividends (c) 3.3 3.7 2 —
Net worth (d) 34 58 38 20

* Year to Dec 31
† 14 months

The inherent value of Kemtrade’s product lines, with some of the brand names established for more than 30 years, is what prompted a consortium led by Ronald Lowenthal to take control of the ailing pharmaceuticals and toiletries firm in October. A loss of more than R2m was posted for the 14-months to February after a distributable profit of R793 000 in the preceding year. Reasons given for the bad results are a substantial decline in sales in the second half of the financial period, a disproportionate increase in expenses relative to sales and high interest rates on increased borrowings.  

Joint MD Malcolm Yesner says Kemtrade suffered from big structural problems when the consortium took over. Those ranged from outdated computer systems to ineffective accounting controls. The new management started to clean things up. Some unprofitable product lines were discontinued and the old computer system was written off and replaced by one expected to help in tightening stock control. Sales volumes are established on daily and regional bases and the information translates into proper production planning and stock levels. Yesner says under the previous management very high stock levels built up in some product lines to more than a year’s supply.

Another criticism he has is that all previous acquisitions were funded from cash flow. Management is looking into restructuring the balance sheet, probably by issuing preference shares. The object is to improve the debt/equity ratio to acceptable levels. Yesner expects Kemtrade to move into profit by this year’s halfway stage. Better trading conditions in the second half will provide information to make a good assessment of the restructured company at the end of its financial year.

Since the change in control, Kemtrade has acquired the business and products of Allied Pharmaceuticals for R3.1m. The share is trading at 30c after reaching a high of 47c in November.  

Gerhard Slabber
**Synfuel projects 'still not viable'**

Even a significant rise in the petrol price would not make investment in new local synfuels projects commercially viable, oil industry spokesmen said at the weekend.

The Middle East tension, which last week sent Sasol's share price to new peaks on the JSE, had already been felt in the landed cost of SA's fuel.

Before the Gulf turmoil, new local synfuels development had come to a halt.

Last year, government did not approve projects proposed by AECC and Cencor and it has still not decided on the sugar industry's proposed ethanol plant.

**Value**

In addition, the viability of the R7,3bn Mossgas project, on which energy giant Engen has a stake, had been widely questioned in recent times.

An industry expert said even at a significantly higher crude price, the capital cost of synfuel production on a commercial 'bun' would be much greater than the market value of the product.

A higher oil price would result in a rise in all the associated costs of building a synfuels plant, he said.

A Sasol spokesman said the current cost of replacing a plant of the size of Sasol 2 or 3 would be about R13bn.

This represents a marked jump from past estimates: Sasol 2, which came on stream in 1980, cost R2,5bn and Sasol 3, which first produced oil in 1982, cost R3,5bn.

Sasol MD Paul Kruger confirmed that at current prices, Sasol could not consider new investments in coal-from-coal plants.

**Impact**

If the price rises above $28,70 a barrel, Sasol pays government 29% of the difference between the ruling oil price and the $28,70 until the effect of the accumulated tariff protection has been neutralised. Thereafter, Sasol enjoys the full benefit of higher oil prices.

While the rise in oil prices also increased the viability of Mossgas, the Gulf crisis made little impact on Engen's share price last week.

Smith said this was because Engen had not yet made the decision to take up its rights in Mossgas. He added that the oil price rise would increase the value of Engen's petrol stocks.

Sasol's share price closed at a peak of 1,5860 on Friday after showing a steady rise during the week.

With oil prices above $23 a barrel, the tariff protection for the synfuels industry does not currently apply to Sasol.

Below $23 a barrel, Sasol enjoys variable tariff protection. Between $23 and $28,70 a barrel it enjoys the full benefit of the increased oil prices.

Scheme to drop discount

The chairman of Pro Sano Medical Aid Scheme, Cyril Beukes, announced yesterday that Pro Sano would suspend the 15 percent discount on medicines previously required of dispensing doctors.

The decision to suspend the discount opens the way for Pro Sano to negotiate its own cost-containment measures with doctors.

Mr Beukes said that the original 15 percent discount was introduced as a uniform cost-containing measure.

Such discounts were revised to reduce the strain on Pro Sano medical scheme funds and keep medical-aid member subscriptions to acceptable levels — Sapa
Business uncertain

The SA Chamber of Business business confidence index (BCI) recovered slightly in July to 92, from 91.8 in June, after four straight months of decline.

Confidence was buoyed by the higher dollar gold price, rise in real imports, fall in the June CPI from 13.9% to 13.6%, further drop in the three-month BA rate, increased exports, higher value of building plans passed and small increase in net immigration.

These positive developments were largely offset by weaker JSE prices, lower new car and retail sales, higher unemployment and fewer new companies registered.

In the chamber's monthly report, economist Keith Lockwood continues to emphasize the negative effect of political uncertainty on business confidence. While high interest rates could be calculated into investment plans, it is much more difficult to determine the effect of future political developments.

Lockwood says many investors will want reassurance as to future economic policies before engaging in costly new projects.

such assurances are unlikely in the short term, hopes of an investment-led upswing in the first half of 1991 are becoming more remote and the prospect of an extended and deep recession more real.

Uncertainty can be seen in the chamber's survey of manufacturing, which shows orders from the retail and wholesale sectors were expected to decrease in July. As a result, respondents will be happy to maintain production volumes in the coming 12 months.

Sales are also expected to remain static. In the light of the previous five successive months of declining sales expectations, this could be seen as good news and reflects hopes that sales will pick up early in 1991.

It's not only SA manufacturers that are gloomy: a survey in The Economist shows only 42% of businessmen polled worldwide (excluding Japan) expect sales to rise in the third quarter, down from 47% for the second quarter. Australia, Britain and Canada have lowest expectations, Italy, France and West Germany top the list.
'Light skin' cosmetics are finally banned

By PEARL MAJOLA

SKIN lightening creams or any cosmetic containing hydroquinone can no longer be imported, manufactured or sold in South Africa.

Hydroquinone is now controlled strictly as a Schedule 2 substance.

This means that from August 16, when the notice was published in the Government Gazette, hydroquinone can only be sold at chemists under the discretion of pharmacists and cannot be sold to anyone below the age of 17.

The ultimate ban on skin lighteners follows the long debate on whether skin lightening creams containing hydroquinone, a chemical which causes permanent damage to the skin, should be controlled as medicines are.

Last Friday the Minister of National Health and Population Development, Dr Rana Venter, decided in favour of control and withdrew the exemption of hydroquinone from the Medicines and Related Substances Control Act, making it a Schedule 2 substance.

A pharmacist, who cannot be identified for professional reasons, said the new law means that there is now a definite control over the sale of hydroquinone or any product that contains it, unlike in the past when it was available from any supermarket.

Making hydroquinone a Schedule 2 substance means that not only will it be exclusive to pharmacies, but it will be sold under the discretion of a pharmacist who will record the name of the buyer, who must be over 16 years of age, on the Schedule 2 register, she explained.

The initial date for the banning of skin lighteners was July 1989, but manufacturers threatened to contest the ban in court, which resulted in the former Minister deciding to grant them a three-year phasing-out period.

This year the manufacturers contested the ban unsuccessfully in the Transvaal Division of the Supreme Court. They were contesting that the ban be effective only on January 1 1991, as agreed last year.

RINA VENTER
Mid-East war threats boost SA's synfuels

THE threat of war in the Gulf and rising world oil prices have provided an unexpected boost to South Africa's highly developed synthetic fuels industry.

But industry analysts said it was too soon to draw long-term conclusions about the expansion of capacity for manufactured fuels.

"Let's first let the dust settle and then we can see what it all means," said Bernard Smith, chairman of South African engineering corporation, Engen Ltd, part of the mining house Gencor Ltd.

Iraq's invasion of Kuwait on August 2 did, however, underline how vulnerable Middle East oil supplies were, he said.

Benchmark oil prices have risen from around 18 dollars a barrel just before Iraq invaded Kuwait to 23 dollars and some foreign oil analysts said it could go much higher.

"Uncertainty has been created about the fate of 25 per cent of the world's proven reserves," said Peter Gignoux, a director at London trading house Lehman Brothers.

The uncertainty, exacerbated in South Africa by a partial anti-apartheid oil boycott and the lack of independent oil resources, boosted shares in Sasol Ltd.

Oil-from-coal facility from 13.60 rand (5.26 dollars) before the crisis to 14.80 rand (5.72 dollars) on Thursday.

Sasol, with a 1989 turnover of 4.1 billion rand (1.6 billion dollars), is believed to supply up to half South Africa's fuel needs and, according to industry analysts, generates foreign exchange savings of about 3.3 billion rand a year.

Smith, whose Engen group is managing the development of an eight billion rand (3.1 billion dollars) oil-from-gas facility at Mossel Bay on the south coast, said the government needed to re-examine its synfuels policy in light of Gulf developments.

"I think all countries in the world would like to have an independent oil supply or a synfuel capacity as an insurance against this sort of thing," he said.

He said the rising oil price would not influence Engen policy on the Mossgas development, the country's second major synfuels project, which is due to begin converting fuel from the offshore gas fields at Mossel Bay around April, 1992.

"It is clear that the Mossgas development was not seen to be commercially viable when the decision was made to go ahead with it. It was a matter of national security, a strategic decision that took it forward," he said.

Smith said the oil price would probably have to rise further, however, to attain the plant's viability threshold.

"We have worked on a per barrel price of about 25 dollars as the point at which Mossgas would become commercially viable. It is probably rather higher than that now," he said.

The government encouraged synfuel development particularly in the face of anti-apartheid sanctions that have forced it to buy oil in confidential deals on a stiff premium.

But government funding for private projects to extract petroleum from oil shale and methanol from coal was withdrawn in November as the sanctions showed signs of easing under the stewardship of President F W de Klerk.

A Sasol spokeswoman said the firm's state-subsidy, designed to cushion it against low petroleum prices, fell away this month for the first time since it was set up in 1950 after the oil price topped 23 dollars a barrel when Iraq went into Kuwait.

But Sasol managing director Paul Kruger said, "Sasol will not consider constructing any new synfuel production facilities, even at the current oil prices."
Now-banned skin-lighten cosmetics to be sold outside SA

By PAT SIDLEY

THE country’s biggest manufacturer of skin-lighteners will export its newly-banned wares to other African countries. Health Minister Dr Rina Venter last week gazetted a notice which made any substance containing hydroquinone a medicine controlled by law and sold only by pharmacists. The same gazette prohibited the sale, manufacture or import of any cosmetic containing hydroquinone from August 10.

The company which manufactures the majority of skin-lighteners on the market — Twins Pharmaceuticals — attempted to stall the minister with a court order, but failed. Now Twins says it will export the creams to other countries in Africa. Twins Pharmaceuticals consumer division general manager Maurits Rood yesterday told the Weekly Mail the company intended to export the creams it is unable to sell here to other countries in Africa including Zambia, Namibia and Botswana (Zimbabwe has similar legislation to South Africa’s). Twins makes about 70 percent of skin lighteners which were legally available as cosmetics until last week.

Mr Rood said his company had existing markets in Africa which were also supplied by US and British companies. But the Department of Health told the Weekly Mail yesterday that in its opinion it would be illegal to export the skin-lightening cosmetic.

Now another legal clash between the ministry and the manufacturers looks likely.

Consumer groups and doctors have for years tried to get hydroquinone controlled, as it can cause severe disfiguring when used as a skin lightener. The industry has resisted this, claiming that only its misuse causes the disfiguring.

Dermatologists say that while the new law is a vast improvement, the substance can be sold over the counter by a pharmacist once it has been registered as a medicine, and there is nothing to stop a pharmacist selling it to anybody who asks for it.

Additionally it would take an army of inspectors to police all the outlying rural general dealer stores to see that they stopped selling the cosmetic. According to the head of the Dermatological Society, Dr Mary-Ann Sher, dermatologists are delighted that Venter has controlled the sales.

She said the profession originally asked for it to be made a schedule 3 drug (on doctors’ prescriptions only), but she said this fight could be taken up again at a later stage.

The legal position now is that any substance containing two percent hydroquinone or less can be sold by a pharmacist as a medicine. Some substances contain more than this and have to be prescribed by doctors.
Farm-Ag turns in a loss of R7.7-m

By Ann Crotty

A litany of woes from Farm-Ag to explain the "material reduction in profitability" that turned a financial '89 attributable profit of R11.2 million into a loss of R7.7 million in the 12 months to end-June 1990.

The list includes increased working capital requirements and incurring capital management in certain subsidiaries which aggravated the impact of higher interest rates to produce a doubling in interest charges from R9.2 million to R19 million.

The group's Potter and Moore toiletries, household products and pharmaceutical division reported a loss of R3.7 million — no explanations are given.

Losses of R11.2 million were incurred in the group's Staahlem retail agricultural chemical division, the MD engineering division and the Nu-Care toiletries division. Again no explanation for the losses is given but management points out that all of these divisions were sold during the year.

Farm-Ag's associated companies increased their contribution by 21 percent to R3.5 million.

In the second half of the year, management undertook a major rationalisation and reorganisation programme.

Also involved was the acquisition by Farm-Ag of the agricultural chemical wholesaling and retailing business of minority Staahlem as well as the subsidiary Hyperchems International. The retail portion of the agricultural chemical business acquired from Staahlem was subsequently sold.

Joint venture

Then Farm-Ag merged its agricultural chemical manufacturing and wholesale operations with those of Sentrachem in a joint venture Farm-Ag has agreed to sell its stake in Sentrachem at end-February '95 on the basis of a predetermined price formula.

Ahead of all this rationalisation, the loss for financial '94 was 56.6c a share. No dividend will be paid.

Rale, which holds 63.8 percent of Farm-Ag, reported a loss of 8.1c a share. No dividend will be paid.
By MUSA NDWANDWE
TWO weeks after the banning of the manufacture, import and sale of the skin lighteners, the cream is still readily available in the Western Cape.

An investigation this week showed that cosmetics containing the skin damaging hydroquinone chemical are still obtainable over the counter at various general dealers in the Peninsula.

In terms of a notice in the government gazette two weeks ago, hydroquinone — containing skin lighteners were now a medicine controlled by law and could only be available from pharmacists on prescription.

Department of Health spokesperson Karen Klobel, said that it was a “crime” to sell skin lighteners over the counter as from August 10.

Concern

“According to the law they are not supposed to be have these wares on their shelves as from August 10,” she said.

But she acknowledged that most dealers were likely to continue to stock the products.

The ban came after numerous appeals by progressive consumer groups and concerned dermatologists that skin lighteners cause permanent damage to the user’s skin and should be banned.

In pursuit of a brighter complexion, scores of black women have caused extensive disfiguring to their skins.

Dimension

This has triggered a considerable concern from health workers who staged numerous awareness campaigns.

Their efforts paid off with the halting of skin lighteners advertisements in all media.

The issue of skin lighteners took on a political dimension with the advent of the Black Consciousness Movement in the early 70s.

A myth prevalent among specialty African people was that the brighter the complexion, the more beautiful and socially accepted you are.

In terms of the government ban, any substance containing more than two percent of hydroquinone can be acquired only through a doctor’s prescription.

“The most important thing is to educate people that there is nothing wrong with their black skins,” said Shawco health worker Stompie Mosala.

“But education is almost unworkable when these creams are easily available from our shops.”

Mosala is appalled at the “alarmingly high rate” of the use of skin lighteners especially in the squatter areas.

Doctors and health workers fighting for the ban on skin lighteners have always been met with a dismissal from the industry, claiming that only the misuse of the products causes harm.

A local company producing 70 percent of skin lighteners is reportedly planning to export its wares to other African countries.
SA fuel price rise inevitable — NEC

By REG RUMNEY

If world oil prices stay above $28 a barrel as they did last month, an increase in the price of fuel in South Africa is inevitable, according to the National Energy Council.

World oil prices surged above $30 a barrel yesterday — the latest increase in world oil prices could add 15c in the cost per litre to the cost of a litre of petrol. A 6c rise in the petrol price would increase the inflation rate, as measured by the Consumer Price Index, by 0.5 percentage points.

The NEC has pointed out in the past that fuel demand is relatively inelastic. It is difficult to predict when the NEC will raise prices. However, the NEC will say that the increase in petrol prices is not entirely due to the recent "overshooting" by motorists for their fuel was reversed dramatically this month.

Increases in world oil prices are not reflected immediately in petrol and diesel prices because of various factors, such as the South African fuel industry's buffer fund called the "glue". The glue can go into the red (when motorists underpay) as well as being surplus from time to time.

Eventually, the local fuel price must mirror the price of oil on world markets. Even so, though it produces fuel domestically from coal, it is paid according to world fuel prices.

South African fuel prices are determined according to a complex formula that takes into account a world price of refined petrol and diesel in dollars.

The exchange rate of the rand against the dollar also affects the calculation of the price of petrol.

If the rand appreciated against the dollar, any rise in oil prices may be cancelled out. The rand has stayed firm, but oil prices have been high.

Sanlam economist Roy Jumas yesterday predicted that the oil price rise could be cancelled out for South Africa to some extent, by a rise in the gold price. Gold closed in London at $412.75 an ounce yesterday — the highest level since January 1985, and analysts believe it could rise to $450 an ounce.

"If the crisis in the Middle East deteriorates," he said, "it would benefit the gold price and that in turn would offset the increase in the cost of fuel to some extent, but the benefits of a higher gold price would take a fairly long time to work through into general economy."

What will emerge from the Middle East crisis (assuming there is no outright war) is that the average price of oil will finally stabilise at a considerably higher level in the future.

"Were the oil price to be around $15-$16 a barrel, and $19-$20 immediately before Iraq's invasion of Kuwait, I cannot see it settling down at much below $24-$25 a barrel in the future," said Jumas.

This would upset profit prospects and economic growth throughout the world, and bring renewed inflationary pressures worldwide. South Africa would not be able to escape an increase in the local petrol price.

While it is believed that most governments have contingency plans to contend with disruptions in oil supplies and a rising oil price, Jumas did not expect the South African government to fall back automatically on its strategic oil reserves to feed the market's demands.

"It wouldn't be surprising to find that the money tied up in the South African strategic oil reserves could eventually make a significant contribution to social spending," he said.

"Many millions of rand are involved in the hoard of oil, and it would come in useful to meet future needs."

"Lifting a long-term view, with sanctions lifted and free trade again possible (including the importing of oil), this massive stock of oil would not be necessary and could well be reduced this releasing some of our hidden wealth," he said.

"Sapa-Reuters reports that world oil prices topped $31 a barrel yesterday, their highest since December 1985, and analysts believe they will rapidly spiral higher if fighting breaks out in the Gulf. Oil prices have now climbed more than $10 since Iraq invaded Kuwait on 2 August 2, and market analysts say that if the war of words in the Gulf turns into fighting, there is only one direction they can go — up."

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Amic’s earnings fall 19.5 percent

ANGLO American Industrial Corporation (Amic) has maintained its interim dividend at 110c a share for the first six months of 1990, in spite of a 19.5 percent decline in earnings a share to 451c (561c)

Amic’s attributable earnings decreased by 19.5 percent to R243-million (R302-million)

Turnover increased marginally to R2.96-billion (R2.79-billion) with earnings from operations falling to R344-million (R586-million) and income from associated companies to R109-million (R118-million)

Interest earned amounted to R46-million (R26-million), while interest paid and finance lease charges increased by R14-million to R70-million. Taxation was lower at R103-million (R241-million), of which normal tax was R50-million (R130-million) and deferred tax R53-million (R111-million)

Amic’s directors expect local trading conditions to be more difficult in the second half of 1990. In addition, they believe recent political events and resultant higher oil prices could have recessionary effects on international trade and commodity prices.

In these circumstances, Amic’s earnings for the year are expected to show further deterioration
Focusing on the quality of life

Chemical giant AECI Limited spend 60 percent of their R6.2 million Quality of Life budget on education.

Sandy Vandeyar, Quality of Life budget manager, said AECI had three main CSI budgets — one for scholarships, one for tertiary education and the third to improve the quality of life of South Africans.

AECI spend one percent of their pre-tax profit on their Quality of Life budget.

“We found that it is impossible to cover the whole spectrum of needs across the country and so we ended up focusing on certain identified communities where our employees lived,” he said.

CSI activities fall under two broad categories of education and community development.

On the educational front AECI identified their main priority areas as teacher upgrading, science and technical education, the improvement of English and communication skills in schools and the improvement of basic facilities in classrooms.

Mr Vandeyar said that there were many teachers without matric: “One of the projects we are particularly proud of is the establishment of Promat colleges — colleges which provide Std 9 and matric in one year — and we have many teacher students here,” he said.

“Another project we are involved in is the establishment of the first non-racial teachers training college in Pretoria.”

“An area of concern is the upgrading of English and communication in schools. We do a lot of work with READ in this regard and we have an upcoming story festival.”

AECI have recently donated funds to the ACE education centre in Alexandra for a computer science class and science laboratory.

On the community development front, AECI’s main priorities are job-creation programmes, early child education and the development of leadership skills.
End of a 10-year battle to ban skin lighteners

ANTHONY BARBER

Participation only as Registered
Govt urged to act on medicine costs

GOVERNMENT should intervene to help reduce the cost of medicine and improve health care in SA by addressing problems in the pharmaceutical industry, Gresham Industries chairman Gordon Utian said yesterday.

Rising costs could severely hamper pharmaceutical wholesale and retail businesses if government did not alleviate the present situation.

At Gresham's AGM yesterday Utian stressed the need to address inequities in the pharmaceutical industry, where vested interests had created a situation in which wholesalers were caught up between manufacturers, retailers and doctors.

Manufacturers demanded exceptionally high prices for their products, and doctors, influenced by advertising and sampling campaigns, prescribed their products.

Consequently, consumers remained oblivious to the fact that in many cases there were equally effective medicines available at a fraction of the price.

Utian also questioned the credibility of the medical aid system, in terms of which pharmacists were being pushed by medical aid societies to assume the role of a discounter.

This and other urgent issues were brought to the attention of the Department of Health and Development three years ago, when the De Viliers Committee of Inquiry was appointed to look into pharmaceutical matters. Utian said no feedback has been received from the department since.

A department spokesman said yesterday the De Viliers committee should be able to report back during late September.
General Optical
feels pressure

The benefit of the 16.9 percent increase in sales achieved by General Optical Company for the year ended June was offset by pressures on overheads and higher finance costs.

Net income reflected a marginal drop to R1.56 million, compared with the previous figure of R1.61 million. This translates into earnings a share of 57.4c (58.9c).

In the present economic climate the directors decided to declare an unchanged final dividend of 11c, making an unchanged total of 16c for the year.
Battle against skin lighteners ends

SOUTH AFRICA'S decision to ban skin lighteners has been welcomed by the medical profession, but not by manufacturers.

The skin lightening cosmetics had been blamed by local doctors for disfiguring thousands of black women, after a rearguard battle by manufacturers defending a lucrative market.

The Government this month abruptly brought forward a ban planned for next January on cosmetics containing hydroquinone - the key ingredient in creams used by blacks who want a fairer skin.

"After all the hard work put in to get the substance controlled, we are ecstatic," said Dermatological Society chairman Dr Mary Ann Sher.

"There have been very bad effects on skin from the continued use of skin lighteners." She said hydroquinone caused ochronosis - permanent dark patches on the face and, in serious cases, granity black lumps under the skin.

But Maurits Rood, general manager of top manufacturer Twins Pharmaceuticals, said "Obviously we are very unhappy with the situation."

Twins denies that properly-used skin lighteners are damaging.

It says the ban will merely foster an unofficial market in homemade products, with dangerous consequences.

Twins argues hydroquinone does not cause ochronosis, and damage is due to users adding stronger substances like bleach.

The controversy has dragged on for more than a decade, while manufacturers fought to keep their products on supermarket shelves and protect an industry worth R70 million a year in retail sales.

The Government originally aimed to ban the creams in June last year, then postponed the move until early 1991. But health minister Rina Verster suddenly ordered all such products off the shelves from August 10 this year.

Imported

Any cosmetic containing it (hydroquinone) may not be imported, manufactured or sold," she said in a statement.

The Transvaal Province Supreme Court this month rejected a last-ditch attempt by Twins, who account for R35 million of the annual sales, to stop the ban.

Asides said Verster had accepted the case for tighter control.

Twins says that because of the sudden change in dates, it has been stuck with goods worth up to R13 million.

Rood told reporters that Twins would consider exporting the creams that now cannot be sold in South Africa elsewhere on the continent, including Zambia, Namibia and Botswana.

In South Africa, products containing hydroquinone will now be available from pharmacies only as registered medicines.

Sher said the restriction was not tight enough. "We feel that the Government should go further and that hydroquinone should be given on prescription only."

Effective

She said surveys showed about 30 percent of black women in the densely-populated Johannesburg and Pretoria region had damage from skin lighteners. Damage had persisted despite a ruling in 1983 limiting hydroquinone in creams to two percent.

Rood said skin lighteners were used elsewhere in Africa without harm and had a bigger market in the United States, where laws are strict, than in South Africa.

"According to information based on US data, hydroquinone is safe and effective," Rood said.

Anthropologists say one reason skin lighteners are sought is that ideas of beauty have been influenced by concepts of racial superiority.

"Successful people are seen as light-skinned people," said one university anthropologist who asked not to be named.

But ochronosis victim Anastasia Thula, who as a young nurse used creams containing hydroquinone in the 1970s, denied that she had bought such products to look whiter.

"It was included in products which were billed as being ideal for black skins," said Thula, now a spokeswoman for the National Black Consumers' Union.

Thula said the disfigurement had done grave psychological damage to women who had hoped for beautiful skins.

"I am very happy," she said of the ban. "We are dealing with the skin of a human being, a black human being. Any person will always want to have a beautiful face," she said - Sapa-Reuters.

Company now has R13-m of stock.
Chemical companies set to merge

CI CHEMICALS and Whitney Chemical are to merge to create a major new force in the chemical industry with an annual turnover close to R300m, a year.

The merged UK new company, CHW Chemicals, effective from October, aims at taking advantage of the potential for synergy between the companies, says new group MD Peter Columbne.

CHW Chemicals — formed through a management buy-out when US group Dow Chemical disinvested from SA — represents Dow in southern Africa, marketing its range of chemicals, polymers and urethane and agricultural products.

Whitney Chemical is the agent for the US-based Hoechst Celanese Chemicals, its PA, and its other chemical intermediates — which includes vinyl acetate, acrylate monomers and other chemical intermediates — is used in the manufacture of coatings, plastics and fibres.

CHW Chemicals will retain these and other developing agencies, and market them through its expanded network of sales, services and technical offices.

Columbne says "combining our two product ranges produces a superb fit, and gives us a turnover of some 15 000 tons of ex-stock bulk and packaged chemicals."
Consul expects R2bn turnover

CONSOL is budgeting for a R2bn turnover and a total of 13,500 employees in the current year, chairman Clive Menell says in his annual review.

Although demand for beer and soft drink bottles is expected to grow, packaging markets are expected to remain soft. Demand for tyres and industrial rubber products is not expected to increase although the trend towards radial tyres will benefit the Goodyear range.

Menell says the prolonged but non-repetitive Tycon disinvestment strike, the full year’s benefit of the new Clayville glass furnace, the planned enlargement of tyre capacity and 12 months’ earnings from Tredcor, compared with six months in the past year, all indicate earnings growth this financial year.

Consul took a major strategic step by acquiring a substantial investment in the tyre and industrial rubber markets in line with policy to diversify from its traditional glass, paper and plastic packaging fields.

Tycon (formerly Goodyear) was acquired in July 1989 for R176m, funded by internally generated funds and the issue of R50m redeemable preference shares.

In January this year, Tycon’s interests were combined with Tredcor, the largest retreader and retail distributor of tyres in SA. Consul has a 61% holding.

Risk

This venture gives the group a major position in retreading and the manufacturing, marketing and distribution of new tyres in a growing vehicle market, Menell says.

Consul’s plastics division made two significant disinvestments — the industrial flexible operation, formerly Gundle, and the woven polypropylene bags and sacks operation in Ladysmith.

Consul’s business risk has now been significantly spread by broadening its operations into two profitable segments of the industry.

Rubber and related products already made a large contribution of R724.1m compared with the packaging and related products’ contribution of R613m to total group turnover of more than R1.5bn in the year to end-June. The respective operating profits contributions were R169.5m and R70.0m.

Respective net assets of the two divisions are R333.073m and R330.155m.

After some static years, Consul started to forge ahead in 1987 and in the past year earnings were up 48% to 157.7 (106.8c) a share while the dividend was increased to 45c (33c). Net borrowings to shareholders’ funds was 34.8% because of the acquisitions and high capex of R70.0m.
Skin lighteners remain on shelves despite ban

Harmful Creams Still Sold

Survey

Exploring

Exploring the market, the survey revealed that several people were aware of the harmful effects of skin lighteners. This awareness led to the decision to conduct a comprehensive study on the market for skin lighteners. The study was conducted to assess the prevalence and impact of skin lighteners on the health and population of the country.

The department of National Health and Population Improvement, in collaboration with the National Association of Skin Lightening Manufacturers, conducted a survey to assess the prevalence and impact of skin lighteners on the health and population of the country. The survey was conducted among a representative sample of the population to determine the prevalence and impact of skin lighteners on the health and population of the country.

The survey revealed that skin lighteners were widely used and had a significant impact on the health and population of the country. The survey also revealed that skin lighteners were being sold illegally and that there was a need for stricter regulations.

The survey found that skin lighteners were being sold illegally and that there was a need for stricter regulations. The survey recommended that the government should implement strict regulations to control the sale and distribution of skin lighteners. The survey also recommended that the government should conduct regular inspections to monitor the sale and distribution of skin lighteners.

The survey was conducted among a representative sample of the population to determine the prevalence and impact of skin lighteners on the health and population of the country. The survey found that skin lighteners were widely used and had a significant impact on the health and population of the country.
PETROL will cost 11c a litre more from today — and hard-pressed consumers could face a steep increase in their fuel bills before the end of the year.

According to the National Energy Council (NEC), a war in the Middle East and further oil-price hikes could lead to another round of petrol-price increases — and even fuel conservation measures.

"If crude oil prices keep on rising we would have no choice in order to curtail an excessive outflow of foreign currency," NEC group executive Mr Louw van der Bergh said.

According to the new prices announced by the NEC, motorists in Cape Town will have to pay:
- R1.23 a litre for 97-octane fuel — a 9.8% increase from R1.12
- R1.19 a litre for 93 octane — a 9.1% increase from R1.09
- 16c a litre more for diesel, which rises by 7.3%

This will mean an extra R6.05 (97 octane) and R5.50 (93 octane) for the average tankful of 55 litres, according to the Automobile Association (AA).

The NEC said the increase had become necessary because of the higher landed cost of petrol, which had increased since July by 46% to 36c a litre.

During August the war crisis in the Middle East pushed up the crude oil price from $21 (R54.60) per barrel to a present price of between $28 and $33 (R72.80 and R85.80) per barrel.

Last night Old Mutual economist Mr Andre Roux said the price hike would have an immediate impact on the price.
up 11c

The petrol price could rise again soon

1986 JUL '87 SEPT '88 JULY '89 SEPT '90

R1,02 82c 95c R1,23 R1,12 R1,19

The graph shows how the petrol price has changed since 1986. The price declined until June this year before rising again. The last increase before this one was in mid-July last year.

Today's increase is mainly due to an increase in the inflation rate and a rise in interest rates, which could lead to increased costs for all industries.

Mr Bob Krause, public relations officer for City Tramways, said the company was "doing calculations to find out what the implications are". "We will make a statement later," he said.

Mr Basil Nagle, provincial chairman of the Western Province branch of the SA Black Taxi Association (Saha), said the operators of the 4,500 Saha affiliated taxis in the Peninsula were free to raise their prices from today because the government's decision not to pass the full extent of the required increase on to the user.

According to an AA spokesman, the full cost to the consumer would have been an increase in excess of 30c a litre.

Unless crude oil prices stabilised around $22 (R37,60) per barrel, a further increase in fuel prices was inevitable, the Association of Independent Petrol Stations said.

The Afrikaanse Handelsinstituut (AHI) said the increase was inevitable. It was, however, pleasing that the steep hike was for the time being postponed.

The Democratic Party energy spokesman, Mr Roger Hulley, said the government should commit itself to removing the latest petrol price increase as soon as there was a settlement in the Gulf.

The DP greatly regretted the necessity for a fuel price increase just when inflation seemed to have been coming down in recent months, he said.

South Africa is not alone in being hit by a fuel price hike. France and the United States have already increased their prices by more than 11c per litre, while in countries like Germany, the Netherlands, Italy and the UK, fuel prices have been raised by more than 20c a litre.

Nambia yesterday also announced an increase of 10c per litre, while the Mozambican government raised petrol prices by 65c.

Further fuel hike depends on output

Financial Editor

FURTHER increase in the petrol price later this year will depend on Opec's plans, industry sources said today.

A hike in the oil price of 5c a barrel is expected. If there is an under-recovery of more than 20c a litre in the national petrol price, fuel prices are likely to increase.

Last week when Opec decided to ease production in accordance with the resolution of the emergency ministerial meeting in Vienna last week, Western oil companies believed the decision might result in extra production of 3 million to 3.5 million barrels.

Yesterday Nigeria decided to boost its oil output by 250,000 barrels a day by the end of September. Oil minister Mr Jibril Aminu said the increase followed last week's Opec meeting which gave member states the freedom to pump more oil to make up for embargoed crude from Iraq and Kuwait.

"We will start to pump more in about a week's time, building up to capacity by the end of the month," he said.

Some four million barrels of oil are estimated to have been removed from the market by the embargo on oil exports from Iraq and Kuwait.

Gains in European oil prices — Page 10

FREEDOM... Mr Michael Matakata after his release from Robben Island yesterday. Behind him is his father. Report — Page 2
Skin creams not medicine

SKIN lighteners containing hydroquinone cannot be sold as medicine, says the Pharmaceutical Society of South Africa.

The president of the society, Mr Tom Carse, said in a statement the preparations were not registered as medicine and, therefore, could not be sold as such until they were registered.

The process of registration could take many months and it was unlikely that the preparations would enjoy easy passage, Carse said.

He said it was not true that pharmacists could sell preparations containing hydroquinone "as medicine to anyone who

BY SIZAKELE KOOMA

asks" as has been reported.

Both the Pharmaceutical Society and the South African Association of Retail Pharmacists, he said, had for years campaigned for a total ban of such products.

The organisations had also issued a joint statement in 1986 condemning the decision by the previous Minister of Health for permitting the continued sale until 1991 of skin lighteners containing two percent or less hydroquinone.

Hydroquinone itself was not banned, said Carse, as it was occasionally contained in creams prescribed by dermatologists. Such rare treatment was limited to people of fair skins suffering from birth marks.

He said hydroquinone was not relevant for treatment on darker skins as such blemishes were not at all prominent.
The market initially took a sceptical view of Lovasz's buyout of Royal Biccc-Nut (RBN) last year and subsequent listing of the enlarged group, Royal Corp. Results for the 1990 year show the acquisition brought benefits all round — including management skills and independence from US parent Nabisco — which resulted in substantial growth apparently without the usual problems. Tough trading conditions this year, particu-

ROYAL CORP FIM H9190
BUYING BENEFITS

FINANCIAL MAIL • SEPTEMBER • 7 • 1990 113

Companies

Activities: Manufactures and distributes confectionary and food products and distributes specialties, pharmaceuticals and industrial chemicals.

Control: Directors 33.5%
Chairman: V. Imerman, MD D. Johnston
Capital structure: 87.8m Arbds Market capitalisation R101.7m

Share market: Price 150c. Yields 4% on dividend, 12.3% on earnings, P/E ratio, 8.1, cover, 3.08 12-month high, 195c, low, 110c.
Trading volume last quarter: 1.311 000 shares.

Year to Feb 28

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* Pro forma.

larly for Royal's chemical products, are expected to limit earnings growth.

The relative size of the acquisition of RBN, including Manhattan Confectioners and a number of Kellogg's brands, is reflected in turnover and profit comparisons between the 1990 and 1989 years. Turnover rose to R170.5m from R63.4m and operating profit to R17.6m from R5.6m. RBN contributed 63% of attributable profit.

A comparison of the new entity with financial 1989 pro-forma figures, published in Royal's transmitted listing statement, last July, gives a better indication of the 1990 performance. Operating profit increased 38% on 15% turnover growth, earnings rose 37%, exceeding the forecast, and the dividend rose 20%.

Management was restructured, with three RBN executives strengthening Lovasz's team. Financial director Jacques Fragas says the stress on asset management practised at RBN has been adopted throughout, and this accounts for working capital rising only 30% despite turnover more than doubling.

RBN products benefited from rapid urbanisation and made several "strong gains in market share". Fragas says the severance of ties with Nabisco expanded export opportunities for some RBN products and export sales, though relatively small, increased by 40%.

It seems Nabisco's reluctance to increase its investment in SA resulted in a need to upgrade machinery. Capex of R39m this year reflects the new owner's belief in running state-of-the-art equipment.

Lovasz's chemical and pharmaceutical products encountered tough competition and trading conditions deteriorated in the latter half of the year. Chairman Vivian Imerman says turnover and profit forecasts were achieved.

March 1990 saw the merging of Lovasz and Holpro Pharmaceutical & Chemical.
How I Came a Cropper on Farm-Ag

[Image of the text page]

The text on the page is not legible and cannot be transcribed accurately.

[Additional text is present on the page, but it is not legible due to the image quality.]

Please note: The text on the page is not legible, and any transcription would be speculative.
Noristan lifts earnings 43%  

PRETORIA. — Noristan Holdings, the Pretoria-based healthcare group, showed a 43% growth in attributable earnings of R10.5m for the year-ended June.

Turnover was up 54.9% to R97.6m (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 Normed in June this year.

MD Hugo Snyckers said: “In view of the long-term benefits which are expected to flow as a result 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 Normed (formerly Aurochs Investment Co (SA) Ltd) constitutes our initial investment in the broader healthcare industry Normed 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 Normed 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 exercise 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 6c a share will be paid to “A” ordinary shareholders making a total dividend for the year of 13c.

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.
Sasol profits rise by 18.6%

By PIETER COETZEE
Financial Editor

THE oil-from-coal giant Sasol posted excellent results for the year to end-June. Attributable profit rose by 18.6% from R229.3m to R746.3m and pre-tax profit by 18.3% to R1.33bn.

This equals earnings per share of 132.4c against the previous year's 111.7c.

The final dividend was increased from 27.5c to 32c a share, bringing the total for the year to 59.5c (52.5c).

Turnover rose from R4.09bn to R6.03bn and pre-tax profits increased from R1.13bn to R1.33bn.

Chairman Joe Stegmann said he expects a further increase in profits in the year ending June 30, 1990, as a result of strict costs control, the restoration of Sasol's Secunda plants in the Eastern Transvaal to optimum production levels after setbacks in the past year, and the commissioning of a propylene/polypropylene project.

Stegmann said the predicted improvement in earnings did not take into account the Middle East crisis, which has sent world oil prices soaring above $30 a barrel.

If the higher prices should persist for most of the year they would further benefit profits from Sasol's synthetic fuel and crude oil refining operations.

Stegmann said Sasol, whose business focuses on production and marketing of liquid fuels, pipeline gas, fertilisers, mining explosives and petrochemicals derived from coal and crude oil, envisaged significant diversification in the 1990s.

"Most of these projects are based on adding value to existing chemical streams. They are aimed at import replacement but frequently with a strong focus on export markets as well," he said.

"Apart from the projects already approved in principle, there is under investigation petrochemical projects to the value of nearly R2bn which, if they should come to fruition, will further contribute to a sound balance between Sasol's various fields of activity," he said.

He added however, that although the expansion of Sasol's petrochemical activities will be the main source of growth in the 1990s, synthetic fuel will remain the mainstream of business for the foreseeable future.

Sasol was to consider a proposal to take over from the state-run Central Energy Fund its 50% stake in Sasol Three, giving Sasol full ownership.
SAD expects turnover rise
Samcaltile's R25 m
factory on stream

The giant R25 million
factory being built for
Samcaltiles in Babanigal,
Bophuthatswana, is on
stream. The first tiles
will be produced later
this year.

Samcaltiles, is the lar-
gest project undertaken
by leading ceramics
group Italtile.
Dispute will delay listing, says Royal

MARIETTE DU PLESSIS

DISPUTES with the sellers of Holpro Pharmaceutical & Chemical Group would delay the proposed listing of Royal Corporation's (Royal's) Lovasx-Holpro venture for several months, Royal chairman, Vivian Imerman said this week.

Imerman said at the group's AGM that Royal's chemical arm assumed control of Holpro from March and successfully integrated it with existing operations.

However, a dispute with the Hols family — owners of Holpro — regarding the purchase price and certain warranties germane to the true value of the acquisition had not been resolved.

He said if a satisfactory agreement could not be reached between the parties concerned, appropriate legal steps would have to be considered.

Market speculations were that a possible lawsuit resulting from the dispute could involve R2bn, but neither party wished to comment.

Commenting on Royal's balance sheet, Imerman said the low current ratio of 1.14, which meant each R1 of current liabilities was covered by R1.14 of current assets, indicated a "healthy state of current affairs"
Manro to be reverse listed into Pricefurn cash shell

SPECIALITY chemical group Manro SA — with a projected annual turnover of R91.6m — is to be reverse listed into the Pricefurn cash shell on October 15.

It will change its name to Manro Chemical Holdings and the listing will be transferred to the chemicals and oils sector.

In the year to December, Manro forecasts a 23% rise in attributable profit to R4m.

On earnings of 8.8c a share, a three times covered dividend of 3.3c a share is expected.

The Wynberg-based company manufactures and supplies specialty chemicals to the foundry, detergent, toiletry, pulp, paper, textiles, agricultural and mining industries.

Held by UK group Manro Holdings, Manro was established in SA in 1981.

ZILLA EFRAT

In 1987 it bought Durban-based specialty chemical supplier Bevaloid SA.

After Manro Holdings UK was acquired by multinational chemical group Hickson International in 1988, Manro SA took over the local Hickson subsidiary.

At the same time it bought complementary companies SA Wood Preserving and Fire Retardant Chemicals.

This year Bevaloid acquired Pinetown Industrial Laboratories to strengthen its presence in the paints industry.

Group MD Bruce Murray says following these acquisitions, Manro is now undergoing a consolidation phase.

Next year it plans to expand existing capacity and it will look for acquisitions the following year. To fund this it will undertake a rights issue.

Manro forecasts marginal turnover growth to R91.6m (R90.4m) in the current year. Murray says the economic downturn has resulted in a lack of volume in the chemical industry.

In addition, major slowdowns have been experienced in the textile and mining industries.

However, an improvement in operating margins to 9.7% (8.3%) is expected as a result of increased synergies from the group's consolidation.

And Murray expects accelerated growth in the 1991 financial year.

After the listing Hickson International will have a 67.3% stake in Manro, while management will hold 8.5%.
AECI to boost role of technologists

TECHNOLOGY is the fuel on which a new South African economy will be run and to help boost the country into a front-runner in this field, AECI has introduced a scheme to recognize the contribution made by technologists.

The AECI Technology Fellowship Programme will provide a formal career path for technologists in AECI comparable to those in the production, marketing and business fields.

The programme offers recognition of outstanding technical contributions and creative achievement and affords technologists with exceptional abilities the opportunity to embark on long-term careers in AECI by developing and expanding their expertise.

**Appointed**

Group MD Mike Sander says four AECI people have been appointed to the new fellowship positions.

Two are Steve Koller, of AECI engineering department and Bob Dehning, of AECI process computing, both senior engineering fellows.

The other two, from the company's R&D department, are Dr. Jann Pretorius and Colin Kenyon, both research fellows.

Sander says the fellowships are an attempt to boost the role of technologists, recognize their contribution and "challenge new business areas."

"This will only be possible if our most creative and competent scientists, engineers and technologists can be offered job satisfaction and the incentive to make long-term careers in their fields."

The other two, from the company's R&D department, are Dr. Jann Pretorius and Colin Kenyon, both research fellows. Sander says the fellowships are an attempt to boost the role of technologists, recognize their contribution and "challenge new business areas."

"This will only be possible if our most creative and competent scientists, engineers and technologists can be offered job satisfaction and the incentive to make long-term careers in their fields."
TEAM BUILDING COSTS

Activities: Manufactures lubricants and allied chemical products for industrial and consumer application

Control: Directors 83%
Chairman: R Spanjaard, MD / Visée
Capital structure: £7m ordinary Market capitalisation £4m

Share market: Price 70c Yields 4.3% on dividend, 12.8% on earnings, p/e ratio 7.9, cover, 2.9 12-month high, 96c, low, 75c

Trading volume last quarter: 65,000 shares

Year to Feb 28 | '87 | '88 | '89 | '90
---|---|---|---|---
ST debt (pнт) | — | 0.32 | 0.19 | 0.40
LT debt (pнт) | — | 0.46 | 0.45 | 0.51
Debt/equity ratio | — | 0.42 | 0.28 | 0.34
Shareholders interest | — | 0.47 | 0.47 | 0.47
Int & leasing cover | — | 3.4 | 7.5 | 2.4
Return on cap (%) | — | 16.8 | 15.1 | 15.2
Turnover (pнт) | 5.6 | 8.3 | 10.9 | 13.2
Pre-tax profit (pнт) | 0.50 | 0.65 | 0.75 | 0.86
Pre-tax margin (%) | 8.8 | 7.9 | 6.8 | 6.6
Earnings (c) | 7.1 | 0.9 | 11.4 | 8.8
Dividends (c) | — | — | 3 | 3
Net worth (c) | 18.9 | 35.5 | 41.0 | 47.5

* Pro forma

Establishment of a professional management team at DCM-listed Molyslip is cited as one of the reasons why finance costs soared by

Companies

263%, while earnings fell by 23%

Net borrowings rose by about 40%, partly because the group had to finance new cars and office equipment to accommodate the management team. MD Ivan Visée says Molyslip did not have company cars but decided to go along with the industry standard. The management team, he adds, needed to be enhanced to prepare the group for its next growth phase. The bigger team frees chairman Robert Spanjaard to concentrate on expanding exports, which contribute 30% of turnover.

Rising interest rates also caused factoring costs to soar 41% to £151,000 and management has now stopped the practice. Net interest paid jumped from £94,000 to £372,000, the increase bill could have been bigger had the dividend cover not been previously kept at a conservative 3.8 times.

With the payout pegged, the cover has dropped to 2.9 times.

In fact, gearing does not look particularly high at 0.34. The real problem is that Molyslip's profitability is inadequate to support this level of gearing — the interest and leasing cover fell to 2.4 times.

Near-term growth will depend partly on export performance. Management is confident last year's improvement in exports will be repeated or accelerated.

The share trades at 70c, down from the 95c high in March

Gerhard Blatter
THOR CHEMICALS F/M 14/4/90

IN THE CLEAR, FOR NOW

Retail-based chemical company Thor Chemicals, SA subsidiary of Thor Chemicals Holdings (UK), can continue to import spent mercury catalysts from overseas clients that they supply with the original product. Its operation does not fall within present government definitions of what constitutes toxic waste — at least for the moment (183).

Thor, following a controversy earlier this year when mercury contamination was found in sediment in a spring near its Hamarsdale plant, has been attracting criticism from environmental groups such as Earthlife, which has a blanket policy of opposing the importation of toxic waste across international boundaries.

Though the company's mercury recycling operation, which accounts for between 5%–10% of its total business, was cleared by various government departments earlier this year, MD Steve van de Vyver was concerned by recent statements from Environment Minister Gert Kotze on a total ban on importing toxic waste to SA, including waste imported "for the purpose of treatment". Van de Vyver consequently wrote to Kotze seeking clarification. And the minister's spokesman, Niel du Bois, said this week that, under present definitions, "we are happy Thor Chemicals does not import hazardous waste." (152)

The Foundation for Research Development of the Council for Scientific & Industrial Research is now conducting an independent investigation at the request of Environment Affairs into the disposal of hazardous waste. Definitions could change when its report is published in a few months.

But until then, Environment Affairs, together with other government departments that wrote to Thor three months ago, are happy with the plant's mercury recycling process and say it is environmentally sound.

Thor, which specialises in producing catalysts used for chemicals, paints, textiles and plastics, recycles between 80 t to 200 t of spent mercury catalysts a year. The reclaimed mercury is then put back into the production process.

Van de Vyver insists his company takes back only spent mercury catalysts — in the form of toxic sludge — from overseas companies they supply with the original product.

“We believe that what we do here is environmentally sound. We close the loop — rather than generate increasing amounts of mercury, we take back spent catalysts from the clients we supply, reclaim the mercury and put it back in the system.”

Meanwhile, the FM has received a copy of a letter confirming that the Transkei Development Corp wrote to West German authorities offering to dispose of their industrial waste.

The letter, on official letterhead and signed by an official of the corporation, also offers to dispose of Europe's industrial waste with a proposed R100m incineration plant. It suggests the "sanitised waste" could be used to fill soil erosion areas and as a landfill for industrial estates.

Kotze brought the development to the attention of Foreign Affairs Minister Pik Botha, who strongly criticised the idea and brought it up with Transkei military leader Bantu Holomisa.

At first, Holomisa denied the claims, but then said that if the approaches were made, it was without his consent or knowledge.
DARMAG F1M 14/1/90

CHANGE OF VIEW

Activities: Manufactures plastics, rubber and engineering products, primarily for the automotive and mining sectors, and sanitary ware

Control: Directors 67.5%

Chairman: D A Buchanan, MD R M Dersley

Capital structure: 22.2m ord's Market capitalisation 87.3m

Share market: Price 35c Yields 8.7% on earnings, p/e ratio 11.6 12-month high 90c, low 25c Trading volume last quarter 250,000 shares

Year to Mar 31  ’88 ’89 ’90
ST debt (Rm) 1.0 0.6 3.8
LT debt (Rm) 2.4 2.3 2.7
Debt equity ratio 0.34 0.33 0.69
Shareholders' interest 0.44 0.5 0.5
Int & leasing cover 7.9 7.0 1.3
Return on cap (%) 20.1 21.8 7.5
Turnover (Rm) 18.0 23.8 26.4
Pre-ent profit (Rm) 3.1 4.0 1.5
Pre-ent margin (%) 16.6 16.8 5.6
Earnings (c) 11.6 11.1 3.03
Dividends (c) 2 6.3 —
Net worth (c) 32.3 39.1 42.4

Solid growth in turnover and EPS posted a year ago by Ciskean rubber and plastics producer Darmag persuaded the board to lift the dividend by 16.7%

CE Monty Dersley believed that new technology, enlarged capacity, improved efficiency and a low tax base would enable the group to maintain the growth trend. He notes, however, that the shift towards use of plastic materials curbed demand for rubber products. Other products were being developed to take up capacity in this division.

Within a year, the rubber division was running at a loss because of product obsolescence and substitution of new products. The division contributed to the 75% tumble in EPS in the 1990 year when the dividend was passed. Why the board should have misread prospects so badly is unclear. The share price has now slumped to 25c from the 12-month high of 90c.

Management has been hoping for an upturn in the battery industry, the group's major market, which would result in improved trading for the plastic division.
WHEN the going gets tough, Manro Chemicals boss Bruce Murray gets going.

Never mind suggestions of civil war and a sordid secondary section of the JSE, managing director Murray is to list Manro on the JSE through the cash shell of Price Farn, with a listing date of October 15.

Mr Murray says "Tuning is not critical because it's largely a private placing. Those coming on board through their holding in Price Farn will constitute only 3% of the total.

Gearing

"We want to be on the JSE so we can raise capital and issue shares when we need to".

"We would like to reduce gearing, which is a bit high after a spate of acquisitions."

With turnover of R100 million, the specialty chemical company is a medium-size independent competitor to Sandoz, Malbäck's Protea Chemicals, ADCI's Chimney and certain subsidiaries of Sentrachem. It is also a customer of these groups.

Mr Murray says the group has several promising high-growth products, including surface activating agents, raw materials for detergents and shampoos.

Recently acquired Hiccons makes inorganic chemicals for the treatment of timber, as well as fire retardants. The success of timber-frame housing in certain areas makes this a growth market.

"Manro is not only an importer. It has four factories in Durban, Wynberg, Paarl, and Roodepoort."

Advice

Manro was founded by UK entrepreneur Ken Schofield in 1980. He visited SA and, much to his surprise, there was a branch of his UK business. After returning to the UK, Mr Schofield set up his first company on the London Stock Exchange.

He was advised to diversify because 40% of Manro's UK profits came from "other". But before he could act on this advice, Hiccons offered the company a 15% interest for the price of £1 million.

By DAVID CARTE

UK offered to buy his UK company. He accepted the £16 million Hiccons UK had an under-performing subsidiary which it wanted to sell.

A deal was made to inject Hiccons SA into Manro SA. Hiccons is now profitable as the inorganic division of Manro.

After the listing, Manro will be controlled by 67% by Hiccons UK, Ken Schofield 15%, Cape Investment Bank 6%, management 8% and Price Farn minority 3%.

Although he is cautious about the current financial year because of the depressed economy and some repair work still going on in Hiccons, Mr Murray believes there is plenty of long-term growth potential in Manro's markets.

Prospects for organic growth are good. In addition, Manro can undertake import replacement and make acquisitions — possibly picking up crumbs from the big groups, which are rationalising and selling off smaller subsidiaries that do not fit.

Mr Murray says there is some cyclical to demand for special chemicals, but Manro's portfolio is widely spread and some markets are not cyclical.

Weight

"We want to get deeper into mining. One of our surface activating agents, for instance, can be used to reduce the water content of coal if a mine is shipping 100,000 tons of coal and it can reduce weight by 5% by extracting water. It saves 5,000 tons from freight charges."

Earnings a share are forecast at 9c for the year to December compared with a pro forma 8c for 1989. A dividend of 3c is proposed. 
SA Druggists disappoints

SA Druggists has had a chequered history. Prior to 1964, the group was in judicial management. It recovered and was listed on the JSE before being delisted and run as a subsidiary of Federale Volksbeleggings.

In the mid-80s it was listed again, but judging from the disappointing 1989 annual report, management is still lacking in entrepreneurial skills.

The group really needs to end the age of hierarchy. Despite sales rising 20 percent, and helped by a lower effective tax rate, costs were higher, margins lower and net interest more than doubled.

Something is amiss if growth was 17 percent in the first half of the year, with numbers for the whole year falling below 1988's results.

Lennons Pharmaceutical Manufacturing & Marketing and third party distributor LPA created the problems.

Setbacks came at a time when management was giving considerable attention to group strategy, structure and manpower, says MD A M Karis.

But changes are being implemented to bring about a return to positive growth, he says. What are these changes?

Isn't it a case of SAD needing to fine itself from Fed Volk's sluggish mainline and learning to cherish change?

While SAD is no Aedock-Ingram, management can take a lesson on how Barlow Rand runs its subsidiaries. There's nothing wrong with the balance sheet, it's the trading results and management that need winding up.

I wonder what subsidiary Superweave, which manufactures a range of quality products for the automotive industry and the decorating and furnishing markets is doing in a pharmaceutical group?

During the year SAD spent R15.5 million on capex, including a R5 million factory in Robertsonville, which will greatly enhance Superweave's production capacity.

I discussed this with management in the mid-80s and they said it was making an excellent

Bottom Line

bottom line, so why sell?

If Fed Volk's had used a little imagination it would have list

ced the company separately and capitalised on the 1987 JSE euphoria and still held control. This could have raised millions for SAD.

Sales climbed to R948 million (1988: R791 million) Operating income was R67,24 million (R83,15 million) - as a percentage of sales, a poor 9.2 percent, compared with 10.6 percent in 1988.

Net interest expense more than doubled to R12,63 million (1988: R5,41 million). After de-
tecting tax of R33,76 million - effective rate 45.3 percent (1988: R37,69 million - effective rate 47.1 percent) and insignificant minority profit share, attributable earnings were lower at R49,58 million (1988: R41,93 million).

Below-the-line extraordinary expenses of R2,09 million - goodwill and deferred tax on LIFO reserve - (1988: a credit of R56,000 from sale of subsidiaries) - reduced the bottom line even further to R38,49 million (1987: R41,58 million).

Earnings per share were 28c (1988: 29c), with the annual dividend unchanged at 10c.

Divisional results were virtu-

ally unchanged.

The pharmaceuticals division contributed pre-tax income of R25 million (1988: R26 million) because Lennons' selling prices were depressed and below budget.

Wanung state tender contracts appears unprofitable and be-

cause of negative experience Lennons will in future be more selective in its allocation of produ-

tion capacity for the state tender market.

Exports to the UK, Europe and Taiwan look promising, but the venture into the diagnostics field is not yet profitable.

The chemical division contributed an unchanged R14 million profit.

Fine Chemicals was marginally below 1988's record profits. Two major US customers had problems with Food and Drug Administration rulings, resulting in their products being withdrawn from the market.

The distribution division also produced an unchanged R22 million profit contribution.

Customer service suffered, a major unnamed principal was lost and high expenses were incurred in restoring service levels. Remedial action was completed by mid-June 1990.

The consumer division and the medical, industrial and commercial divisions had unchanged profit contributions of R2 million and R7 million respectively.

The balance sheet is sound: total shareholders' interest was R192,4 million (1988: R186,79 million) at end-March 1990. Debt more than doubled to R55,08 million (1987: R22,9 million).


The current JSE price is around R2,56. With Fed Volk's holding 68,32 percent and individual's 1,65 percent, there's little movement.

I wonder why directors reduced their holding from 1,69 million shares a year earlier to only 693,000 at year-end? They need to hold a larger slice of the pie to be committed.

Mr Karis says prospects for 1991 are good.

LPA should improve in the second half and, after an uncertain first quarter, Lennons should be back on track when its new strategy works.

Targets for meaningful growth have been determined and accepted by management, he says.

I am still sceptical and, with the recession setting in, we will only see a real improvement when the group has freed itself from the Fed Volk yolk, embraced dramatic, organisational change and instilled some entre-

trepreneurial spirit into management.
Drug companies fight against sale of cheaper derivatives

A RAND Supreme Court judge is pondering a dispute which should interest consumers — between a large British multinational drug company, Beecham Group, and a computer software company, Super Scripts.

Beecham makes drugs such as Amoxil, Penbritin (both basic and much-used penicillin drugs) and Maxazil.

Super Scripts has designed a programme that makes the life of pharmacists a lot easier. When the pharmacist needs to find a substitute for Amoxil, he can type the name of the branded name drug into the computer and all the “generic” substitutes and their prices will appear on the screen.

So if you come into the chemist with a prescription for Amoxil and you have a medical aid which will only pay out on the cheaper substitute, the pharmacist can dial into his programme and suggest you, say, Amoxycillin. Amoxil costs R17.67 for 15 and the substitute costs R10.30 for the same quantity.

This programme, according to a pharmacist, does not only reflect Beecham’s drugs and its substitutes, but many other brand name drugs and their substitutes.

The problem, according to a court case, is that the programme may encourage the pharmacist to sell cheaper substitutes to the public.

Beecham has asked the court to stop Super Scripts from allegedly infringing its trademarks.

Other multinational pharmaceutical firms have not applied to the court for the same help, but presumably would go along with any finding in favour of the drug company.

A consumer may wonder why a drug company should be so sensitive about its drugs that it does not want pharmacists or consumers to be encouraged to look at a list of cheaper drugs which do the same work.

It is an old row in the drug company world. A company, like Beecham, spends millions of rand in research and developing a drug which it then has to test over a long period before it can put it on the market. When it finally reaches the market several years later, it holds a patent for about 20 years. Nobody else may use the formula during this time and the company will price its drug so that it reaps what it spent developing, testing and marketing the product, and makes a profit. That, after all, is business.

But when the patent expires, anybody is free to copy the drug and market it under another name. It will almost invariably be cheaper, as the brand name drug companies point out, because the copycat companies have no research and development costs.

The industry in this country, however, is protected by legislation that obliges pharmacists to fill the prescription exactly as it is written. So if a doctor prescribes Amoxil, it is Amoxil that has to be dispensed, not the generic substitute.

The exceptions to this rule occur when some government departments and medical aids will only reimburse their members the cost of the lowest-price substitute.

This is why the software company decided the pharmacists’ programme.

It’s noteworthy that the drug company does not appear to have used the argument in court that the brand name companies usually use, which is that the generic substitutes are often of inferior quality.

In this country, says the doctor, there are few (almost) tests on the substitute drugs. Often, he says, they do not perform as well as the originals.

He quoted the case of an anti-epileptic drug which was useful in its original form, but hardly absorbed into the body when the generic substitute was used.

The pharmacists consulted fixed the substitutes for two of the Beecham’s drugs to me, gleaned from the software in question.

The Amoxil substitutes ranged from R10.30 for 15, to R19.41 for the same quantity. The original costs R17.67.

For 20 Maxolol tablets I would pay R18.95. For the substitutes I would pay anything from R5.90 to R10.30 for the same quantities.

For my money I hope the drug company does not succeed in its quest to stop consumers spending less on drugs. For the same price, the quality of the generics could be better controlled and doctors and pharmacists could be required to offer the generic substitute as a matter of course — which is done in some countries.

OKLAHOMA rancher Doug Stuckler is sticking his neck out — for ostrich meat.

Stuckler, who with his older brother Mike has farmed ostriches in the middle of cattle country on the Oklahoma panhandle, says that meat from the bare-headed bird will be the health food of the 1990's.

The Stucklers bought four of their flightless flock this week to display at the Los Angeles County Fair. "It won't be long until you see people eating Kentucky Fried ostrich," he said on Sunday. "It's definitely the future." He said the meat is low in cholesterol, high in protein and tastes like steak with the texture of veal.

Doctors and nutrition experts who know what they are doing, he said, are investing in ostriches.

The price is high because there are so few of the birds in the United States. But he figures that in 20 years, ostriches will be giving beef a run for its money.

"At first, we got a lot of teasing from the area ranchers," he said. "They thought we were crazy.

Ostrich delights ... the healthy '90s dinner?

- Stockler got into the ostrich breeding business in 1986. He bought his first birds from ostrich-farming monks in Oklahoma City.

Two years later, the Stucklers moved 10,000 head of cattle out and the birds in — about 175 of them.

The brothers have sold more than 400 chicks nationwide. Prices range from $500 (about R1 250) to $1 000 (R7 500) per bird.

"If you feed them, water them and leave them alone," he said. "With cattle we worked from dark to dark. 'It takes 30 minutes to do the ostrich chores."

- Sapa-AP
Drug companies fight against sale of cheaper derivatives

A RAND Supreme Court judge is pondering a dispute which should interest consumers — between a large British multinational drug company, Beecham Group, and a computer software company, Super Scripts.

Beecham makes drugs such as Amoxil, Penbritin (both basic and much-used penicillin drugs) and Maxolon.

Super Scripts has designed a programme that makes the life of pharmacists a lot easier. When the pharmacist needs to find a substitute (which is usually less expensive) for a branded name drug, he or she can type the name of the branded name drug into the computer and all its "generic" substitutes and their prices will appear on the screen.

So if you come into the chemist with a prescription for Amoxil and you have a medical aid which will only pay out on the cheaper substitute, the pharmacist can dial into his programme and suggest to you, say, Amoxicillin. Amoxicillin costs R17.67 for 15 and the substitute costs R10.30 for the same quantity.

This programme, according to a pharmacist, does not only reflect Beecham’s drugs and their substitutes, but many other brand name drugs and their substitutes.

The problem, according to press reports of the court case, is that the programme may encourage the pharmacist to sell cheaper substitutes to the public. Beecham has asked the court to stop Super Scripts from allegedly infringing its trademarks.

Other multinational pharmaceutical firms have not applied to the court for the same help, but presumably would go along with any finding in favour of the drug company.

A consumer may wonder why a drug company should be so sensitive about its drug that it does not want pharmacists or consumers to be encouraged to look at a list of cheaper drugs which do the same work.

It is an old row in the drug company world. A company, like Beecham, spends millions of rand researching and developing a drug which it then has to test over a long period before it can put it on the market. When it finally reaches the market, several years later, it holds a patent for about 20 years. Nobody else may use the formula during this time and the company will price its drug so that it recoups what all spent developing, testing and marketing the product and makes a profit.

That, after all, is business.

But when the patent expires, anybody is free to copy the drug and market it under another name. It will almost invariably be cheaper, as the brandname drug companies point out, because the copycat companies have no research and development costs.

The industry in this country, however, is protected by legislation that obliges pharmacists to fill the prescription exactly as it is written. So if a doctor prescribes Amoxil, it is Amoxil that has to be dispensed, not the generic substitute. The only exceptions to the rule occur when some government departments and medical aids will only reimburse their members the cost of the lowest-price substitute.

This is why the software company devised the pharmacists' programme.

It’s noteworthy that the drug company does not appear to have used the argument in court that the brand name companies usually use, which is that the generic substitutes are often of inferior quality.

This, according to one local dispensing doctor, is often true in South Africa, Overseas, where the trend is to encourage pharmacists to dispense cheaper substitutes where necessary, generics are tested more thoroughly and quality is controlled to a greater extent.

In this country, says the doctor, there are few (almost no) tests on the substitute drugs. Often he says, they do not perform as well as the originals.

He quoted the case of an anti-epileptic drug which was useful in its original form, but hardly absorbed into the body when the generic substitute was used.

The pharmacist I consulted fixed the substitutes for two of the Beecham’s drugs to me, gleaned from the software in question.

The Amoxil substitutes ranged from R10.30 for 15, to R19.41 for the same quantity. The original costs R17.67.

For 20 Maxolon tablets 1 would pay R10.39. For the substitutes I would pay anything from R5.80 to R10.39 for the same quantities.

For my money I hope the drug company does not succeed in its quest to stop consumers spending less on drugs. For the same price, the quality of the generics could be better controlled and doctors and pharmacists could be required to offer the generic substitute as a matter of course — which is done in some countries.
TARIFF PROTECTION BLUES

First it was the paper industry that went running to government to protest against threatened tariff cuts (Business July 20). And now, SA's R10bn-a-year chemical industry is also lobbying hard in Pretoria, to slow a phased withdrawal of protection.

As UCDA chairman, Prof Brian Kantor argues, tariff protection should be a reward for exports, not something to keep otherwise unprofitable industries afloat. That justifies tariffs for paper makers but may not be for chemicals manufacturers, many of whom simply export when plants have to be kept fully occupied during periods of slack domestic demand.

The Board of Trade & Industry is busy investigating a possible reduction in the level of existing import duties on chemicals which range from 3% to 25% of the landed price. Trade & Industry Minister Kent Durr says government's intention is not to eliminate tariffs altogether but "to restructure them so the emphasis is in the industrial sector as a whole moves from import replacement to exports."

But, says AECI's MD Mike Sander, SA's chemical industry has major disadvantages against certain competitors. "In some Middle East and East Bloc countries the chemical industry is given surplus gas or oil for nothing. It's therefore absurd to compare the cost structure of the local industry with such industries."

But while Sander hopes to retain tariff protection for his own company, he's probably less happy that protection in another form helps Sasol. The petrochemicals company is making a valuable contribution to the economy. I'm not suggesting import replacement at all costs, but modest tariff barriers can help these industries to continue making a valuable contribution to the economy. There's hardly a sector of the economy which does not use chemicals and there isn't a major economy anywhere in the world which doesn't have a significant chemical industry of its own, which acts as a spur for downstream operations.

Sentrachem MD Johan van der Walt concedes "It's reasonable that tariffs should be phased out to accommodate a new long-term, export-focused strategy, but this must be done over time so that the industry can adapt to an outward orientation and job creation. We're all for a free market but we would like to see one in which industry knows exactly the rules under which it's operating."

But, argues Kantor, what government gives, government can take away. "Anybody who invests in an industry which is dependent on protection, rather than operating on its own merits, runs the risk that these benefits could be removed. Unfortunately for the protected industries there's a much more sghtful approach to benefits from government these days."

Nevertheless, Durr is prepared to make the process as painless as possible. "We are not going to spring surprises on an unsuspecting industry and, where appropriate, when changes need to occur we will undertake a phased approach, after consultation."

Sander says SA can be internationally competitive in a number of areas because of its access to raw materials. These include materials on which the industry depends, such as titanium, aluminum used for pigments, and chemicals such as acrylic and acetone and aerospace alloys. "Our strength will always lie in basic materials, but where SA is in a position to invest in value-added materials for exports this should be given high priority."

But to make these investments, industry claims it needs a more favourable financial climate. Sander says "We're penalised by high inflation and high taxes but also have to contend with the Ifo system, in which we are taxed on profits which still have to be earned. And we can now write off capital equipment over five years, instead of three. In an inflationary environment that's not much use."

He points out that, without special tax concessions, AECI would not have invested in the Suza Pan soda ash operation in Botswana. Of course, Suza Pan is essentially an import-replacement venture rather than export-led. Its protection guarantees will squeeze us soda ash producers out of SA.

No matter what happens, tariffs must form part of the package for the industry, Sander believes. "The Board of Trade is looking at reviewing tariff barriers and by that they clearly mean reducing them. If this is done in isolation and does not form part of a more comprehensive industrial development policy, government could live to rue the day."

Admits Sander, "The old system of export incentives wasn't cost-effective as it played a role in distorting cash payments every year and did not address the fundamental issue of the unfavourable investment climate in SA. It would be much better to support a new project financially at its inception, either directly or indirectly through tax rebates for the first few years."

One project which could fit into government's export drive is a naphtha cracker, which is planned as a joint venture between AECI and Sentrachem. The point that it would be based on imported naphtha feedstocks is glossed over in favour of the view that it would enable SA to make and export a range of specialty and other chemicals.

Van der Walt says the question isn't whether a cracker should be built but when. "It should be an RSA Inc venture, rather than any single company's parochial interest. We must plan to export downstream products rather than the basic products thereby adding value along a chain which will also create new jobs. We should export shoes or cables rather than PVC as a raw material."

That's easily said — but how can a cracker here compete with chemical producers elsewhere who have access to cheap feedstocks? Still, Durr is optimistic and believes that provided the cracker is large enough to be internationally competitive, it would fit into the policy of outward orientation. But then it would qualify for a measure of tariff protection.

Stephen Cronin

MOTOR INDUSTRY (± 21/1/90

A NEW DEAL?

Vehicle manufacturers and their franchise dealers have reached informal agreement on giving dealers greater investment protection.

Following a meeting between representatives of the two groups on Friday, dealers plan to approach individual manufacturers to rewrite franchise contracts.

As the contracts stand, manufacturers may give a dealer as little as 30 days' notice of their intention to withdraw a franchise. Dealers want the notice period stretched to 12 months, in line with the trend overseas.

They don't deny manufacturers should retain the right to dislodge dealers in extreme circumstances but argue that, with more than R3bn invested in dealerships around SA, the notice period must be extended. Some dealers are particularly worried that, in the event of another merger between two manufacturers, hundreds of them could be left high-and-dry if the ensuing franchise
PDC Holdings to be listed on JSE today

PDC Holdings, a wholesale distributor of about 16 000 pharmaceutical and allied products, will be listed on the pharmaceutical and medical sector of the JSE today.

The listing of 20.9-million ordinary shares of 1c each follows group restructuring and an agreement between Gresham and PDC's pharmacist shareholders.

In a pre-listing statement, PDC said the agreement would make PDC shares more tradeable and the company will have increased flexibility.

Frankel Kruger Vunderme analyst Teague Payne said the expected initial trading price would be 69c and no new shares would be issued.

He said PDC, whose earnings declined 9% in the year to March 1990, expected earnings to decline further 54% in 1991.

This should result in PDC trading initially at well below net asset value and on high earnings and dividend yields, said Payne.

PDC reported a net asset value of 274c a share at the March 1990 year-end.

However, Payne says PDC has been re-organised and is now part of the Premier group (via Gresham). He said the company would be listed with little debt and the long term outlook was good.

PDC is 80.5% held by pharmaceutical-listed Gresham and operates from 10 warehouses in the Transvaal. The balance of 19.5% of PDC is held by about 300 retail pharmacists. PDC also holds 50% of the Plus retail pharmacy franchise.

The board of directors is confident of an improvement in performance and profitability with a new management team and the introduction of improved computer technology.
Public’s role in averting use of harmful chemicals

The public can play a vital role in determining the distribution and use of as well as the release of Chlorofluorocarbons CFCs, (allegedly harmful to the Ozone Layer) into the atmosphere.

Many aerosol sprays use CFC’s even though suitable alternatives are available, according to the Wildlife Society of South Africa.

"Before purchasing an aerosol, look at the label to see whether chlorofluorocarbons are present or look for the Wildlife Society’s "ozone friendly" label logo. "If it contains CFC’s or if the propellant is not labelled, seek an alternative - either a different brand with the propellant labelled as any thing other than chlorofluorocarbons - hydrocarbons are quite acceptable."

"Alternatively, lotions, roll-ons, creams or pump action sprays," the society says, "are also suitable.

In the case of refrigerators, freezers and airconditioners, one can reduce the quantity of CFCs being released into the atmosphere simply by following the correct procedures aimed at reducing the chances of leaks occurring in the pipework. The CFCs are contained in these pipes.

"Don’t scrape the ice away from freezers using knives or other hard objects which may puncture the inside casing," the society explains.

**Option**

A more severe option with regard to car air-conditioners is to not purchase cars with air-conditioners. And in domestic cases, allow only authorized technicians to do work on refrigerators and air-conditioners.

Let the technicians collect gas if possible and do regular leakage tests. Food is often served (as take-aways) or sold in stores in polystyrene foam. The Wildlife Society suggests careful scrutiny of the disposable packaging.

Foam made without CFCs, such as those used in the case of the white seamless, disposable cups is "honeycombed" and made up of thousands of small cells, each about the size of a pin head.

Foam made with CFCs as in the case of meat trays and which is more glossy - without the honeycombs should be avoided and where possible, store owners should be notified.

Furniture cushions are often made with products made of CFC Denser, but not necessarily firmer foams are made using less or no CFCs. Check on how long the product will retain its firmness.
GRESHAM/PDC

GLOOMY LISTING

General doldrums in the pharmaceutical wholesale market — and a forecasted drop in EPS — have not deterred this week's listing of Gresham Industries' pharmaceutical subsidiary PDC.

The prospectus forecasts a 68% fall in EPS to R12.8c to March 1991 compared with the March 1990 year. Earnings have been affected mainly by the restructuring of the discount policy, which has reduced turnover. The drop in turnover has caused forecasts for pre-tax income to show a 68% fall to R5.3m.

The discount restructuring was done mainly to stop the erosion of margins. These have been squeezed by increased competition from doctors and manufacturers by-passing chemists, and by small buying groups selling fast-moving lines (Companies August 31).

PDC sells about 16 000 product lines including ethical products, patent medicines, toiletries, personal and healthcare products and photographic equipment to pharmacies.

Gresham group chairman Gordon Uitan does not expect any significant improvement in the pharmaceutical sector in the near future. He warns that though the listing is coming at a bad time, things could get worse.

When SA Pharmaceutical Development Corp (SAPDC) was merged with Pretoria Wholesale Druggists (PFD) in March 1988, part of the agreement was that the new company, PDC, would be listed in due course. Luckily all shares are already taken up — Gresham has the majority stake of 80.6%, while the balance of the 20.9m issued shares are held by individual members of SAPDC.

Uitan says the listing will give shareholders a market as well as offering PDC "increased flexibility for its future development and growth." For example, PDC is no longer tied to servicing only chemists in line with the agreement with SAPDC's original shareholders. Now PDC can expand its customer base to doctors, clinics and hospitals.

Uitan believes the core problems in the pharmaceutical industry can be solved only by government legislation allowing lower priced generic products to substitute branded products, and the independent prescription and dispensing of drugs by pharmacists, could solve some of the problems.

In a positive light, PDC has the backing of Premier Group and is the largest wholesale distributor. Even so, large size cannot compensate for little profit. Until profitability in the sector recovers there is unlikely to be much demand for the shares.

Heather Foster
The right medicine prescribed for PDC

Given the current mood of the market and a listing price that represents an 82% discount to net asset value and a forecast for a massive drop in earnings, this week's listing of Gresham Industries subsidiary, PDC didn't seem designed to excite much investor interest.

PDC, which is a wholesale distributor of pharmaceuticals, doesn't need a capital injection and management isn't interested in getting a higher profile for the company. So there were none of the usual reasons for a company going public.

So it appears to be an attempt by the controlling shareholder Gresham Industries to unleash itself from the present share ownership structure.

At present pharmacists hold 20 percent of PDC's shares (Gresham owns the other 80 percent) and have the right to appoint seven directors as long as their holding is in excess of 10 percent.

There is an agreement between Gresham and the pharmacists (dating back to 1967) that to achieve tradeability PDC would get a listing.

According to that same agreement, the pharmacists have an option to sell their shares to Gresham at a formula related to net asset value if they are closing their businesses, retiring or emigrating under any other conditions, if they want to sell they must find buyers.

This means that pharmacists who may have been reluctant holders of PDC stock were board directors. This can hardly ensure that the board is functioning at maximum efficiency.

By listing the shares, the pharmacists are given an opportunity to sell their shares and get out of PDC if enough sell, then board representation will be lost and a more cohesive and efficient board profile should result.

And the fact that they now have an opportunity to get out means that any who stay with the listed PDC should be much more willing participants.

Either way, the board should in future function more efficiently.

The other important part of the story is the dismal short-term prospects for the group — the pre-listing statement forecasts a 68 percent drop in earnings to 12.8c (37.1c) a share for financial '91. Financial '90 earnings were 5.5 percent down on '89. A dividend of 5c a share will be paid for '91.

Reasons for the weak performance include the decision to reduce the discounts to pharmacists to protect margins — the initial effect was to reduce turnover and earnings; there were also serious shrinkage problems.

Longer-term prospects look much brighter. As Frankel Kruger analyst, Teague Payne points out, the tough stance taken on discounts appears to be paying off and sales are coming back at higher marginals. He notes that in future PDC will supply to dispensing doctors, and clinics instead of just pharmacists. PDC is also planning to expand outside Transvaal.

In addition there may be plans to inject two other Gresham assets (ACA and Salters businesses) into PDC which would make it a sizeable operation.

All of which makes PDC a reasonable buy at 75c a share (well covered by the nav of 274c) for investors who won't be looking for fireworks in the next 12-18 months.
Omnia weathers poor winter

FERTILISER company Omnia Holdings fared reasonably in the six months to June, despite poor winter plantings and price discounting following imports.

Net profit was up 20.8% to R31.5m from R26.1m on a 18.7% rise in turnover to R167.4m (R134.8m). The group was not liable for tax over the six months.

Directors say in the interim report that physical volumes of fertilisers sold declined because of lower winter plantings. It is expected that the decline will be recovered in summer.

Market conditions were in disarray at one stage. Small quantities of imported fertiliser over the past 12 months increased the pressure on domestic producers. The entrance and demise of Agriland caused short-term disturbances in the market, which led to price discounting.

Although the explosives market is becoming more competitive, Omnia's subsidiary, Bulk Mining Explosives, has established itself firmly in certain market niches and is trading profitably, say directors.

Assuming favourable planting conditions in summer, it is expected Omnia's earnings will be in line with last year's results.

An interim dividend will be considered as usual at the company's November meeting.

Omnia paid an 8c interim dividend last year and an 18c final dividend. It should be noted that the bulk of the company's income flows in the second half of the year.
Synthetic fuel has an important role to play

SASOL MD Paul du Plessis says the synthetic fuel industry is not only desirable, but has an important role to play.

"Like any business decision, the timing of a plan to embark on a new synthetic fuel project is critical."

For instance, Sasol 2 came into production when the oil price was, in 1990, around R120 a barrel.

"It's quite evident the Sasol projects at Secunda were based on sound economic criteria."

When the oil price dropped to about $8 a barrel (R144 in today's terms) in the first half of 1996, the Sasol 2 loans were fully repaid and only a minimal portion of loans on the Sasol 3 project, that lagged behind the Sasol 2 project by three years, was repaid.

When the Moshguls project was mooted, he says, the bulk of Sasol 3's loan was still outstanding.

Relatively low oil prices prevailed, so Sasol wasn't in a position to participate in Moshgas.

"Although at the time we did not agree with the timing of the Moshgas project, this project has reached the stage where it will be wise to complete it.

"With today's expectations of oil supply and pricing, it could be profitable at an early stage." He says Sasol contributes more than R3,2bn a year (1.4%) directly to SA's GDP.

The saving and earnings of forex by Sasol also amounts to around R3,5bn a year.

Not all of this comes from synthetic fuel. In fact, about 50% of Sasol's operating profit is derived from syngas, and the rest from coal, crude oil refining, marketing of fuel, petrochemicals, other chemicals, fertilisers and mining explosives.

"Apart from many divisions already operating, there are about 20 greenfields projects under consideration, which would need total investment of more than R3bn and which, at ruling prices, would turn over about R1,8bn a year.

"The contribution from these projects to the national economy will come from import replacement and exports, which will save and earn about R1,5bn in forex a year.

"The recently commissioned R300m polypropylene project, which was not included in the R3bn investment figure, will earn and save R250m in forex over the next year."

Projects underway are an anode coke plant, an N-butanol plant and a new ethylene plant.

Other projects relate to revamping Sasol 1 and a new strip cellery, which will produce 7m tons a year.
Oil price hikes trigger a surge of interest in Sasol

ESCALATING world crude oil prices have intensified international interest in Sasol's synthetic fuel technology.

Sasol GM Jan Fourie said the synfuel and chemical giant had received 15 inquiries about its technology from all over the world in the past few weeks.

It was possible that some of these inquiries could lead to the sale of technology, co-operation agreements to further Sasol's international interests and even a stake in new synfuel plants in other countries, Fourie said.

With the world's gas reserves overtaking oil reserves, Sasol had done much research into converting gas into fuel and chemicals. It had also formed a specific division to sell the technology.

Provisional studies showed that at an oil price of $25 a barrel, a good return could be obtained from a world-scale plant costing about $2bn and using remote gas at low prices to produce fuel.

If the plant was extended to produce chemicals, increasing its cost to about $4bn, it could show a good return at a world oil price of between $18 and $19 a barrel, said Fourie.

However, oil-from-coal plants producing only fuels would not be viable at $25 a barrel if they were built now.

Unlike any other company in the world, Sasol is able to sell the technology, supervise the design and project execution, train the operating and maintenance personnel and commission the plant.

Sasol's technology produces fuel which already conforms to reformulated gasoline standards to be fully implemented in Europe and the US in the mid-1990s.
Beecham's bid to stop program fails

THE Beecham Group has failed in an attempt to obtain a court order stopping the distribution of a computer program which enables dispensing pharmacies to compare its product prices with the generic equivalents produced by competitors.

Mr Justice Streicher dismissed Beecham's application with costs in a judgment given in the Rand Supreme Court yesterday.

Beecham brought its application last month for an order interdicting Southern Tvl Pharmaceutical Pricing Bureau (Pty) Ltd and Super Scripts (Pty) Ltd from using seven of its trademarks in any electronic storage media in a way which compared the prices of the products to those of generic substitutes.

It claimed that the incorporation of its product names in the Super Script II program was an infringement of Beecham's trademark.

Pharmacists approached with a prescription for one of Beecham's products punch the name of the product into the computer which then makes a comparison between the price of the Beecham's product and that of generic substitutes.

Opposing the application last month, Super Scripts' counsel Rex Welsh QC submitted that the program furnished medical practitioners with information readily available elsewhere, and that nothing prevented the patient from insisting on the more expensive product.

Dismissing Beecham's application yesterday, Mr Justice Streicher said Super Scripts did not trade in goods and therefore it could not be said that it was taking advantage of Beecham's trademark.

If he found in favour of Beecham, the judge said, he would be going far beyond the object of the legislature.

Mr Justice Streicher said all the Super Script program did was supply a quick, safe, accurate and cost effective means for pharmacists to dispense medicine.

Court told of suicide attempts...
No respite from soaring oil price

Cost crunch in chemical sector looms

CHEMICAL producers are facing a crunch as raw material costs soar in the wake of oil prices. Most fear they will not be able to fully recoup this rise from the consumer.

With local chemical markets already in decline and foreign markets oversupplied, manufacturers' operating margins are set to come under pressure, says Chemical Services' director Lex von Vught.

In addition, local producers are also likely to be squeezed if export difficulties prevent them from running their plants at maximum capacity.

A major proportion of the world's chemical products are based on inputs derived from crude oil. And in the face of escalating world crude oil prices, an increase in raw material costs is inevitable.

Van Vught says overseas suppliers have already indicated rises in the price of petrochemical derivatives of up to 20% for the fourth quarter of this year.

Sentrachem senior executive director Roy Pithy says some international petrochemical chemical intermediaries and commodity prices have already formed.

He adds that the industry can expect a price rise on products produced by the local crude oil refineries.

An EPCI spokesman says while EPCI is faced with some raw material increases as a result of the oil price, the impact on the chemicals giant as a whole is likely to be material but not unmanageable.

Higher oil prices will push up the cost of some of EPCI’s inputs, but not as radically as might be expected, he says.

International manufacturers of oil-based chemical raw materials are themselves experiencing a squeeze as demand for their products is weak.

This means they are unable to recover their increased costs in full through higher prices, says the spokesman.

While SA’s imported chemical feedstocks are generally crude oil based, certain locally produced feedstocks are derived from coal and salt. Sasol produces two major feedstocks — ethylene and propylene.

Chemical Marketing and Consulting Services CEO Henry Laing says Sasol’s pricing policy in relation to that of international crude oil based equivalents will affect the local industry.

If Sasol’s prices rise with international prices, local companies processing its feedstocks downstream will be hit. However, the industry could increase its international competitiveness if Sasol’s price rises are based on local cost factors.

Laing says if world oil prices remain high, it is likely that Sasol, or other local companies, could move further downstream in manufacturing value-added products from Sasol’s syngas process.

High prices could even result in Megasas moving into chemical production.

Pithy says a higher crude price will immediately increase the price of plastics. As a result, substitute products like paper, aluminum and steel could make inroads into plastics’ market.

But as these alternatives are more energy intensive than plastic, higher oil costs will eventually catch up with them, restoring plastics’ price competitiveness.
Earnings decline at Italtile

Finance Staff

Italtile lifted turnover by 12.7 percent and operating profit by 4.6 percent in the six months to August.

The improvement came despite the deteriorating economy, stayaways and loss of production in South Africa and Bophuthatswana.

However, earnings per share were 40.2c — down 10 percent on the previous year.

This is seen as a short-term situation as increased production capacity will provide an excellent platform on which to build operating profit.

The group recently completed its R30 million tile factory at Bapelegi, which should impact on earnings in the next financial year.

An unchanged interim dividend of 6c per share is being paid.
ANC intervenes in Capegas labour dispute

By SHARON SOROUR, Labour Reporter

THE African National Congress has stepped into an industrial dispute at gas manufacturer Capegas, urging the management to end the lockout of more than 70 workers.

In a statement handed to the company at the weekend the Woodstock branch of the ANC called on Capegas to recognise the Chemical Workers' Industrial Union and to negotiate.

The ANC said the management's "provocative" action of locking out the workers and calling in the police "to harass and arrest workers" showed they were "determined to obstruct the struggle of the workers to achieve their basic human rights".

The ANC called on the community and workers in the area to join in a protest march this week to support the workers.

Capegas locked out 73 union members on September 17 — one hour before they were due to go on strike.

The organisation supported the workers' demand for R4 an hour and said higher wages were paid in comparable sectors.

"MISUNDERSTANDING"

But company spokesman Mr B Straughan disputed ANC claims, saying there were "several misunderstandings and errors" in the organisation's memorandum.

He said: "Shift workers at Capegas earn R4.20 an hour, more than the figure quoted by the ANC. The company tried to get the recognition agreement concluded, but the union broke off negotiations and insisted we go into wage negotiations before concluding the agreement."

Union regional organiser Mr Colin Rani said communication between the company and the union had broken down and a stalemate had developed.

Wage negotiations deadlocked with the company offering a 21 percent across-the-board increase, with the union demanding a 39 percent increase.

"The company's wage offer is final — the ball is in their court," Mr Straughan said.
Prochem in doldrums

By Ann Crotty

Prochem, Malbank's troubled chemical subsidiary, has reported a 61 percent slump in earnings to 8.9c (22.5c) a share for the 12 months to August 1990.

A final dividend of 1.5c (4.5c) a share has been declared, making the total dividend payout for the year 3c a share — less than half the previous year's payout of 7.75c a share.

Turnover was up three percent to R383.6 million (R372.9 million).

But continuing a trend that has been evident since financial 1987, operating margins were down — this time from 6.88 percent to 4.68 percent.

In 1987, operating margins were 8.3 percent.

Although interest-bearing debt was down, finance costs were up 11 percent to R10.2 million (R9.7 million).

**IMPACT**

This reflected the impact of higher interest rates.

The tax rate was up to 36 percent from 33 percent helping to take the drop in taxed earnings to 61 percent — down from R10.6 million to R4.1 million.

Shareholders can take some comfort from the fact that second-half earnings exceeded those of the first half.

And also that gearing is down from 80.8 percent to — a still hefty — 64.6 percent.

But things don't look too bright for financial '91.

Although cost-cutting measures that have already been implemented are expected to produce an improvement in full-year earnings, these measures will not be sufficient to offset the deterioration in trading conditions in the first half.
Prochem suffers a decline of 61%

DEPRESSED selling prices and reduced margins resulted in a disappointing performance by Malbak subsidiary Protea Chemicals (Prochem) for the year to end-August, with earnings falling 61% to R9.5c a share (22.5c).

This was despite marginal gains in the second half.

Sales of the chemicals manufacturing and trading group were slightly higher at R384m (R373m) but operating income reached a three-year low, declining 30% to R17.9m (R25.7m).

Attributable income fell 61% to R7.1m (R18.9m). A final dividend of 1.5c a share was declared, bringing the total for the year to 3c (7.75c). Dividend cover was slightly higher at three times (3.9).

Prochem's annual results were adversely affected by deteriorating market conditions in the first six months, but CE Mike Struyweg said earnings for the second half, which exceeded those for the first, halted the decline.

"At the beginning of this year, stiff competition and lower world commodity prices were depressing selling prices and reducing margins. At the same time, higher borrowings and interest rates were boosting our finance costs. "As soon as these trends became apparent, management implemented the severe..."

Sentracem local demand and export.

Another is a R15m expansion at Safripol for compounded polypropylene to double capacity to 10 000 tons. Safripol is spending R27m on erecting a propylene purification plant at Saphire Refinery in Durban.

Sentracem MD Johan van der Walt says the group is also "looking beyond its immediate business to areas of future development in biotechnology, platinum group metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides."

ZILLA EFHAT reports that Expandite SA was a 50-50 joint venture between Sentracem and Burmah Oil SA, a subsidiary of the UK-based Burmah Oil.

Sentracem specialties division MD Tony Roocroft says Sentracem exercised its rights to acquire the other half in terms of the agreement reached two years ago when it bought its 50% stake in Expandite. He says the move is not part of a disinvestment by Burmah Oil.

A statement from Expandite SA says that Burmah companies will continue to supply Sentracem with technology.
Sentrachem in R200m expansion

CHEMICAL giant Sentrachem has embarked on a R300m expansion programme which will significantly boost its export potential.

Last week a two expansions of its ethylene oxide and the growth in the acquisition of Burmah Oil SA's 56% stake in adhesive and sealant manufacturer Expandite SA for an undisclosed sum.

The Sasolburg plant of Sentrachem's Sarpol division, which supplies raw materials to the plastics division, has been expanded to double the production capacity of high density polyethylene (HDPE) to 140,000 tons a year. In addition, granulation capacity has been boosted by 20,000 tons to 210,000 tons a year.

"This project has been designed to meet all local demand for HDPE and will replace imports of about 20,000 tons a year. In addition, significant exports will now be possible," a statement said.

Sentrachem's NCP division has brought the second phase of its chloralkali plant at Chloorkop on line, in a R43m project which increases capacity from 50,000 to 70,000 tons a year.

Other projects to be commissioned in the next few months include a R43m maleic anhydride expansion project at Esposco which will more than double NCP's annual production capacity of this product — used in the manufacture of polyester and other resins, paints and food acids — to 10,000 tons. This level of output will cater for

Prochem

Gearing was reduced from 80.8% to 64.6% by means of the cost reduction programmes implemented by management and by a 13.2% reduction in current assets.

This was made possible by a substantial R12.1m destocking effort.

On future prospects, Struwig said while the cost reduction campaign could not wholly compensate for the expected deterioration in market conditions in the first half of the new financial year, Prochem expected to improve its earnings.

All Prochem's activities had been reviewed and those which did not meet strict investment criteria were either being closed or sold.

The share price closed unchanged at 89c on Friday. At this price, the share is trading on a dividend yield of 3.3%, compared with a sector average of 4.8% and a price earnings ratio of 10.1 times.
Future imperfect

By Derek Tommey

Futures traders were unable to agree at a meeting yesterday whether to opt for floor or screen trading.

It was reported last week that the futures trading floor in the JSE Annex had been scrapped because of insufficient use, partly because of low volumes and partly because traders preferred screen trading.

But yesterday brokers' representatives were still unable to decide one way or the other.

The meeting was inconclusive, said a dealer who attended it.

The only strong point to emerge was that the brokers were still keen to engage in futures trading.

Another meeting will be held on October 18 at which proposals will be drawn up and submitted to the JSE.

The futures floor is part of a R3.3 million complex built specially for futures and bond trading.
Tedalex feels effects of curbs on spending

By Ann Crotty

Once again, Tedalex’s results for the 12 months to August show the effects of the Government’s efforts to curb consumer spending, with HP restrictions holding turnover growth to a marginal six percent — up at R429.8 million (R405.7 million).

Tougher conditions and higher interest charges combined to knock earnings 38 percent — down from 6c a share to 31c.

A final dividend of 5c a share is being declared, bringing the total for the year to 10c (17c) a share.

Despite the difficult conditions in the present year and unexciting prospects for the economy, chief executive Jack Cohen is looking to real profit growth in financial ’91.

This is assuming no major adverse developments on the political or economic front.

Real earnings growth will be welcomed by shareholders who had to suffer a fairly dismal earnings performance for most of the Eighties.

Just when profit performance recovered from the severe forex losses of the early Eighties, trading conditions were hit by the Government’s attempts to control inflation by curbing consumer demand.

The lifting of restrictions last March appears to have helped sales in the second half (at the interim stage, management reported a 3.6 percent drop in turnover) But even the six percent full-year hike does not represent any volume increase.

The tough conditions are reflected in the drop in operating margins from 10.4 percent in financial ’89 to 7.3 percent.

The drop meant operating income was down 25 percent to R11.5 million (R15.3 million).

Finance charges were up 20 percent because of higher interest rates and the increase in borrowings (R68.9 million from R61.7 million).

Pre-tax income was down 42 percent to R17.9 million (R39.9 million), with attributable profit down to R18.8 million (R30.5 million).

Although the figures look disappointing against the excellent performances reported by furniture groups, Mr. Cohen says that given the conditions prevailing in his industry, Tedalex did fairly well.

“The group has performed comparatively well in an industry and economy beset with problems and has retained a strong balance sheet with a relatively low level of debt, thus proving its resilience in the most testing circumstances”.

He says that over the past three years, wage increases for lower-income groups have exceeded inflation “thus increasing the amount of their discretionary income and enhancing the potential demand for the group’s products”.

Because of the HP restrictions introduced in 1988, this potential demand appears to have been diverted to the furniture sector, so that Tedalex and other manufacturers in the consumer electronics sector did not see much benefit.

(If should also be noted that earnings performance among the furniture retailers is considerably enhanced by the income that is earned on financing activities).

Tedalex’s balance sheet appears to have weathered the storm reasonably well and it shows obvious signs of improved asset management.

Current assets were up by only 1.4 percent for the full year. Mr. Cohen says there was a good reduction in stock levels in the second half.

In addition, an R18 million reduction in borrowings was achieved in the final six months. But gearing was still marginally higher at 34 percent (32 percent) at year-end.

Mr. Cohen will not comment on market speculation about Malbak buying out the five percent minority shareholders and making Tedalex a wholly owned subsidiary.
Pricefurn shareholders approve deal

Pricefurn ordinary shareholders unanimously voted on Tuesday in favour of the reverse takeover of Manro South Africa (Pty).

Manro is a supplier of organic and inorganic chemicals to a wide spread of industries.

The name of the company is to be Manro Chemical Holdings Limited.

The listing of Manro by way of the Pricefurn cash-shell is scheduled for next Monday in the Industrial — Chemicals and Oils — sector of the JSE.

After the listing, UK-based chemical group, Hickson International Plc, will have a 67.3 percent shareholding in Manro.

The latter has forecast a 23 percent increase in taxed income to R4 million for the year to December 1990. — Sapa.
No lack of nerve on Sentrachem's part

It takes a reasonable amount of nerve to commit R150 to R200 million annually to expansion in an industry that is dozed by weak local and international economic conditions, that faces an uncertain impact from a hike in oil prices and that might have to contend with significant changes in government policy.

This week, chemicals giant Sentrachem announced the commissioning of two key components of a R200 million expansion plan designed to spearhead a new growth phase.

According to Sentrachem CEO Johan van der Walt, investment plans for financial '91 will involve spending about R140 million.

He says the uncertain and fairly weak conditions don't make management reluctant to invest: "Decisions still have to be made."

Most of the spending (which could include acquisitions) will go to developing activities in specialised (value-added) areas of the chemical industry.

For the year to end-March 1990 Sentrachem achieved a seven percent earnings increase.

The group has changed its year-end to August to bring it into line with other industrial companies in the Sankorp stable.

Indications are that results for the 12 months to August '90 will show a drop in earnings of around 20 percent from the figures for the 12 months to August '89.

The sharpness of the deterioration between end-March and end-August is attributable to a number of factors:

- Although things were slowing down in the period to end-March, in the five months since then there has been a sharp fall in demand, the effects of which are aggravated by customers using up stocks in their pipeline.
- The continued weakness of intercommodity prices.
- The contribution from agricultural interests is always relatively lower in the winter months.

Because of the Sentrachem deal with Farm-Ag (effective since February '89), the group's exposure to weak farming conditions is much greater.

Having achieved a startling turnaround in the five years to financial '89, Mr van der Walt is understandably disappointed by the sharp knock in earnings that will be suffered in financial '90 and the grim prospects for financial '91.

But he remains bullish about Sentrachem's medium-to-long-term prospects. These should be significantly enhanced by management's commitment to switch from reliance on commodity-like markets (with export capability) at the lighter end of the chemical industry.

In this instance, niche-marketing involves adding greater value to sales, which means better margins. It also means that the barriers to entry are higher — which should also improve margins in the longer-term.

Financial '91 will be tough for Sentrachem — not international and local economic conditions, high interest rates (on debt of around R500 million) and the mixed blessings of high oil price (it should increase commodity prices, but generally weaker economic conditions).

Mr van der Walt is concerned that any changes in government policy vis-a-vis this industry be effected in a gradual and structured manner.

He believes that a gradual approach will be necessary to create the desired new climate for investment.
Workers and ANC march to gas plant

Staff Reporter

ABOUT 200 workers and African National Congress supporters marched to the Capegas plant in Woodstock yesterday to hand over a memorandum demanding recognition of their union and a wage increase.

Seventy-three members of the Chemical Workers' Industrial Union were locked out of the premises by Capegas on September 17, in a pre-emptive move when the company learnt that the workers planned to strike because of deadlocked wage negotiations.

The Woodstock branch of the ANC took up the workers' cause and called on the community to join the protest march.

Several Cosatu-affiliated unions sent messages of support.

The workers, who are demanding a minimum wage of R4 an hour, said they regarded the march as the "beginning of a major war against Capegas".

A meeting will be held today between worker representatives and management, who claim that Capegas shift workers already earn R4.29 an hour.
Pretoria’s townships given power reprieve pending loan

THE Pretoria City Council would not cut power to neighbouring townships today pending the Pretoria Regional Services Council’s decision to step in with loans to help the townships.

The council had threatened to discontinue power to Atteridgeville and Mamelodi today unless about R6m in electricity arrears was paid.

At a press conference yesterday Pretoria City Council’s management committee chairman James Leach said the Pretoria Regional Services’ executive committee would make recommendations at a special meeting next Thursday that loans be granted to the town councils of Atteridgeville, Mamelodi and Zithobeni to enable them to pay their accounts.

Until then the Pretoria City Council management committee would not take action to cut the main electricity supply to the townships.

After Atteridgeville and Mamelodi, Leach said the city council cut electricity supply to Atteridgeville and Mamelodi last month and restored it hours later on the condition that the townships made payments on their arrears today.

In another development, negotiations among the TPA, Eskom, Katlehong Town Council and the Katlehong Civic Associations began last night.

Katlehong mayor Gideon Molotsi had said the talks would centre on the interim flat rates residents would have to pay to keep essential services going.

“If residents accept our proposed flat rates then they will pay R50 per month for houses with electricity and R30 for houses without electricity. The businessmen will pay R150,” Molotsi said.

Intravenous drips withdrawn for testing

SABAX, manufacturer of intravenous drips supplied to clinics in Johannesburg where a number of babies had died, said in a statement yesterday it had brought a microbiological specialist from the UK to help evaluate its procedures.

The Department of National Health and Population Development said tests of drips supplied to the department by Sabax had “shown contamination of the prepared medicines”.

Sabax spokesman F F Erasmus said it had “suspended all of the admixed products which may, or may not, have been implicated pending the outcome of intensive investigations.”

The clinics had withdrawn use of the drips after an unspecified number of neonatal babies had died. Park Lane Clinic said yesterday that laboratories had found the medical products in question contained the same bacteria as found in infected babies at the clinic. — Sapa
Downtrend hits chemical group

EARNINGS of chemical group Sentrachem for the
17 months to August would show a drop against the
previous 17 months, Sentrachem MD Johan van der
Walt said yesterday.

He attributed this to the economic downturn, which had resulted in a gen-
eral slowdown in demand for the group's products, to industrial unrest affecting
customers and to the seasonal slump in the agricul-
tural market.

While he would not quanti-
tify the fall in earnings, he said it involved "double fig-
ures". Sentrachem has changed its year-end to
August to fit in with the Sankorp Group.

Van der Walt said Safrip-
ol did not have enough cap-
pacity to meet local de-
mmand for high density polyethylene (HDPE) and, as a result, had to resort to
imports. However, its
HDPE plant came on
stream two weeks ago and Safripol was expected to
return to profitability in the current year.

Sentrachem subsidiary
Agrinol recently formed a
joint agricultural chemical
venture called Samachem
with Farm-Ag While this
was an excellent investment, he said, agricultural
companies normally ran at a loss in winter

Mega Plastics had been
affected by industrial un-
rest and the strike at Mer-
cedes-Benz. In addition, un-
rest in the eastern Cape had
a negative impact on Kar-
bochem, which supplied the
tyre industry

Van der Walt said Sen-
trachem was also expected
to buy out West German
company Hoechst's 50%
stake in plastic converter
Mega Plastics. While Hoechst had approved the
move, Sentrachem's board
would decide on it later this
month.

Sentrachem was investigat-
ing how to convert its
Newcastle polyisoprene
plant, snowhalled earlier
this year, to the production
of metallurgical products.
Chemical giants investigate joint plans for R4,5bn plant

CHEMICAL groups Sentrachem and AECI and energy giant Engen are investigating building a R4,5bn chemical plant to use the infrastructure of Mossgas or Engen's Genres Refinery in Durban, Sentrachem MD Johan van der Walt said yesterday.

A naphtha cracker next to the Genres Refinery would cost R2.5bn to build and another R2bn would be needed to produce further downstream chemicals. However, if built on the Mossgas site the cost of the cracker would fall to R1.8bn.

Naphtha is one of the fractions obtained in crude oil, the distillation of which produces "dirty petrol", or naphtha. Cracking naphtha means breaking down this oil into its components using steam and heat.

AECI and Sentrachem were earlier considering building a naphtha cracker in Richards Bay but Van der Walt said this would have been more expensive at R5bn.

The aim is to use the gas from Mossgas or crude oil refined at Genres as a base to produce feedstocks for the SA chemical industry. The plant would increase the competitiveness of the SA chemical industry, said Van der Walt.

He said great synergies existed between Engen, which held Mobil and had the right to a stake in Mossgas, and Sentrachem, and both fell within the Sankorp stable.

In addition Van der Walt said AECI's and Sentrachem's demands for chemical feedstocks were complementary.

He expected the investigation to be completed by the end of the year and a decision to be made two years after that.

\[ \text{Derived} \]

Cracking naphtha produces six of the major building blocks of the organic chemical industry. Over 80% of all organic chemicals are derived from these building blocks.

The six chemicals are ethylene and propylene, which are both used in manufacturing plastic products, butadiene, which is the primary feedstock in the manufacture of synthetic rubber; benzene, which is used for certain foams such as styrene and polyurethanes; toluene, a solvent used in making certain organic chemicals; and xyylene, which is used as an agent for materials that make PVC plastics soft.
Engen results outstanding

ENGEX, Gencor’s giant energy operation yesterday announced outstanding maiden results with earnings and dividends comfortably outstripping forecasts for the year ended August.

Formed in February, Engen consists of Trek Beleggings, the former Mobil Oil’s southern African businesses, Gencor’s Moegas investment and Gencor’s exploration rights in the Bredasdorp Basin.

In an interview yesterday MD Rob Angel said: “We are delighted to have achieved, and even exceeded, initial forecasts.”

Turnover dipped to R3,064bn (forecast R5,202bn) but income before interest and tax exceeded forecasts at R323m (R280m).

Attributable earnings of R213m exceeded forecasts of R200m for the full year. Earnings were 19c a share (18c), enabling the company to declare a final dividend of 62c (65c).

Engen’s bottom-line performance was assisted by the low effective tax rate of 27% and its success in reducing net borrowings to R139m from R173m.

The tax rate was likely to remain low for the next few years, especially with the expansion Engen would undertake.

“Rather than borrow excessively we are likely to go for a rights issue in the next two or three years,” Angel said.

Inventory values had risen dramatically on oil prices. At the end of August, the replacement cost of Engen’s inventories was R176bn above book value.

This could have a negative impact on cash flows and tax payments, Angel said.

Should inventory prices remain at these levels until next August, it would mean a sizable, taxable and accounting profit.

See Page 3
Chemicals could make your home a chamber of horrors

YOU have probably never thought of your home as a chamber of horrors but there is a good chance that it is. The vapour or lithium is probably out of range of the children but is the bleach, or the insecticides, or the wood glue?

Perhaps you have asthma, a headache or feelings of unathletic— it could be caused by an air freshener.

The types of chemicals most likely to be dangerous in your house are gardening, vehicle, cleaning, general household and do-it-yourself chemicals and medicaments.

The most dangerous rooms in which they are found are sheds and greenhouses, utility rooms, garages, kitchens and bathrooms.

And the most dangerous storage places are under the kitchen sink and other low places where they can be easily reached by children, on open shelves or cupboards without secure locks or child-resistant catches, near heat sources or sunlight— they may explode— or in an open and unsteady shelf or garage.

Don't imagine that you do not fit into any of these categories. A major survey carried out by a consumer organisation in Britain showed that every house they investigated had dangerous chemicals.

About 20 percent of the chemicals found were major hazards, about 40 percent were slightly less dangerous and nearly two thirds were not stored in a safe place.

One family, with a toddler, kept a petrolum solvent in an unmarked plastic flask under the sink. Another household kept the wood glue in a coffee jar in the garage while the insecticide was stored in a kitchen cupboard at floor level— the container was not child resistant. In Britain and the United States medicine bottles are sold with special child-resistant lids.

In South Africa very few containers have child-resistant lids. Few have labels warning of the dangers of the chemicals. Chemists here rejected a move in this direction some years ago saying their customers did not know how to open the containers.

Recent studies locally show that most emergency admissions of children involve poisoning. About 40 000 people in the UK were poisoned last year. Of these, 35 000 were children under the age of five.

The Consumers' Association says that not only were the substances in its survey easy to reach but the containers were open. Additionally, the hazardous chemicals were in containers that had originally held food or drink— the weedkiller in the cold-drink bottle can tempt a youngster.

Some oven cleaners contain caustic soda which can damage skin and eyes as well as other organs.

Other houses had the toilet cleaner in easy reach of small hands. Toilet cleaners, which can often be poisonous on their own, can cause the release of chlorine gas if acid-based and bleach-based ones are mixed. Such a gas will attack the throat and lungs.

flammable liquids should be stored in cool dark places as thousands of casualties are caused annually by burns from explosions and fires.

Among the other hazardous chemicals to be found in homes are the dioxins, a group of 210 chemicals of which 17 may be dangerous. They are by-products from chlorine bleaches and are also present in some pesticides. But the main source is food— in chlorine-bleached milk cartons, tea bags, toilet paper, tampons, disposable nappies and sanitary towels and coffee filter paper. This does not mean tea bags are a necessarily a health hazard but in at least one country, Sweden, the government has recommended that personal hygiene products, like tampons or toilet paper, should not be bleached.

Sweden has also banned Lindane, which is used to treat wood, because it may cause epileptic-like fits, headaches and nausea.

Chemicals should always be locked away and should not accumulate; throw them away if you are not going to use them. They should always remain in their original containers— preferably ones with warnings on, clear directions and child-proof lids.

Handle chemicals with care— if they can kill pests, they may harm you or your children.
**R1bn Mossgas bonanza**

From JOHN SPIRA

JOHANNESBURG — With oil at more than $40 a barrel, Mossgas will save South Africa upwards of R1 billion a year in foreign exchange — equivalent to a 20 percent rise in the gold price — when it reaches full production in April 1992.

The soaring oil price has sparked off renewed debate over the viability of the R1 billion oil-from-gas project. Its previously white elephant status is now improving rapidly.

Indeed, with gold showing an alarming disanchauion to follow oil higher, Mossgas could well come to the rescue of the nation’s dwindling foreign currency reserves and simultaneously give the economy a welcome shot in the arm.

The positive Mossgas scenarios must, however, be tempered by two prospective negatives:

- If oil reverts back to the $20 mark, Mossgas will be in the red.
- Although the latest cost estimate for the project is R5 billion, some believe that it could balloon further. A figure as high as R15 billion is being mooted.

Present Mossgas viability calculations look like this:

On the basis of the widely-held belief that South Africa’s daily oil consumption is in the region of 300,000 barrels, and on the assumption that Sasol’s daily production is 120,000 barrels, the country’s daily import needs are 210,000 barrels.

Before Iraq invaded Kuwait, South Africa was probably paying around $20 a barrel, for an import bill of $4,2 million a day — a figure which translates into an annualised $1,5 billion, or R3,3 billion.

At the current oil price, the annualised import bill must be close to R8 billion — a 100 percent increase over the past two months.

Mossgas is scheduled to start producing oil in July 1991 and is expected to reach full production some nine months thereafter.

By that time, the project should be producing roughly 275,000 barrels of oil a day, thereby advancing domestic production to 150,000 barrels — 45 percent of the country’s total oil needs.

Analysts reckon that Mossgas’s break-even point is $20 a barrel, with full viability being reached at $25, or perhaps a little higher.

Until now, these parameters have led many observers to conclude that the large sums involved in bringing Mossgas to production would have been better spent on black education, housing and health care.

**New life**

They’re now beginning to look on the project in a different light, conceding that the Gulf crisis could linger for some years, in which event the oil price would remain well above the $25 a barrel at which Mossgas is viable.

Adding to Mossgas’s potential to save foreign exchange is the possible profitability of Soekor’s additional oil and gas discoveries of the past three years, which, some geologists estimate, could raise production to considerably more than the output expected of Mossgas.

Even in the absence of speculation over new discoveries, Mossgas will inject new life into the country’s economy from 1992 onward.

At $40 a barrel for oil, the expected output of 275,000 barrels a day will be equivalent to $394 million a year — in excess of R1 billion.

If oil holds above $40, this windfall will not drain out of the country but will instead be retained in the domestic economy, thereby enhancing liquidity and boosting economic activity.

It is a potential bonanza which adds credence to projections that the economy could embark on a new upswing by late 1991 or early 1992 — an upswing which would derive additional muscle if (as is distinctly possible) the oil price is higher in 1992 than it is at present.

Former Mossgas critics point out that based on the relevant current figures (oil at $40 and a total capital cost of R8 billion), Mossgas will pay for itself in eight years. If the eventual cost rises to R15 billion, the pay-back period extends to 15 years.

When the go-ahead for Mossgas was first given, the estimated life of the project was 30 years. Subsequent analysis suggests that another 10 years could be added to this figure.
Manro's reverse route

Business Times Reporter

MANRO SA, the specialist chemical group, will be reverse listed into the Pricefurn cash shell tomorrow.

Group managing director Bruce Murray says it's more of a private placing. About 350 minoritiies still have stakes in the cash shell and not much trade in the share is expected. The Cape Investment Bank, which purchased the shell from Pricefurn, still has a block of shares. Earlier this year, all Pricefurn shareholders were given the option to sell to CIB.

The company will be known as Manro Chemical Holdings Limited after its listing in the industrial sector under chemicals and oils.

A rights offer will be made next year to prepare the way for expansion. Mr Murray says the rest of this year will see consolidation of the company after several acquisitions.

Listing

He says it is still too early to comment on the exact time and terms of the rights issue.

Hickson International will hold 57.3% in Manro after the listing, while management will hold 8.5%.

Manro has forecast growth in attributable profit of 23% to R4-million for the year to December. A three times covered dividend of 3.3c is expected.

Manro was established in SA in 1901 and in 1987 it bought chemical supplier Bevaloid SA. The multinational chemical group Hickson International acquired Manro Holdings UK in 1986 and Manro SA then bought the local Hickson subsidiary.
Virus may have killed babies all around the country

By MARK STANSFIELD

FEARS grew yesterday that the number of baby deaths allegedly caused by contaminated drips may be higher than reported.

It was disclosed by the drip manufacturers that the product had been distributed to clinics throughout South Africa.

So far at least five babies' deaths — all in Johannesburg private hospitals — have been linked to the allegedly contaminated drips.

The drips were withdrawn by manufacturers Sabax Ltd immediately after being identified as a possible source of the killer infection believed to be responsible for the deaths.

But fears are mounting that more children could have been infected by the virus - streptococcal From the same source — and their deaths attributed to other ailments.

As the high-level investigation into the source of the infection continued this weekend, Sabax — a subsidiary of Adcock Ingram - made it clear that the company would not accept liability unless it was proved the product was faulty.

A spokesman said there were a number of possible sources of the deadly infection — including the clinics themselves.

"The treatment of seriously-ill babies involves different procedures such as surgery, wound treatment, storage and infusion — all of which are potential sources of contamination," said marketing and public affairs director Frans Erasmus.

Battle

The dispensed product has a 24-hour shelf life — but clinics and hospitals could have been using expired stock, experts said.

"These admixtures have a short shelf life," said Vicky Baker of Sabax. "Accordingly, expiry dates and storage temperatures are very clearly labelled.

"It is particularly important that the product remain refrigerated from the point of mixing through transportation and storage up to the point of use."

Nevertheless, pin-pointing responsibility for the spread of the infection in Johannesburg's neo-natal clinics could become one of the longest and costliest medical legal battles in South African history.

Already battlelines have been drawn between the manufacturers, the clinics and the parents whose children died.
Dazzling Engen looks at export market

GENCOR's 84%-held energy group Engen, which produced scintillating maiden results this week, has ambitious plans to break into export markets.

Managing director Rob Angel is confident the group's R1.2-billion upgrading programme, which will significantly increase efficiency and refining capacity, will prove that its forecast beating results to August 31 were no flash-in-the-pan.

There's a bright outlook all around the horizon for SA's first fully integrated energy group, he says.

The soaring crude oil price is not a major factor in his confidence. Mr Angel says the Gulf crisis has "temporarily" increased worldwide refinery margins and the price hike means that the replacement cost of Engen's inventories was about R170-million above book value at the end of the financial year.

"While this would appear to provide substantial benefits to shareholders, it has, in fact, a marked negative impact on cash flow and taxation payments."

If inventory prices remain at current levels until August next year, there will be a once-off "sizeable" taxable and accounting profit for the group. "However, any fall in prices will undo this notional gain."

The formation of Engen last February brought together the operations of Trek Beleggings, the former Mobil Oil Southern Africa operations bought from the US-parent for R650-million, and Gencor's 30% stake in Mougass and 20% option in Soekor exploration in the Bredasdorp Basin.

Although the group's turnover was slightly below forecast at just over R5-billion, income before interest and tax was 15.4% ahead at R333-million.

Delighted

Attributable income, after provision for higher tax, was R213-million, compared with the forecast R200-million. A final dividend of 62c a share - 7c ahead of forecast - brought Engen's total payout to 97c, a 17% increase on the 83c paid by Trek last year.

Mr Angel says he is delighted with this performance, but there are more dazzling prospects down the road: "We are optimistic that we can improve."

Much of the confidence comes from the R500-R600-million to be spent in each of the next two years upgrading the "bottlenecking" plant. A rights issue to help finance the project could look to raise about R1-billion.

The 50% increase in refining capacity due in December 1992 will come on stream at a time when refiners around the world will be stretched. But Engen hopes to have "quite significant" exports by the end of next year.

Greater efficiency will also produce more petrol and diesel from every barrel of crude - and Engen is looking at other chemical derivatives.

At the same time, the soaring crude oil price has improved the prospects for the Mougass oil-from-gas project and Soekor's promising oil and gas strikes in the Bredasdorp basin.

He says there is considerable uncertainty about prices in the oil industry, but when the price comes off the top it is unlikely to fall to previous low levels. It could settle around the $20 or $21 a barrel level.

Engen benefited last year from higher refinery throughput - but this was limited to a 4% increase.

Coincidently, the 14 600-ton jacket for Mougass' offshore operations left Saldanha Bay on a special barge on Friday. The jacket, completed by Gencor Offshore ahead of time and below budget, will be sunk over the production hole 85km south of Mossel Bay today or tomorrow.
Three-point plan for sick industry

THERE'S an irony somewhere for PDC, the newly listed pharmaceutical wholesaler 80% held by Gresham.

There are more than 300 shareholders, which spread easily qualifies for a listing on the JSE. The shareholders came aboard on the merger of Gresham's PWD (formerly Pretoria Wholesale Druggists) and the SAPDC, a company previously owned by pharmacists.

Its members were issued shares in the merged company as well as receiving a substantial cash payment. By agreement, the only way pharmacists could sell their shares was that if they left the industry, the shares had to be offered to Gresham, which is part of the Premier Group.

Premier's deputy chief executive, Gordon Utan, says it led to an absurd situation where pharmacists even went so far as to try to sell their businesses so they could cash in on their shares.

So a listing on the JSE overrides the previous rules — the irony is that there has been almost no trade — only 45 000 changed hands at 79c out of the 21 million shares in the first week of issue. This week the price came down to 76c.

Smooth

Mr Utan points out that there is rarely a right time to list. The marrying of two different cultures has not been without its difficulties, but differences are being smoothed. He says that results should not be expected overnight when there are so many negatives at play in the pharmaceutical industry.

Dispensing and trading doctors are just one of the problems facing retail phar-

macists. Pressure from medical aid societies to grant ever-increasing discounts is another. Mr Utan says pharmacists have embarked on a self-destructive discounting path which threatens their viability.

Margins have been affected from intense competition among existing wholesalers and the emergence of a number of buying groups selling only a limited number of items — the boutiques.

He refers to a third batch of major shareholders who have not paid for any equity, yet see fit to help themselves to profits — thieves. Stimulation is one of the most serious problems facing the industry.

When pillagers are caught they usually have shopping lists of high price-tag drugs which are probably resold by the boutiques.

Mr Utan paints a sad picture of the inequities in the industry. On one side there are multinationals, including conglomerates, to which accrue advantages such as tax, foreign exchange and pricing. He euphemistically describes the prices charged by such companies as "exceptionally high", while concealing that research is costly.

In brief, doctors are blinded by the advertising light on these heavy-weight products and prescribe them when equally effective products are available at a fraction of the price. Few consumers are ever likely to challenge the opinion of their doctor, and anyway, "the medical aid pays".

Only a fifth of the population belongs to medical aid. The flip side is of pharmacists trained in professional health care, yet whose role is blurred by increasing competition.

Mr Utan questions the role of the medical aid system, whose administrators pursue profit at the exacerbation of the difficulties already prevailing. Last week's announcement by medical aid schemes that tariffs could rise 25% next year as doctors are granted increases of 18% reflects the cost spiral position exactly.

Service

He says in polite words what most medical aid members know to be true — they are not cost-effective.

Between manufacturers and pharmacists tie the wholesalers, expected to maintain services in the face of increasing costs. Wholesale- ers have to finance and warehouse every product and deliver several times a day.

Expensive computerisation is the only way to handle the business efficiently.

Mr Utan says: "The inequitable conditions which are steadily entrenched themselves in the pharmaceutical industry can only be cured by Government, which has the power to create the framework to do so."

Even the average person can no longer afford healthcare. What about the underprivileged?

He says the solution does not lie in cutting prices to medical aid, nor does it lie in squeezing retail pharmacists.

One proposal is that a form of medical insurance should be introduced in substitution for the present system, which would eliminate the high volume of small claims which require large administrative infrastructures.

Ailments

Mr Utan's second suggestion is probably more important legislation should be introduced to permit generic substitution for products as effective as branded ones to bring about price reductions.

Juridly, Mr Utan believes pharmacists should be allowed to prescribe and dispense medicines for less-serious ailments. Increased self-medication would enable pharmacists to practice the professional skills they spent so long acquiring.

A Rand Supreme Court judge ruled last week that pharmaceutical giant the Beecham Group could not obtain a court order to stop the distribution of a computer program that helps pharmacists brand names against generics with respect to pricing.
Adcock-Ingram probing products

PHARMACEUTICAL group Adcock-Ingram believes there is little chance that it is responsible for the allegedly contaminated product being blamed for the death of new-born babies in the greater Johannesburg area.

At least five babies have died in the last two months, two at the Park Lane Clinic in Johannesburg.

Adcock-Ingram fully-owned subsidiary SABAX manufactures and distributes therapeutic medical care products, including those used in operating theatres, dialysis units, hospital wards and in blood transfusion centres.

SABAX, in providing a service for hospitals, prepares special medicines for specific patients.

Don Bodley, managing director of the Barlows subsidiary, says "All allegedly contaminated products were withdrawn from circulation this week as a precautionary measure."

"Our investigation is continuing. The admixed products are mixed to meet requirements for specific patients in accordance with a doctor's prescription.

Designed

"Various ingredients from different sources go into these mixtures, which are prepared in an aseptic facility, specially designed to meet the most stringent pharmaceutical standards."

"SABAX acts rather like a pharmacist, mixing the various medical components in accordance with doctors' specifications."

Mr Bodley says that it is extremely unlikely that SABAX is liable for the contamination in the sterilised product designed for intravenous use in new-born babies.

"We've brought out a microbiological specialist from the UK to help us in our evaluation and in the validation of the procedure used because of the complex nature and the many factors involved in mixing, storage and actual infusion of these products."

"In this particular case, only one product is involved," he says.

Products of this nature represent less than 1% of the total units sold by SABAX.

This admixture unit is separate from the main sterile manufacturing unit where the remainder of the SABAX products are produced.

"These products are all subject to the most stringent quality assurance procedures and there is absolutely no need for concern by any user of the SABAX range of products," says Mr Bodley.

In view of these points, he adds that he is confident that SABAX products are safe to use and that the medical profession will have confidence in them — as they have done for the past 40 years.

"As the medical profession is aware, SABAX continually reviews and updates their procedures and standards and is ever conscious of its responsibility to public safety.

Insurance

"Accordingly, we do not believe the financial results of SABAX or the group will be impacted."

It has been reported that the parents of at least two of the dead babies are planning to sue the manufacturer if culpability is shown.

Mr Bodley says "In the unlikely event that we are found liable, the group is fully covered with product liability insurance.

"It is extremely difficult to estimate what the extent of the damages could be if such a case were made.

"In the case of neo-natal babies the amount would be much lower than for an adult because they are not breadwinners."
Engen exploring in West Africa

ENERGY giant Engen is investigating oil exploration ventures beyond southern Africa, with West Africa set to be its most likely target area, says MD Rob Angel.

Engen’s strategy is to increase exploration, and hopefully production, outside SA, he says. In addition, the group’s current expansion programmes will enable it to break into export markets.

The Gencor-held group, consisting of Trek Beleggings, Mobil Southern Africa, an investment in Mossgas and exploration rights in the Bredasdorp Basin, came to the JSE in May through the Trek listing.

Last week it announced attributable earnings of R235m for the year to August, well ahead of the forecast of R200m made in February. Angel says prospects for domestic growth are good.

Engen is spending R1.2bn expanding its Genred Refinery in Durban. The first phase, which will come on stream in September 1992, will increase Genred’s capacity by 50%, allowing it to take over Trek’s own 50%.

Engen is also spending R110m rebuilding the Island View lube oil blending plant to cater for local demands and exports.

Together with chemical groups Senta, chem and AECl, Engen is investigating building a world-scale chemical plant to make use of either Mossgas’s or Genred’s infrastructure to produce feedstocks for the local chemical industry.

Angel says it is likely Engen will take up its rights in Mossgas. Funding this and the expansion programmes could require a rights issue to raise not less than R1bn within the next two years.

The benefits of Mobil’s takeover of Trek’s distribution earlier this year have not fully filtered through. The savings of this rationalisation could be between R100m and R150m for a full year, says Angel.

Engen is building new service stations and rebuilding existing ones. It is strengthening the identities of Mobil, Trek and Sonap and studying the effects of changing Mobil’s name by 1994.
Gencor has share in North Sea project

A decision on whether to exploit the Kilda field will be made in about two years time when the exploration of this field has been completed, he says.

JOHN CAVILL reports from London that the Alba field is in block 16/28 of the North Sea. The reservoir, which is 1800m beneath the sea bed, contains about one billion barrels of oil, of which more than 250 million is estimated to be recoverable.

Production start-up will be in 1993/94 and peak output will be about 80,000 barrels a day.

A spokesman for Gencor said "Alba is going ahead and we are finalising financing requirements with the partners. The main decision which remains to be made is the rate of off-take. Development costs have not been finalised."

Apart from Gencor (33.17%), other partners in Alba include Oryx UK Energy (15.5%), Sante Fe Exploration (11.75%), Fina Petroleum (10%) and Union Oil. Explorations and Baytrust (8%).

Kilda, said to be a mega-sized gas field, lies under Alba and will be developed later.

The Kilda field extends over three North Sea blocks.
Petrol set to rise by 15c

By PIETER COETZEE
Financial Editor

THE expected increase in the petrol price early next month will be about 15c a litre, according to reliable sources. It will be kept down to this level by the government's cutting of the tax component of the petrol price.

Fears were that the petrol price could be increased by as much as 35c a litre early next month — the estimated present under-recovery.

According to Mr Lourens van den Bergh of the National Energy Council, the tax component of the present petrol price is 32c a litre.

The landed cost used to calculate the previous increase was 58c, while the actual landed cost then was 81c. This left an under-recovery of 23c which up to now has been carried by the Equalisation Fund.

With the increase last month the petrol price was calculated on a cost of $22 a barrel. Since then the oil price has risen to $40 a barrel.

Since the equalisation fund is nearly depleted it would mean that the full under-recovery of 35c a litre would have to be added on to the existing petrol price. Should the government decide to cut the tax component of the petrol price, however, the eventual increase will be much smaller.
Suspension Kemtrade's second in a year

TWO consecutive years of bad results could have prompted Kemtrade Holdings request yesterday to have its listing on the JSE suspended for the second time in 12 months.

The pharmaceutical and cosmetics group's chairman Ronald Lowenthal last night declined to comment on the latest developments, but said negotiations were in progress for a "refinancing package to stabilise the company".

In October last year its listing was suspended for one day when a consortium headed by stockbrokers ANSETT and ANSETT and WARDER took control of the ailing group.

New management was confident that the discontinuation of unprofitable product lines and subsequent restructuring would enable Kemtrade to move into profit by this year's halfway stage, despite a net loss of more than R2m for the 14 months to end-February.

These results pushed the troubled company further into the red after a 23% drop to R703 000 in attributable profit in the preceding year.

A reduction in its 1998 dividend from 37c to 2c, followed by the non-payment of a dividend in 1999, has fuelled market speculation that Kemtrade could be in serious financial trouble.

An analyst said the share price, which in 1998 traded at a low of 25c, even then had shareholders wondering "how firmly the wheels are attached".

With the share closing at 25c, after reaching a high of 47c in November last year, its future did not look promising, he said.
DURBAN attack: 4 more arrests

ALL seven babies who had died at the Morningside Clinic's neonatal intensive care unit since January had been treated with special intravenous solutions manufactured by Sabax Ltd. The clinic confirmed on Tuesday that one of the infants had suffered a bacterial infection called klebsiella sepsicaemia. The other three babies did not show signs of bacterial infection after their blood samples were examined.

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DEMAND THE BANNING OF CHEMICAL PESTICIDES AND HERBICIDES
DEMAND ORGANICALLY GROWN, CHEAP ALTERNATIVES

WHAT ALL THAT JUNK FOOD IS DOING

WALK into any supermarket and the chances are you'll be greeted by long aisles of neatly-packaged ready-to-go food — each product the result of many hours of research and advertising by food companies.

The brand names often bear little resemblance to the nature of the product — like “Mutant Ninja Turtle Chops” and “Rambo Puzza”, obscure names chosen for their mass appeal.

If food manufacturers were not obliged by law to label some of the main ingredients used, they probably would not do so. Besides, the lettings found in small type on most packaged food give no indication of the presence of trace chemical elements, many of which enter the food cycle at its source, the factory farm.

Since World War II, farmers have increasingly been using chemical pesticides and hormone herbicides. The toxic chemical DDT was once seen as a “miracle” chemical which would solve all farming problems. Almost 30 years ago, Rachel Carson exposed the disastrous effects of DDT in her book, “Silent Spring.”

Breast milk

DDT travels up the food chain until it eventually concentrates in the fatty tissues in the human body. A recent survey of the breast milk of American mothers found traces of DDT in almost every sample taken.

DDT is known to cause cancer in humans. The Department of Health still uses DDT in Zululand to spray huts for malaria control.

Pesticides are used to control unwanted insects, yet increasingly more insects develop natural resistance to the chemicals, making it necessary to create even more toxic replacements.

High pesticide residues find their way into our food in various ways. Carelessness or ignorance on the part of the grower is often a factor. Too much chemical is applied or the wrong kind of chemical, or crops are sprayed too near to harvest.

Some pesticides are extremely persistent in the soil, and can be picked up by crops planted in succeeding years. A few persistent chemicals, such as DDT, have been banned in many countries, but others remain on the market.

We expect our food to have a perfect appearance, the right size, shape, colouring and the absence of blemishes. This forces the farmer to use pesticides to prevent those unsightly holes in lettuce or the odd worm in our apple.

Supermarkets also demand that products have a long shelf life, causing the farmer to use fungicides to prevent the spread of fungus — although this is a natural process in the life of any vegetable or fruit. All these chemicals concentrate in our food which we then eat blissfully unaware as to the risk we are taking.

Cancer

Other pesticides found in mothers’ milk are Dieldrin and PCBs. Both are still used extensively in South Africa. Although Dieldrin has been banned, the CSIR continues to find relatively high levels in the environment. Both chemicals, as can be expected, cause cancer.

A group of Natal vegetable farmers failed to win a Supreme Court application earlier this year to prohibit the manufacture and sale of hormone herbicides. They alleged that the herbicides — the same chemicals used during the Vietnam War as defoliants — were causing extensive damage to the environment.

The chemicals are used by the sugar industry to kill weeds but also affect nearby agricultural land where they enter our food chain. Hormone Herbicides have been linked to spontaneous abortion in pregnant mothers and foetal abnormalities.

It is not only those who consume chemically contaminated products who are at risk. It is quite normal for workers in the fields to be exposed to vapour drift from aerial crop spraying.

Doctors in Groote Schuur Hospital have described the death of vineyard workers from skin absorption of Paraquat, a herbicide used by many Western Cape wine farmers as a weedkiller.

It is clearly time that the public demands food free from chemicals and other toxic residues. Our health and the health of those on the “frontline” in the fields and orchards is at stake.

We need to lower our expectations of “fresh forever” fruit and “photogenic” cauliflowers. Organically grown produce is an alternative that has remained the exclusive choice of the wealthy. But there is no reason why this should be the case.

The manufacture of pesticides consumes an enormous amount of time, energy and ultimately compromises the health of our children.

— Dave Lewis

WHAT YOU CAN DO

• demand adequate testing of food products for chemical residues
• campaign for the banning of chemical pesticides and herbicides
• demand organically-grown, cheap alternatives
• demand adequate health protection for farm workers
• read up about the effects of pesticides on our health and educate your friends
Gresham battling in the recession

The past year was a difficult one for wholesaler Gresham due to the ailing economy, high interest rates and problems in the pharmaceutical division, the major contributor to group results.

In the latest annual report, chairman Gordon Utian says that although internal problems are being addressed and rectified, there are numerous negative conditions currently prevailing in the pharmaceutical industry.

He says it is doubtful that the industry will stabilise in the short term and consequently the problems facing the group will take time to be resolved.

Gresham is an investment holding company whose subsidiaries are primarily engaged in the wholesale distribution of pharmaceutical and hardware products. Other activities include the wholesale distribution of babywear, haberdashery and sewing accessories, and ladies' and gents' belts.

Acquisitions during the year include the Salters businesses and 74 percent of Amalgamated Chemists Association. The latter gives the group a significant presence in the Cape Province and also strengthens the group's influence in Plus Promotions.

Mr Utian expects the acquisitions to make a meaningful contribution to group performance in due course.

In financial 1990, the pharmaceutical division accounted for a major 85 percent of group turnover The tool and hardware division contributed 14 percent and other divisions accounted for the remaining 3 percent.

In the year to March, group turnover declined 6 percent from R645.0 million to R625.8 million. Operating profit fell a more notable 20 percent from R23.3 million to R18.5 million.

Mr Utian comments that margins in the pharmaceutical division have been affected by intensified competition amongst existing wholesalers and by the emergence of operations and buying groups which sell only a limited number of fast-moving lines.

After providing for taxation at a higher rate than the previous year and after payments to minority and preference shareholders, profit attributable to ordinary shareholders fell by 33 percent to R7.5 million.

Earnings per share amounted to 14.4c and the dividend for the year to 6c a share.

The balance sheet shows a reduction in cash resources from R5.6 million to R1.3 million. In addition, total borrowings increased 49 percent from R2.5 million a year ago to R4.5 million.

Gresham, priced at 52c, is trading on a price-earnings ratio of 3.6 and provides a dividend yield of 11.5 percent. The low ratios reflect poor market sentiment brought about by uncertainty about the ability of the group to perform satisfactorily in the short/medium term.

COMMENT: Gresham's share price has been falling steeply since the last quarter of 1989. The share price remains in a bear trend and will have to rise above 56c before the short-term outlook turns favourable.
PEGASUS WANTS TO RIDE HIGH

Energy group Engen has set its sights on international exploration. Given board approval, the Gencor subsidiary will probably soon be involved in oil exploration in West Africa. It may spend some R35m on a joint venture that also entails the eventual selling of refined products to African countries.

The group, formed in February and bringing into a single entity Trek Beleggings, the former Mobil Oil SA operations, and Gencor’s investment in Mossgas and exploration rights in the Bredasdorp Basin, announced its maiden results last Friday. The earnings forecast was bettered by 6.6% and a final dividend of 62c compares to 55c forecast.

MD Rob Angel reckons that in spite of the slower economy, the Engen companies performed well. Refinery throughput was higher than expected due to operating problems at competitor Sasol earlier in the year. Though refining margins fluctuated, reflecting the volatile oil price, continued thinning of world refining capacity and, particularly, upgrading capacity, are encouraging for continuing strong margins.

Angel says recent events in the Middle East have temporarily increased worldwide refinery margins, with benefits for Engen. Similarly, absolute product and crude prices have risen sharply at August 31 the replacement cost of Engen’s inventories was some R170m above book value.

However, there is also a downside to higher oil prices. Angel says demand for petrol is very price-sensitive — “For instance, a 30c/l rise next week would cause demand to take a dip.”

The market does not recover quickly from such a price reaction — “It takes years rather than months.” He notes that after the 1979 oil crisis, world demand has only now reached the levels of more than a decade ago.

Angel does not expect the current crisis to continue in the long run, because market forces reacting to the vast reserves of crude oil in the Middle East will stabilise the price.

Engen will spend R1.2bn expanding its Genref Refinery in Durban over the next four years. Angel considers the refinery one of the finest in the world, with all the “bells and whistles.” The refinery is now shut down for regular maintenance, which Angel expects to be done within 21 days.

The first phase of the expansion is expected to come on stream in two years’ time and will increase capacity by 50%. The second phase will add another 30% two years later. Engen is also gearing up to produce lead-free petrol and low-sulphur diesel. He expects SA to follow Europe, where lead-free petrol already constitutes 30%-40% of sales.

Engel says the expansion will require a rights issue within the next two years. Though the JSE is not favourable for rights issues, he’s confident that if a project has real potential it should not be a problem to raise capital.

Angel says Engen is budgeting for real earnings growth this year. The share trades at 2800c. A 14,4 earnings multiple looks over-priced compared to Sasol’s 11.2, but longer-term prospects should be sound.

GANTS

The UNKINDEST CUT

Tollgate Holdings (TGH) has taken drastic, but apparently necessary, steps to restore its processing subsidiary Gants to profitability. The company will be delayed by year-end and its factory at the Strand, near Cape Town, will wind down towards closure in the first half of 1991.

Shareholders have been offered 20 TGH or R60 cash per 100 Gants shares, valuing the company at only R36m — way below nominal NAV of 140c a share.

If minorities accept, it’ll mark the end of an unhappy career as a quoted company, that started when the founding Gant family listed through the Davgra shell in a R52m transaction in late 1985. The Gants then bought the complementary Delpport group for R28m and the local interests of disinvesting US tractor and agricultural equipment distributor J.L. Case for R27m — just as tractor sales started to collapse.

The Gant family sold out to TGH in May 1989 in a share-swap deal at an effective value of 140c — already well down on the 1988 peak of 190c, to say nothing of the earlier post-listing peak of 345c. The agricultural machinery division was sold to associate Driveceta a few months later for a mere R8m (a small premium on tangible asset value), but then the basic food business went into decline. The six months to June 1990 were very poor. Compared to the corresponding period the year before, turnover was down from R125m to R67m and a loss of 5,7c a share compared to earnings of 9.2c.

The directors blame the situation on unfavourable local trading conditions exacerbated by aggressive competition, dumping of excess stocks by competitors and industrial action at major retail customers.

Since operations in the Strand will be moved to the Transvaal and Swaziland plants, but Gants is withdrawing completely from processing deciduous fruit.

Mervyn Key, joint chairman of TGH parent company Duro, says the action should make Gants profitable again towards the end of next year. Rationalisation will result in a drop of about 40% in Gants’ SA turnover, but an increase of at least 20% in the turnover of the Swaziland operation.

The changes are a further step towards the restructuring of TGH (Fox September 28), but not the final move. Key says he’s not yet in a position to disclose what that will be.

While the move may be good for Gants, it’s extremely bad for the Strand and nearby Somerset West employing 2000-plus people (many of them seasonal workers), the factory has been an important support to the local economy. According to Key about 75% of the workers will lose their jobs. (On the other hand, new jobs will be created by the relocations to the Transvaal and Swaziland.)

The decision to stop processing deciduous fruit is not expected to have a significant effect on Western Cape farmers. Gants is a relatively small player and its share of crops will be easily absorbed by others. Cancellation of the timed meat operation to the Transvaal makes sense. Gants’ brand leader, says Key, and 80% of the market is in the Transvaal. It was only viable to keep the operation in the Cape while fruit and vegetables were also processed at the factory.

PROFITS FUELED

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* Figures not comparable because of reconstruction.

Gerhard Stibler

FINANCIAL MAIL, OCTOBER 19, 1990 - 59
CRITICAL CONSUMER

Don't blemish your beauty with bugs and bacteria

HAVE you ever wondered exactly what you have smeared on your face in the name of beauty?

Well, there is a good chance it has bacteria in it — and a better chance that the claims of the manufacturer won't stand up to a rigorous test. It was also probably tested on animals.

Cosmetics can collect bugs, depending on how long you have kept the product, what the ingredients are, how it was packaged and who else has used it. You could pass on herpes simply from your lipstick, for instance.

Most creams and lotions are based on an emulsion of water and oil. Cold Cream, says a health and beauty book called Which? Way to Health, dates back to the second century and was traditionally an emulsion of water, beeswax and olive oil. As it is applied to the skin the water in it evaporates and this cools the skin — hence the name.

You may want to know how your skin is cared for by cosmetics when they are not harming it. Moisturisers work by covering the skin with an oily film, stopping the evaporation of water. Although this may help you look younger by keeping water in and smoothing lines caused by dryness, the effects are unlikely to be long term.

It's impossible to name all the ingredients contained in cosmetics — there are 6,000 to 8,000 of them. And often a manufacturer will regard a product's contents as a closely guarded trade secret. This does not help if you are allergic to an ingredient not listed on the package.

Worse still, some ingredients are toxic. Lead and mercury, now banned in many parts of the Western world, were used in cosmetics from the 16th century. And good old hydroquinone, the now-banned ingredient used in skin lighteners, can still end up illegally on shop shelves.

Besides allergies, some ingredients in cosmetics cause skin reactions. When cosmetics are contaminated with bacteria (or the herpes virus) they can cause skin or eye infections. Says Which? Way to Health, "Each time a cosmetic product is opened it may collect bacteria from the air."

Most cosmetics have preservatives — but these are not always adequate. The type of packaging can also influence what manages to "live" in your cosmetics. Bacteria are likely to be found in pots of cosmetics with openings into which you put your fingers. Mascara sticks can also carry infections.

In order to prevent nasty reactions — or to prove some claim about the product — many cosmetics are tested on animals. Public opinion is now forcing dermatologists not to do this. If you are opposed to animal testing, look to products which state that they advocate beauty without cruelty. Even so, many products — or certain components — will have been tested on animals at some point.

Unfortunately, manufacturers are not about to label their products any more fully than at present. In the meantime, in order to minimise problems with your cosmetics:

- Don't share or swap cosmetics
- Don't leave them to gather bacteria
- Don't keep them for a long time
- Ask for more information from manufacturers
Spotlight falls on drug quality rules

By DIRK TIEMANN

The contaminated drug controversy has focused attention on quality controls for South African pharmaceutical products.

But Chairman of the Medicine Control Council, Professor Peter Folb, is adamant that the public should not be overly concerned.

The Medicine Control Council, an independent statutory body, is responsible for the safety, quality and efficacy of all medicines. It tests the quality of all local and imported medicines and its decisions are final.

Said Professor Folb: "Every single medicine that is produced in SA or brought into the country must be registered with us and is checked for its quality and safety."

He said the control standards in South Africa were "extremely high" and measured up to those in the rest of the world.

Professor Folb said there were between 300 and 400 registered medicine manufacturers in South Africa, while a considerable quantity of medicine was imported.

"We inspect all manufacturing facilities up to South Africa," he added.

Professor Folb would not comment on the Sabax affair.

Pharmaceutical Society executive director Boet van der Merwe said controls in South Africa were "excellent."

Mr Van der Merwe said: "The standards set by the manufacturing companies are usually higher than required by the Medicine Control Council."

Controls (152)

24/10/90
FATAL DEFAL
BABIES: THE

Death toll may be 50 as April alert over contaminated diph is uncovered
Dr Gordon Cohen with one of the suspect drips. Picture: Tom Edley

Hospitals’ desperate search for lethal bug

Sunday Times Reporter

The manager of Johanneburg’s Park Lane clinic, Dr Gordon Cohen, has a stock of suspect drips to be used as evidence which he believes will clear his hospital of any blame in the baby deaths. Suppliers of intravenous drips linked to the death of klebsiella infection were withdrawn by medical suppliers Sabax last month.

But Dr Cohen kept several in reserve. They are stored in a refrigerated vault, with the manufacturer’s seals intact. He said it would be a crime to let them expire, in case they are needed as evidence to clear his hospital of liability in these tragic deaths,” said Dr Cohen this week.

He described the intensive investigations his staff had undertaken in their hunt for the source of the killer bug which has claimed the lives of seven babies at Park Lane.

“We knew the name of the infection, but the source baffled me,” he said.

Contact:

“We had babies dying in a neonatal ward that has been described as one of the top three in the country.”

In August, when the infection control officer informed me that babies were dying in the neonatal ICU, we launched a comprehensive investigation.

“We combed from top to bottom for the source of the bugs.”

“Two independent microbiologists were involved, because we were afraid of being accused of self-interest.”

Eventually we closed down the neonatal ICU from August 2 to September 10. After we re-opened, two babies received chemotherapy and died. I was at my wit’s end.”

Dr Cohen said that the breakthrough came when they tested all products that were used. And blood samples—taken after intravenous therapy—showed the infection.

“We immediately stopped using the products and informed the Department of Health and Sabax of our findings,” said Dr Cohen. “We have nothing to hide.”

I hope it is over now.”

Records

Johan van Reenen, manager of the clinic owned by Medi-Clinic, a subsidiary of the Rembrandt group—confirmed that the manchau baby transferred from Johanneburg’s Park Lane clinic to Marapong’s cardiac unit died in the neonatal ward last July.

He could not confirm that the baby died of klebsiella “until I have checked the records.”

However, a lawyer representing families of klebsiella victims said the Manchau had approached him this week after learning that contaminated drips could have caused the deaths of other babies and said they believed their son had suffered the same fate.

Sunday Times has also been reliably informed that 11 babies died at Gre-Rankulu in January under similar circumstances.

Superintendent Dr J.J. Cross confirmed the deaths, but declined to give details of the cause.

“This form part of the Cillis inquiry,” he said.

As doctors and head of clinics supported a call for a judicial probe into the baby deaths over the weekend, Health Minister Dr Rina Venters said she was awaiting the findings of the Medicines Control Board on klebsiella infections tests it had ordered.

These findings would determine what action would be taken, she said yesterday.

For the present, the Cillis Commission’s terms of reference would remain an investigation into whether negligence contributed to the death of infants during the Gre-Rankulu strike.

Suspected

Dr Venters said she was aware that Judge Cillis was also looking at klebsiella as the possible cause of death.

But the question now being asked is why Sabax—served by at least two hospitals last April when their drips were affected by contamination—continued to manufacture the product until September.

A spokesman for the company said that the dribs he had procured were not contaminated.

He said: “It is the subject of the current investigation, and the answers to which will be submitted to the health authorities.”

Mr Boulter—who is the only company official dealing with media inquiries—declined to be interviewed, but responded to some of the questions put to him by fax.

“I am not in a position to comment on the report with regard to our knowledge and responsibility for patient safety,” he said.

In each case where a clinic or hospital sent suspect samples, contact was made. All products found to contain klebsiella were subjected to testing.

Private hospitals at which babies have died had reportedly been asked to send products to the board.”

Dr W. van Staden, chairman of the board’s investigation, said: “The products have been subjected to testing.”

He is not aware of any problems with the products other than the few cases under investigation.”
Babies: fatal delay*

From Page 1    511/19-10 211/10

died of klebsiella have placed several sealed drops in refrigerated safekeeping as evidence.

In a statement issued last weekend, Sabax said the product had a shelf life of 24 hours and implied that hospitals where deaths occurred could have been using expired products.

However, a drip shown to the Sunday Times this week — and already in storage for a month — had a December 1990 expiry date.

Causes

Doctors have slammed the veil of secrecy in which the klebsiella outbreaks have been shrouded for most of the year.

They believe that the death toll could be "in the hundreds" once all information on the subject has been gathered.

"If every hospital using these drops had been told when the first products were tested, they would have been alerted to the problem," Sabax said.

"As it is, there may be no way of knowing how many deaths from klebsiella have been attributed to other causes over the months," said a senior paediatrician.

"I suspect that if medical institutions go through their records, they will find that the problem is far more widespread than anyone is aware."

"They should be checking every neonatal death for the past year," he said.

As more details emerge about what is already being called South Africa's biggest medical scandal, there is growing conviction that only a full-scale judicial inquiry will expose the full extent of the tragedy.

At Johannesburg's Park Lane Clinic — which gained international recognition as the birthplace of the surrogate Anthony triplets three years ago — doctors said they had been through "five months of hell."

"Some patients are grilling staff about how safe they are in our clinic," said the clinic's manager, Dr Gordon Cohen.

"Believe me, we would like nothing more than to be publicly cleared of any fault. We have done everything humanly possible in the interests of our patients since becoming aware of the problem and have nothing to hide.

Inspections

"But the publicity is not doing us any good."

Health Services Minister Dr Sam de Beer said various investigations into the baby deaths were under way.

"The relevant ministers will decide on further action, depending on the findings."

"Several inspections were done at the clinics in question and tests on certain prescription medicine are in progress in order to accumulate more information," he said.
PG's offshore losses continue

Last year I queried Plate Glass's costly offshore investments and once again its overseas investments in the US and Australia made losses.

The international wood division made a huge loss of 200,8 cents a PG share in 1989.

During July 1989 Famglas Controlling NV, in which the joint executive chairman Ronne and Bertie Lubner along with two other PG directors are the major shareholders, exercised its option rasing its stake to 30.7 percent in PG's offshore glass interests.

This leaves PG South Africa with only 74.3 percent.

Losses abroad are hurting PG's bottom line and for the second year running, it paid more in dividends than it earned after deducting non-trading items.

The loss of R11.24 million in 1990 was even before hefty dividends of R3.6 million were paid.

For both years the group had to dip into old retained earnings to cover dividend payments.

Debt has spiralled from R14 million to R44.4 million and while the subsequent year end sale of the UK building glass division to Fench Sant Gobain will bring some relief, I question the viability of the offshore activities making massive losses.

Resignations

Not only did the international timber trading division have to contend with bans and other restrictive measures causing overstocking, high interest rates and discounting, but key members of management resigned after disagreeing with the strategy relating to these changing trading circumstances.

On the home front, despite political pressures, the glass and wood division is keeping PG's hopes high. But shareholders are disenchaished as the JSE price has plummeted from a high of R67 a share to a current R34 and the asset sale value is down from R23 in 1989 to R20.77 a share now.

Sales rose to an impressive R3.13 million (1989 R2.76 million) with operating profits R1.1 million (1989 R0.75 million).


After crediting associated company income R6.7 million (1989 R14 million), deducting outside shareholders' profit share and pref dividends totaling R5.9 million (1989 R5.9 million) the net income slid to R3.4 million (1989 R7.5 million).

Then hefty non-trading items — losses on discontinued operations, goodwill written off and legal costs totalling R6.5 million (1989 R4.9 million) resulted in a net loss of R11.2 million (1989 profit R8.6 million) — a swing of 400 percent.

Before non-trading items, earnings per share were 354.8 cents (1989. 432.7 cents) But a change in the basis of accounting for the minority interests in the offshore glass division subsidiary had boosted 1989's earnings by 24 cents a share and reduced 1989's by the same amount.

Strangely, unchanged dividends of 222 cents per share were paid which left 1990 with a retained deficit of R47.6 million (1989 R7.7 million deficit).

Joint chairman Ronne and Bertie Lubner only woke up after the interna stage with the serious deterioration which left remedial costs extremely high, they say.

The glass division produced earnings of R348.4 million but the wood division an overall loss of 79.2 cents — its first loss to date.

In the wood division the Australian project is proving overambitious, suffering from falling demand. Necessary rationalisation reduced the 28 branches to 16 with a third of the staff laid off. This division alone lost 94 cents a share for PG and the losses will continue in 1991.

Brazil's political changes needed substantial provisions to cover advances made to suppliers to secure timber orders. Significant market downturn was felt in the UK and USA and management is reviewing the viability of its offshore operations. These negotiations have terminated the proposed merger between Wood International and Whatestone Investments.

PG's Buxon, now holding 45 percent in Penny Preachers and 65 percent in subsidiaries Unlimted, performed well.

In the glass division, the Australian operating profits declined 25 percent with the outlook uncertain.

In the US, acquisitions budgeted for did not materialise and the 101 stores contributed a 74 cents loss per PG share. What's more losses will continue in 1991.

Since year end the UK building glass operation and "Safagas" name were sold to a French group for £100 million.

Purchases

At the same time PG purchased its 145 automotive glass replacement outlets in France and Germany for £16 million. Only £3.4 million will be remitted to SA with the balance reducing debt. PG now has a base of 365 outlets in the UK and Europe.

Ordinary shareholders interest declined to R3.6 million (1989 R3.79 million) at end March 1990. It was only the R3 million pref share and premium net issue during the year and outside shareholders' interest that helped the total capital barely improve to R6.6 million (1989 R6.3 million).

Debt to shareholders funds has increased to 78 percent (1989 55 percent). Some significant foreign debt of R13 million is secured by foreign assets of R5.4 million — almost four times cover! Working capital declined from R23 million to R20 million.

Management expects trading in 1991 to be dull and difficult to achieve growth. It is banking on the SA operations to hold the fort. I believe the global recession will make it tough for the group to realise its offshore hopes.

Management and the Lubner brothers in particular, is quickly discovering that in SA they are big fish in a small pond, but offshore they are small fish in a big pond. Hopefully, they can overcome their offshore problems and protect their private interests in the glass division.
Sabax ‘unlikely to knock Adcock’

PHARMACEUTICAL group Adcock Ingram says it is unlikely to be financially affected by negative publicity following its subsidiary Sabax’s involvement in allegedly contaminated products linked to recent infant deaths.

Adcock CB Don Bodley said Sabax, which manufactures and distributes therapeutic medical care products, contributed 20% to Adcock’s annual turnover (1999 R471m).

Leader

The products in question represented less than 1% of total units sold by Sabax, and neither company’s financial results would be affected, he believed.

Barlow Rand subsidiary Adcock Ingram has, over the past seven years, proved to be a leader in the pharmaceutical industry. With earnings a share growing at a compound annual rate of 19% over this period, analysts expect Adcock to produce at least a 25% increase in earnings to 180c (€1.43c) a share for the year to end-September.

Sabax became the first pharmaceutical company in SA to receive the prestigious SARS 0157 award for having implemented a system that would ensure consistent quality throughout the production process.

Adcock could now come under government or Medicines Control Board scrutiny over the Sabax issue.

Bodley remained confident that Sabax products were safe to use, adding that the medical profession was aware that “Sabax continually reviews and updates its procedures and standards, ever conscious of its responsibility to public safety”.

Preliminary investigations have shown that the admixture supplied by Sabax was linked to the outbreak of infection at the Park Lane and Morningrose clinics in August.

Insurance

Bodley said it was extremely unlikely Sabax would be liable for the contamination in the sterilised product.

However, the group was fully covered with product liability insurance in the unlikely event that it should be found liable.

He did not wish to comment on possible actions against Sabax in the event of being implicated.

He said results of its investigation were expected towards the end of the week.
Company threatens Sapa

JOHANNESBURG — For the second time in as many weeks, the SA Press Association (Sapa) has been threatened with litigation if it disseminates union allegations about a dispute between the Cosatu-affiliated Chemical Workers’ Industrial Union and the multinational Liquid Air company.

The union yesterday accused Liquid Air of “union-bashing” by retrenching its president, Mr Calvin Makgaleme, after 13 years of service, whilst retaining other employees with less job tenure.

In addition, the union claimed that management had replaced black drivers with whites and had also retrenched temporary black staff.

Approached for comment, the company requested a copy of the union’s allegations. An hour later, Liquid Air’s legal advisers faxed a warning letter to Sapa. — Sapa
Now Tvl hospitals face drip probe

By Carina le Grange and Marguerite Moody

The Transvaal Provincial Administration has launched an investigation into allegations of Klebsiella infection in certain provincial hospitals, chief house officer Piet Wilken told The Star yesterday.

"The announcement follows reports that some of the babies who recently died of Klebsiella septicaemia, allegedly linked to Sabax drips, died at provincial hospitals.

Hospitals already named include Garankuwa, Far East Rand, Coronationville, Tembisa, Boksburg/Beayon and Kafatong.

Johannesburg attorney Peter Soller said at least 25 babies had died from septicaemia.

The privately run Park Lane, Mornimgade and Garden City clinics have confirmed Klebsiella-related deaths.

Sandton Clinic's Dr. Antonetto van der Merwe yesterday strongly denied that a baby had died there in September as a result of drip contamination.

She also said the clinic did not use the specific product which had been linked to the deaths.

Adcock Ingram Limited, holding company of Sabax, has welcomed the TPA inquiry.

The company expects the results of its internal and external investigations, by independent outside specialists, to be tabled with the Department of Health by the end of the week.

Don Bodley, group chief executive of the company, said the company's prime concern was for patient safety.

"We are also extremely concerned regarding the anguish of the parents," he said.

Mr Bodley said the contamination could have come from several sources."
Pharmacists seek pay rise

By Carina le Grange
Medical Reporter

Public sector pharmacists yesterday pressed Minister of National Health and Population Development Rina Venter for an increase in salaries. According to Tienie Britz, the president of the South African Association of Hospital and Institutional Pharmacists.

Reported

Mr Britz last night delivered his annual presidential address to the Transvaal branches of the association in Pretoria. He also reported on the meeting the association held with Dr Venter yesterday, during which the association asked for a change in the employment structure.

Mr Britz said pharmacists in public service earned salaries which were not market-related. He said in view of the important developments and changes in the provision of health care, it was important that hospital pharmacists reassessed their own services.

"Pharmacists employed in the public sector are, however, hampered by an inadequate post structure, outdated personnel administration standards and non-market-related salaries in making a significant contribution to the curtailment of medicine expenditure for the State."

"Many of these pharmacists are still being utilised purely logistically, while the training of the present-day pharmacist makes it possible for him to fill a very important role and to render a very comprehensive health service."

He said it was "in the hands of the decision-makers" to use the pharmacist more effectively.
Ahbas to seek legal advice on products

By JOSHUA RABOROKO

The Afro-Hairdressing and Beauty Association of Southern Africa has decided to seek legal advice with regard to the availability to the public of "highly chemically" products in order to bring an end to their supply.

Ahbas's executive chairman Mr Xolani Qhubeka said that decision was taken in an attempt to halt the "fraudulent" supply of skin lighteners which had destroyed the beauty of many black women.

Support

The decision is in support of the Government's ban early this year on all skin lighteners that contain hydroquinone following representations made to it by concerned people.

Products containing the chemical could, however, be given to certain people on condition that there is a prescription from a medical practitioner or any authorised person.

However, it is understood that there are companies that still manufacture skin lighteners containing the substance.

Qhubeka said that many black business people involved in the hairdressing and beauty industry should be protected from buying such products.

Pride

Such products destroyed the faces of many women who wanted to "brighten their skins to look like whites."

He said "Black must be proud of their colour and forget skin lighteners if they want to be beautiful."

Other decisions include training and educating blacks in the industry, seeking joint ventures with hair and beauty products manufacturers, negotiating deals with companies manufacturing cosmetics.
Pressure forces 146 councillors to quit TPA

THEO RAVARA 2411170

A TOTAL of 235 seats were vacant in Transvaal black local councils, and 146 councillors were known to have resigned because of pressure from civic associations, TPA spokesman Piet Wilken said yesterday.

Wilken, who said this was the situation before the weekend resignation of Daveyton mayor Tom Boya, said the calls for councillors to resign could not be accommodated until new models had been worked out.

"Until new models have been negotiated, we must go on with the existing structures," Wilken said.

He said the 235 vacancies — out of a total of 682 seats — could not all be taken as resignations, "but 146 councillors are known to have resigned through pressure from civic associations."

A TPA source said administrators had been appointed in 22 councils and 24 townships were without councils. Of the 82 local authorities in the Transvaal, 58 still had councils, she said.

Civic Associations of Southern Transvaal (Casa), which was campaigning for the dissolution of black local authorities, yesterday welcomed Boya’s resignation.

The mayor of the Middelburg township of Mhluzi, Phillip Nhlapo, and his council were expected to resign tomorrow after pressure from the local civic association. Nhlapo, who is also president of the Urban Councils Association of SA (UCasa), confirmed yesterday that his council had been given an ultimatum to resign tomorrow, and said "If others go, I can’t remain."

Mhluzi town clerk Lucky Mokne said yesterday a meeting at which a local stainless steel company decided to pay Mhluzi’s R370 000 electricity debt to Middelburg had decided that the council should resign by October 26.

Adcock welcomes govt probe

ADCOCK Ingram Limited, whose pharmaceutical company Sabex manufactures drops allegedly linked to the deaths of 24 babies and four adults in the Transvaal, yesterday welcomed the investigation by the Department of Health into the spat of deaths.

Group CE Don Bodley also confirmed the company expected the results of its own internal and external investigations by the end of the week.

TANIA LEVY reports that Health and Population Development Minister Rina Venter and House of Assemblies Health Services and Welfare Minister Sam de Beer will now not ask President F W de Klerk for a judicial commission of inquiry — requested by the parents — until they have results of the investigations now under way.

TPA Health Services spokesman Piet Wilken said yesterday "rumours" of more deaths at black hospitals were being investigated but declined to give details — Sapa.
GOVERNMENT NOTICES

OFFICE OF THE COMMISSION FOR ADMINISTRATION

No. 2498 26 October 1990

PROHIBITION OF A RESTRICTIVE PRACTICE IN TERMS OF SECTION 14 OF THE MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979 (Act No. 96 of 1979)

I, Willem Johannes de Villiers, Minister for Administration and Economic Co-ordination, issue this notice by virtue of the powers vested in me by section 14 of the Maintenance and Promotion of Competition Act, 1979 (Act No. 96 of 1979), and determine that it will come into operation on 10 December 1990.

Having afforded due consideration to—

(1) the Competition Board’s Report No. 28 ‘Investigation into a Restrictive Practice Contained in an Agreement between Shell South Africa (Pty) Ltd and the City Council of the Municipality of Kroonstad, which was published under Government Notice No. 2459 in Government Gazette No. 12791 of 19 October 1990; and

(2) the respective responses of Shell South Africa (Pty) Ltd, Mr K. C. Wessels of Tewie Beleggings (Pty) Ltd, Mr D. den Hartog, and the National Energy Council, to the aforementioned report of the Competition Board, following my invitation to them to comment on it;

I am of the opinion that clause 25 of the said agreement of lease relating to the farm Dorp Gronden van Kroonstad (No. 460, District of Kroonstad), concluded between Shell South Africa (Pty) Ltd and the City Council of the Municipality of Kroonstad, and registered on 12 October 1987, constitutes a “restrictive practice” as defined in section 1 of the Act.

I am, furthermore, not satisfied that the said restrictive practice is justified in the public interest.

I, therefore—

(a) declare that particular restrictive practice to be unlawful; and

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(b) determine that Shell South Africa (Pty) Ltd may not in terms of any other agreement, arrangement or understanding reserve for itself the right to decide whether anyone may establish or operate a business similar to its “Ultra City” complexes within the municipal area of Kroonstad.

The facts giving rise to the above declaration are set out in Report No. 28 of the Competition Board.

The kernel of the matter is that the business environment in which Shell South Africa (Pty) Ltd and the other oil companies operate is comprehensively regulated. In the circumstances it is imperative that any conduct that is not covered by the regulatory network should be carefully measured against the rules governing competition. These rules are, *inter alia*, aimed at preventing a participant in the South African economy from summarily entranching his or its position against actual or potential competitors in a manner that is at variance with them. In evaluating the risks involved in a particular venture, businessmen who pay no heed to the rules governing competition do so at their peril.

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**DEPARTMENT OF HOME AFFAIRS**

**No. 2466**

**26 October 1990**

**ALIENS ACT, 1937**

**CHANGE OF SURNAME.—MEYER TO ROSSI**

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authonise Ferdi Meyer, residing at 5 Sud Court, 471 Walker Street, Sunnyside, Pretoria, to assume the surname of Rossi.

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**No. 2467**

**26 October 1990**

**ALIENS ACT, 1937**

**CHANGE OF SURNAME.—VAN DER MERWE TO DELESCÉ**

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authonise Jam Petre de Lescé van der Merwe, his wife Hendrina Aletta and minor children Nico Jam en Odette-Michelin, residing at 10 Hemo Street, Birchleigh North Extension 3, Kempton Park, to assume the surname of Delescé.

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**No. 2468**

**26 October 1990**

**ALIENS ACT, 1937**

**CHANGE OF SURNAME.—JACOBS TO MONAT**

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authonise Gillian Jacobs, residing at 507 Pleasant Ways, Beach Road, Sea Point, to assume the surname of Monat.

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**DEPARTEMENT VAN BINNEWELDSE SAKE**

**No. 2466**

**26 Oktober 1990**

**WET OP VREEMDELINGE, 1937**

**VANSVERANDERING —MEYER IN ROSSI**

Dit het die Minister van Binnewelde Sake behaag om, kragtens die bepaling van artikel 9 van dié Wet op Vreemdelinge, 1937 (Wet No. 1 van 1937), Ferdi Meyer, woonagtig te Sudvoet, Walkerstraat 471, Sunnyside, Pretoria, te magtig om die van Rossi aan te neem.

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**No. 2467**

**26 Oktober 1990**

**WET OP VREEMDELINGE, 1937**

**VANSVERANDERING —VAN DER MERWE IN DELESCÉ**

Dit het die Minister van Binnewelde Sake behaag om, kragtens die bepaling van artikel 9 van dié Wet op Vreemdelinge, 1937 (Wet No. 1 van 1937), Jam Petre de Lescé van der Merwe, sy vrou Hendrina Aletta en minderjarige kinders Nico Jam en Odette-Michelin, woonagtig te Hermostraat 10, Birchleigh-Noord-uitbreiding 3, Kempton Park, te magtig om die van Delescé aan te neem.

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**No. 2468**

**26 Oktober 1990**

**WET OP VREEMDELINGE, 1937**

**VANSVERANDERING —JACOBS IN MONAT**

Dit het die Minister van Binnewelde Sake behaag om, kragtens die bepaling van artikel 9 van dié Wet op Vreemdelinge, 1937 (Wet No. 1 van 1937), Gillian Jacobs, woonagtig te Pleasant Ways 507, Beachweg, Seepunt, te magtig om die van Monat aan te neem.
(o) by the substitution in subregulation (1) (h) (i) for the expression “R100” of the expression “R200”;

(p) by the substitution in subregulation (1) (h) (ii) for the expression “R500” of the expression “R750”

3. Regulation 3 of the Regulations is hereby amended by the substitution in subregulation (1) (f) (i) for the expression “R130” of the expression “R150”

No. R. 2486  26 October 1990

FOODSTUFFS, COSMETICS AND DISINFECTANTS
ACT, 1972 (ACT No. 54 OF 1972)

REGULATIONS RELATING TO BAKING POWDER
AND CHEMICAL LEAVENING SUBSTANCES

The Minister of National Health and Population
Development has, in terms of section 15 (1) of the
Foodstuffs, Cosmetics and Disinfectants Act, 1972
(ACT No 54 of 1972), made the regulations contained in
th Schedule hereto.

SCHEDULE

1. In these regulations the Act means the Food-
stuffs, Cosmetics and Disinfectants Act, 1972 (Act No
54 of 1972), and any expression to which a meaning
has been assigned in the Act bears such meaning,
and, unless the context otherwise indicates—

“baking powder” means a leavening agent pre-
pared from an acid-reacting material and so-
dium of potassium bicarbonate with or without
the addition of other ingredients as specified in
these regulations for the purpose of producing a
leavening effect during the baking process of a
foodstuff;

“chemical leavening substance” means a chemi-
cal, except baking powder, with the without
the addition of other ingredients as specified in
these regulations which is capable of producing a
leavening effect during the baking process of a
foodstuff.

2 For the purposes of section 2 (1) (a) (iii) of the Act,
to the extent that it is applied and is applicable to food-
stuffs, a foodstuff referred to in these regulations shall
comply with the standards of composition, strength,
purity and quality as prescribed in these regulations.

3 Subject to the provisions of these regulations, no
ingredients shall be used in or in connection with the
manufacture of baking powder or a chemical leavening
substance except the following ingredients or a mixture
of two or more thereof in quantities as required by good
manufacturing practice

Calcium lactate
Calcium, magnesium, potassium or ammonium
carbonate.
Calcium, potassium or sodium orthophosphate or
pyrophosphates.

(o) deur in subregulasie (1) (h) (i) die uitdrukking
“R100” deur die uitdrukking “R200” te ver-
vang;

(p) deur in subregulasie (1) (h) (ii) die uitdrukking
“R500” deur die uitdrukking “R750” te ver-
vang.

3 Regulasie 3 van die Regulasies word hierby gewy-
sig deur in subregulasie (1) (f) (i) die uitdrukking
“R130” deur die uitdrukking “R150” te vervang.

No. R. 2486  26 Oktober 1990

WET OP VOEDINGSMIDDELS, SKOONHEID-
MIDDELS EN ONTSMETTINGSMIDDELS, 1972
(WET No. 54 VAN 1972)

REGULASIES BETREFFENDE BAKPOEIER EN
CHEMIESE RYSMIDDELS

Die Minister van Nasionale Gesondheid en Bevol-
kingsontwikkeling het kragtens artikel 15 (1) van die
Wet op Voedingsmiddels, Skoonheidsmiddels en
Ontsmettingsmiddels, 1972 (Wet No 54 van 1972), die
regulasies vervat in die Bylere hiervan, uitgevaardig.

BYLAE

1 In hierdie regulasies beteken “die Wet” die Wet
op Voedingsmiddels, Skoonheidsmiddels en Ont-
smettingsmiddels, 1972 (Wet No 54 van 1972), en het
’n uitdrukking waaraan ’n betekenis in die Wet toege-
ken is, daardie betekenis, en, tensy uit die samehang
anders blyk, beteken—

“bakpoëier” ’n rysmiddel berei van ’n suurreege-
rende stof en natrium- of kaliumbicarbonaat met
of sonder die byvoeging van ander bestanddele
soos in hierdie regulasies gespesifiseer, met die
doel om ’n uitsnynde effek gedurende die bak-
proses van ’n voedingsmiddel teweg te bring;

”chemiese rysmiddel” ’n chemikale, behalwe
bakpoëier, met of sonder die byvoeging van
ander bestanddele soos in hierdie regulasies
gespesifiseer, wat in staat is om ’n uitsnynde
effek gedurende die bakproses van ’n voedingsmiddel te weeg te bring.

2 Vir die doeleindes van artikel 2 (1) (a) (iii) van die
Wet, in soverre dit toegespas word en van toepassing is
op voedingsmiddels, moet ’n voedingsmiddel bedoel in
hierdie regulasies voldoen aan die standaarde van
samestelling, sterke, suwerheid en gehalte soos in
hierdie regulasies voorgestel word.

Behoudens die bepalinge van hierdie regulasies,
mag geen bestanddele by of in verband met die ver-
vaardiging van bakpoëier of ’n chemiese rysmiddel
gebruik word nie, behalwe die volgende bestanddele of
’n mengsel van twee of meer daarvan in hoeveelhede
soos deur goeie vervaardigingspraktyk vereis:

-Fumaarsuur.
-Gluukonodettalaktoon
-Kaliyum-, ammonium- of natriumbikarbonaat
-Kalsium-, kaliyum- of natriumortofosfaat of -profos-
faat.
Calcium silicate.
Calcium stearate
Calcium sulphate.
Fumaric acid.
Glucono delta lactone
Potassium, ammonium or sodium bicarbonate
Silicon dioxide, amorphous.
Sodium aluminium phosphate, acidic
Sodium aluminium sulphate
Sodium chloride
Sodium silica aluminate
Starch, other cereal products or carbohydrate materials.

\( L(+) \)-tartaric acid or its potassium or sodium salts

4. (1) The minimum percentage of available carbon dioxide in baking powder determined by the method as described in the publication *Official Methods of Analysis of the Association of Official Analytical Chemists* compiled by the Association of Official Analytical Chemists in the United States of America shall be 8% (m/m).

(2) Baking powder and chemical leavening substances and the ingredients thereof shall comply with the standards of purity as set out in the latest issue of the publication *Food Chemicals Codex* compiled by the Committee on Codex Specifications in the United States of America.

5. The analysis and examination of baking powder and chemical leavening substances to determine the presence of substances therein or properties thereof shall take place in accordance with the methods set out in the latest issue of the publication referred to in regulation 4 (1).

6. Regulation 13 of the regulations made under the repealed Food, Drugs and Disinfectants Act, 1929 (Act No. 13 of 1929), as published under Government Notice No. 575 of 28 March 1930, is hereby withdrawn.

7. These regulations shall come into effect on a date six months from the date of publication hereof.

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**THE SOUTH AFRICAN NURSING COUNCIL**

**REGULATIONS RELATING TO THE CONDITIONS UNDER WHICH REGISTERED MIDWIVES AND ENROLLED MIDWIVES MAY CARRY ON THEIR PROFESSION**

The Minister of National Health and Population Development has, on the recommendation of the South African Nursing Council, in terms of section 45 (1) (q) of the Nursing Act, 1978 (Act No 50 of 1978), made the regulations set out in the Schedule hereto.

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**Kalsimumlaktaat**
Kalsium-, magnesium-, kalium- of ammoniumkarbonaat.
Kalsiumsilikaat
Kalsiumstearaat.
Natrumaluminumfosfaat, suur
Natrumaluminumsulfaat
Natrumchloried
Natrumstika-aluminaat
Silikondioksied, amorfies
Stysel, ander graan produkte of koolhidraats- stowwe

\( L(+) \)-wynsteensuur of die kalium- of natrumsoute daarvan.

4. (1) Die minimum persentasie beskikbare koolstofdiokside in bakpoer bepaal volgens die metode soos beskryf in die publikasie *Official Methods of Analysis of the Association of Official Analytical Chemists* saamgestel deur die Association of Official Analytical Chemists in die Verenigde State van Amerika, moet 8% (m/m) wees.

(2) Bakpoer en chemiese rysmiddels en die bestanddele daarvan moet voldoen aan die standaarde van suwerheid soos uiteengesit in die jongste uitgawe van die publikasie *Food Chemicals Codex* saamgestel deur die Committee on Codex Specifications in die Verenigde State van Amerika.

5. Die ontleding en onderzoek van bakpoer en chemiese rysmiddels ten einde die aanwezigheid van stowwe daarm of eierskappe daarvan te bepaal, moet geskied ooreenkomsstig die metodes uiteengesit in die jongste uitgawe van die publikasie bedoel in regulasie 4 (1).

6. Regulasie 13 van die regulasies uitgevaardig kragtens die herroep van Wet op Voedingsmiddels, Medisyne en Ontsmettingsmiddels, 1929 (Wet No. 13 van 1929), soos gepubliseur deur Gouvernementskennis- gewong No. 575 van 28 Maart 1930, word hierby herroep.

7. Hierdie regulasies tree op 'n datum ses maande vanaf die datum van publikasie hiervan in werking.

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**No. R. 2488**

**26 October 1990**

**DIE SUID-AFRIKAANSE RAAD OP VERPLEGING**

**REGULASIES BETREFFENDE DIE VOORWAARDEN WAARONDER GEREGERTEERDE VROEDVROU EENINGSKREWE VROEDVROU HUL BEROEP MAG UITOEKEN**

Die Minister van Nasionale Gesondheid en Bevolkingsontwikkeling het die kragtens artikel 45 (1) (q) van die Wet op Verpleging, 1978 (Wet No. 50 van 1978), op aanbeveling van die Suid-Afrikaanse Raad op Verpleging, die regulasies in die Bylae hiervan uiteengesit, uitgevaardig.
Medical watchdogs not watching drip scandal

By Pat Sleary
Probe into deaths is welcomed

ADCOCK Ingram Limited, whose pharmaceutical company Sabax manufactures drops allegedly linked to the deaths of 25 babies and four adults in the Transvaal, has welcomed the investigation by the Department of Health into the spate of deaths.

"Mr Don Bodley, group chief executive of the company, said their prime concern was for patient safety and: "We are also extremely concerned regarding the anguish of the parents concerned."

"We have already assured the Department of our co-operation and have maintained constant contact during our investigations."

Bodley said the source of contamination could, however, have come from several sources.

The company expected the results of their own internal and external investigations, carried out by independent outside specialists, to be tabled with the Department of Health and the end of the week, he said - Sapa
Sentrachem hit by tough conditions

CHEMICAL group Sentrachem, feeling the effects of the sluggish economy, high interest rates and strikes at customers' businesses, posted a 12.4% drop in attributable earnings for the 17 months to end-August.

The group, which changed its year-end to match that of the Sanorkorp group, produced profits of R111,7m (R127,4m) or earnings of 96,7c (110,3c) a share.

The third and final dividend of 9c a share brings the total for the period to 36,5c a share, up 46% and covered 2.6 times.

Facing tough market conditions in the year to March, Sentrachem showed a 7% rise in attributable earnings, but CE Johan van der Walt says the past five months have seen an accelerated decline in earnings.

And as long as depressed conditions continue, trading conditions will stay difficult and Sentrachem's activities remain under strong pressure, he says.

In the period under review, Sentrachem was affected by subsidiary Safiplast's lack of high density polyethylene (HDPE) capacity which resulted in HDPE imports at low margins. However, the situation was rectified when the new HDPE plant came on stream earlier this month.

Sentrachem's results also reflect seasonal and poor conditions in the agricultural market. Van der Walt says winter is usually a loss-making period for all agricultural activities and drought in parts of the country caused farmers to delay making purchases.

Because of the merger earlier this year of subsidiary Agrihold's manufacturing facilities with Farm-Ag's agricultural interests into Sanarchem, the effects of these were doubled.

In addition, Mega Plastics' sales of automotive components were affected by industrial unrest in the motor industry and the shutdown at Mercedes-Benz. Its sales of plastic pipes to the mining industry also suffered in the aftermath of the Kromdraai Mine fire.

However, Karbochem, which produces synthetic rubber and rubber chemicals, came close to achieving its budget, despite industrial unrest at some tyre manufacturers, after the mothballing of its loss-making poly-isoprene rubber facility at Newcastle.

The closure of this plant also left its mark on turnover, which rose 3,9% to R3bn, compared to the preceding 17 months' R2,9bn. Operating income was fractionally up to R206,5m (R205,5m).

However, with the group's net financing charges more than doubling to R116,7m and its tax rate rising marginally, taxed profits were down 21,3% to R117m.

Extraordinary items of R109,9m include the R115m write-off of the poly-isoprene rubber and R5,5m profit on the sale of assets.

The rise in gearing from 50% at end-March to 57% at end-August results from seasonal influences on stock levels, capital expenditure of over R250m and the reduction in retained income caused by the write-off of the poly-isoprene facility.
Workers invade lawyers' office.

Workers sued the company's Long Island offices yesterday afternoon when more than 30 dismissed workers invaded the building in an attempt to seek justice and remove the building's new occupants, who are the new management. The workers claimed that the company's new management is trying to evict them from the building.

The workers were joined by community members and supporters who gathered outside the building to show solidarity with the workers. The workers handed out fliers and spoke to the media about their situation.

The workers' legal team plans to file a lawsuit against the company, seeking compensation for the loss of their jobs and the destruction of their workplace. The workers are demanding that their rights be protected and that they be allowed to return to their jobs.

The company's management has yet to respond to the workers' demands, but they have vowed to continue fighting for their rights.

Workers' rights continue to be under threat in the workplace, and the workers' dedication to their cause is inspiring. The workers have shown that they are willing to fight for their rights and that they will not back down in the face of adversity.
Don’t rely on primrose oil to relieve your eczema

A HELPFUL friend suggested that the only cure for eczema was evening primrose oil — an extract from the seed of the evening primrose plant.

It is a commonly held belief and has some truth in it. But, says the Drugs and Therapeutics Bulletin published by the British Consumers’ Association, the claims are probably exaggerated.

Eczema, which occurs under the guise of many other names, causes redness, itchiness and scaling of the skin. It is not clear whether it can be cured, and certainly treatment is difficult.

In this country, it seems doctors will use the most drastic form of treatment first — corticosteroids (corticosteroids) for it is worth looking at any other claim, and this is a view endorsed by the Bulletin.

But before their results, it’s worth a look at exactly what exactly eczema is.

As well as the itchiness and scaliness, small blisters may form and if they burst they can become infected.

The skin may become thick with layers flaking off.

There are several different types of dermatitis, as some doctors like to call it.

Some are caused by skin irritants, perhaps detergents or acids or alkalis, and some are caused by allergies triggered perhaps by nickel, preservatives, lanolin or even plants (and countless other substances).

But the type of dermatitis or eczema that drives people nuts, can’t be easily cured and upsets mothers whose young children are scratching themselves into insensibility, is from “external” causes and mostly has a genetic component.

In other words, it is hereditary.

Some treatments can keep it under control, and often it simply clears up.

It is often related to hay fever and asthma and may also be linked with allergies to milk, eggs, fish or other foods.

The Drugs and Therapeutics Bulletin decided to look at the therapeutic claims of one particular manufacturer of evening primrose oil. The company marketed the substance to doctors for prescription and it was consequently licensed by the relevant British authorities. It is licensed to relieve symptoms and claims to act at a “fundamental metabolic level in this disease.” More specifically, they claimed the drug produced a “substantial and highly significant clinical improvement”.

Other evening primrose oil products on the market are not marketed to doctors and, accordingly, not licensed either. But all of them are rather expensive — as they are here.

The Bulletin analysed several tests conducted on evening primrose oil. Some compared their results with liquid paraffin or olive oil as placebo (a replacement that the patient believes is the drug).

The skin became smoother after a month of treatment, which was maintained for three months. In another study, the itch improved but the overall severity did not.

In other studies, criticism was levelled at aspects of the testing.

But in the largest and most thorough study the itch was helped significantly. Eventually, and in some highly scientific language — as the publication is aimed at doctors — the Bulletin concludes that evening primrose oil may “have a modest therapeutic effect, but only the effect on the roughness of the skin has been reliably demonstrated.”

The Bulletin says the manufacturers’ claim that it produces a substantial and highly significant clinical improvement “seems exaggerated” and they suggest that it is best regarded as an optional addition to existing treatment and as a dietary supplement rather than a medication for eczema.”

And, they warn, it is expensive.

So, back to the drawing board, and the following may be of use to those having to live with the skin disease:

- Use soap substitutes such as emulsifying ointment.
- Wear cotton rather than wool (in winter).
- Avoid extremes of temperature or humidity.
- Minimise dust and dust mite by airing bedding regularly and washing bedclothes at high temperatures.
- Tar preparations return thickened skin to normal, and have an antiseptic and soothing effect.
- Emollients can reduce the need for corticosteroids.

Why, if it helps, you may ask, should you avoid steroids?

Well, although they help give relief quickly, they can cause a recurrence or increased severity when you stop them, and if the dose is too high it can cause some pretty awful side effects.

These can include thin, fragile or transparent skin, stretch marks, thread veins, easy bruising and greater susceptibility to infection.

And, which? Way to Health warn that overseer of strong steroids can stop a child’s growth. It also warns that they should not be used on broken or infected skin — something that appears to elude many local doctors.

It is also very dangerous, once they have been prescribed, to use them for anything other than the condition for which they were prescribed.

So, before you hit the steroids, question your doctor thoroughly about the need for them and try some of the other remedies, including evening primrose oil — it may just help.
The baby-death case in Chicago

Explainable, unassailable

The doctor's report in clinic

B A A Y D E A T H S - D o m i s h e l
Suspect bacteria in clinic batches, says Adcock boss

SUE OLSWANG

THE Adcock Ingram company yesterday admitted that two batches of a paediatric potassium admixture supplied to Johannesburg's Park Lane and Morningside clinics were contaminated.

In a carefully worded statement the company said contamination was found in an undisclosed number of units in two batches of the potassium admixture supplied by Saba but the source of contamination had not yet been established.

The release of Adcock Ingram's interim scientific report — which was yesterday submitted to the Department of Health Services, Welfare and Housing — was followed by the announcement that Health Minister Sam de Beer would submit "all the relevant documentation" to Johannesburg's Attorney-General with a request that urgent inquiries be held into the recent deaths of infants "in certain clinics and institutions".

Judge

The minister also said he would ask that Justice Minister Kobie Coetzee appoint a judge to head the inquiry in terms of the recently amended Inquests Act.

"I consider it to be in the public interest to determine as soon as possible what caused these deaths and whether anyone is to blame," Mr de Beer said.

The Department of National Health and Population Development said the Saba admixture units had been contaminated before it was supplied to the Park Lane and Morningside clinics.

Bacteria

This was revealed by a visibly nervous Don Bodley, group chief executive of Adcock Ingram, during an interview with Saturday Star.

"The Klebsiella bacteria — believed to have caused the deaths of an alleged total of 55 babies and adults — was identified.

"In a statement the department said "in light of the circumstances of the deaths, no further comment can be made on the report".

The department emphasised, however, that "no danger exists to patients" because Saba's special admixture pharmacy had been closed since the beginning of Oc-
Bacteria

Mr Bodley said he did not expect current testing and investigations to be completed until about the beginning of November.

Asked whether his company had experienced a drop in revenue because of recent publicity, Mr Bodley said “Our main concern is for the parents.”

At least 25 babies are said to have died in recent months at the private Park Lane, Morningside and Garden City clinics and at a number of Transvaal Provincial Administration (TPA) hospitals.

But the Adcock Ingram statement mentioned only the Park Lane and Morningside clinics.

Mr Piet Wilken, TPA liaison director, said the TPA was investigating “rumours that babies died at a number of provincial hospitals as a result of the Klebsiella infection.”

Mr Wilken did not name the hospitals but they are believed to be Benoni, Boksburg, Coronationville, Garankuwa, Kafesina, Tembisa and Far East Rand.

The Park Lane Clinic last night said it was “clear and incontrovertible and has been established beyond any doubt that the contamination of the vacolines and consequent infection of the infants concerned cannot in any way be attributed to any act or omission on the part of the Park Lane Clinic or its staff or the medical practitioners concerned.”
Second scandal for Sabax man

By MARK STANFIELD

A TOP executive of the company manufacturing drips suspected of killing more than 50 babies was involved in another medical controversy seven years ago.

Frans Erasmus, marketing and public affairs director of Sabax, was managing director of C E Electro Medical, marketing arm of SA Druggists' subsidiary Labethica, when it was accused in 1983 of producing defective and contaminated medical drips.

At his Pretoria home in Waterkloof yesterday, Mr Erasmus telephoned his lawyer and then refused to discuss the affair.

Charges by the defunct Sunday Express that contaminated drips remained in use for seven months after they were discovered by the Westcountry institution led to the appointment of the De Kock commission of inquiry.

The commission confined itself to allegations of bribery, ignoring the question of the contaminated drips.

By the time it sat, Mr Erasmus had left SA Druggists to join Sabax.

He was not mentioned in the inquiry.
Baby deaths: now who's telling the whole truth?

By Mark Stansfield

Medical supply company Sabax finally confessed this weekend that their products are linked to the deaths of two babies. The company had failed to report cases of contamination to authorities.

The medical equipment used by the babies was provided by Sabax, and the company had initially denied any link to the deaths. However, new evidence has emerged that suggests Sabax failed to report cases of contamination to authorities.

The incident has raised serious concerns about the safety of medical equipment and the responsibility of medical supply companies.

The story has also sparked a wider debate about the role of regulatory bodies in ensuring the safety of medical equipment.

Dog could be link in Sabax probe

A recent case in which a dog was found to have been infected with a type of bacteria linked to medical equipment has raised serious concerns about the contamination of medical supplies. The case has been linked to Sabax, a medical supply company.

The dog, which was found to have been infected with the bacteria, was purchased from a retailer that also sold Sabax products. The retailer has since been closed down.

The case has sparked a wider debate about the safety of medical equipment and the responsibility of medical supply companies.
menthol cream. We do not have details on the number of people affected by the contaminated cream."
Toxic drips could have killed more

TPA and Sabax could be sued for millions of rands if they are found liable for the deaths of the 55 people.

Health Minister in the House of Assembly, Sam de Beer, on Friday asked Justice Minister Kobie Coetzee to appoint a judge to investigate the widely reported deaths in terms of the Inquests Act.

He also submitted statements from the families of victims and their legal representatives to the Attorney-General of the Witwatersrand with the request that inquests be held urgently.

Adcock Ingram says in its report this week it could not find the source of the contamination.

The report said further investigations were going ahead and gave the assurance that the batches sent to Park Lane and Morningside had been recalled.
Gas supplier ends lockout of 73 after deal with union

By SHARON SOROUR
Labour Reporter

The six-week lockout of 73 employees by Woodstock gas supplier Capegas has ended.

Most of those affected agreed to resume work today, said company spokesman Mr B Straughan.

He said the Chemical Workers' Industrial Union had unconditionally accepted the company's wage package of a 21 percent across-the-board increase backdated to April 1. The union initially demanded 53 percent, he said.

Capegas locked out the workers on September 17 one hour before they were due to go on strike.

Mr Straughan said the union accepted the company's final offer on October 17, plus a gesture by the company of a R50 food voucher for each of the locked out employees.

The union first accepted the offer on condition that the company waived its legal right to take disciplinary action against employees guilty of "criminal acts of physical assault and intimidation".

When Capegas refused to concede the right to take action against three offenders, the union accepted the offer unconditionally.

Several employees were arrested outside the plant after the lockout. The company also obtained a Supreme Court interdict restraining workers from being near the premises and damaging company property.

The Woodstock branch of the African National Congress also entered the dispute, urging management to end the lockout and threatening to mount local community support for the workers.

On October 11 about 100 people marched to Capegas to hand the management a petition.
Krok brothers set to leave Twins

THE entrepreneurial Krok twins, Abe and Solly, are to leave their most well-known and prominent business venture, Twins Pharmaceuticals (Twins).

Solly Krok has resigned from the Twins board following a board meeting on Friday.

Abe Krok will remain as Twins chairman till the next annual general meeting in July 1991.

At that date, he will be succeeded by Premier group chairman Peter Wrighton, who is currently chairman of Twins Propan, the Twins holding company.

Premier holds 58.1% of Twins Propan, and the Krok brothers the rest.

Phil Norter, formerly head of the pharmaceuticals division, has been appointed MD of Twins with immediate effect.

Abe Krok confirmed yesterday that he and his brother would be leaving Twins, but dismissed any suggestion that the decision was connected with the Epi Products saga in the US.

This involves legal action between members of the Krok family and a consortium of US banks over allegations of misuse of funds by Epi Products, a US company run by the Krok’s daughters.

Abe Krok declined to comment on the Epi Products affair, saying it was sub judice.

ROBERT GENTLE

He said: “There is no connection at all with Epi Products. Solly and I are nearing 62 years of age and this is a normal retirement move we have been planning for some time.”

He said he and Solly had not sold their shareholding in Twins, but, “as in any business”, this was open to review. “Nothing is

Twins Pharmaceuticals

- Stock price, daily close
- Cents
- September 1990
- October 1990

Brothers

forever. If we get a great offer one day, we may sell.”

Abe Krok also said that so far as Twins was so tightly held, it was possible that some of the shares would be sold to make them more marketable.

Solly Krok, who is in the US handling the Epi Products affair, could not be reached for comment.

Wrighton said yesterday, “These announcements do not signify any changes to the present shareholding at Twins, and there are no plans for any mergers or acquisitions at this stage.”

He added, “The Krok brothers have played a significant role over the years in building up the giant Twins group in partnership with Premier.”
Hospitals may have given up to 40 babies contaminated admixture

HOSPITALS may have fed up to 40 babies with admixture from batches found by manufacturers Sabax to be contaminated.

The admixture was definitely administered to two babies who died at the Park Lane Clinic.

And Health Services and Welfare Minister Sam de Beer has asked Justice Minister Kobee Coetzee to appoint a judge to head urgent inquests after reports of more than 50 baby deaths which may have been due to “unnatural causes”.

Sabax has not yet established the source of contamination in two batches of potassium "cocktail" dispensed by its admixture pharmacy on July 23 and August 17 this year.

The batches, containing a total of 70 units, had been distributed only to the Park Lane and Morningside clinics in Johannesburg.

However, at least 60 bags from these batches were not returned to Sabax, Adcock Ingram CEO Don Bodley said.

There were 13 bags which had been returned and found to be contaminated with klebsiella bacteria.

Sabax knew of reported contamination in a further 16, he said.

One bag had been discarded by a hospital before it could be tested.

The balance of the two batches, a total of 40 bags, was not returned to Sabax for testing and no records were provided by hospitals to show whether or not they had been contaminated.

Investigations

Except in the case of the two babies, who died at the Park Lane in September, hospital records had to date not allowed Sabax to match patient records with batch records.

Despite UK microbiologist Andrew Bill's finding that Sabax's admixture dispensing pharmacy, procedures and staff could not be blamed for the contamination, the unit will remain closed until investigations are complete.

Sabax and independent investigators such as the SA Bureau of Standards and the SA Institute for Medical Research will continue testing in an attempt to find the source of contamination.
Adcock confounds market forecasts

By Ann Crotty

Adcock-Ingram has pipped market expectations with an excellent 27 percent advance in earnings to R152c (145c) a share in the 12 months to end-September.

A final dividend of 46,5c has been declared, which means that the total payout for the year is 60c a share — 28 percent ahead of the previous year's 53c.

Referring to the investigation of the deaths of a number of babies and the possibility of a link with the group's Sabax admixture pharmacy, chief executive Don Bodley says: "We would like to reassure our shareholders that we are fully aware of our responsibilities in this matter and will continue to investigate thoroughly the entire matter."

Looking at the financial '90 figures, turnover was up 31 percent to R157,7 million (R171 million) and operating income was up 40 percent to R84 million (R57,5 million).

Mr Bodley says the increase in operating income was due primarily to the strong sales performance, together with the effective control of manufacturing and operating expenses in all subsidiary companies against a background of restrained selling-price increases.

Pre-tax income was up 44 percent to R90,6 million (R62,6 million).

Allowances

The tax rate was up to 46 percent from 39,7 percent — the '90 tax rate had benefited from capex allowances.

Attributable earnings were up 29 percent to R49,4 million (R38,3 million).

With effect from October '90 the group has restructured its companies into six market-focused strategic business units with the objective of capitalising on growth opportunities and improving market focus.

The group now comprises a Pharmaceutical Division, a Critical Care Products Division, which includes Sabax, a Generics Products Division, a Self-Medication Division, a Consumer Products Division and a Wholesale and Retail Division.
Sabax drip unit closed on Oct 1

By Carina le Grange Medical Reporter

The Sabax unit implicated as the origin of drips allegedly connected to the deaths of at least 25 babies in Johannesburg clinics has been closed since October 1 and no danger existed to patients, the Department of National Health and Population Development has disclosed in a statement.

Sabax has also reported that so far the source of the infection has not been established.

The National Health Department issued its statement after receiving an interim report from Sabax on Friday reflecting the company's internal investigation.

The statement added that all other medicines from the implicated pharmacy had been withdrawn.

The Minister of Health Services, Welfare and Housing, Sam de Beer, responsible for private clinics, said in a separate statement he would request the Minister of Justice, Kobie Coetzee, to appoint a judge to head inquires into the deaths of the babies in terms of the Inquests Act.
New company set up to produce surgical gloves

By Maggie Rowley

CAPE TOWN — A R7.5 million plant to manufacture surgical gloves is being built in Parow Industria by developers Cape Equity Brokers.

Chairman Edward Harrington said the company was capitalising on the increased world demand for high-quality surgical gloves arising from growing concern about infectious diseases, most notably Aids.

The plant would be completed in phases during the next two years with the first gloves coming off the production line in the first half of next year.

The company initially planned to import the plant at a cost of about R22 million but after examining the production process and the machinery it realised it could be built locally at a fraction of the cost.

A new company, Suretекс, financed by Cape Equity Brokers, had been formed and was being structured in accordance with public company principles with a view to a listing on the Johannesburg Stock Exchange within a few years.

"The latex rubber industry in South Africa offers a lucrative opportunity for import replacement and the creation of job opportunities as well as high-yielding export possibilities," he said.

"The increased awareness of infectious diseases, notably Aids, has resulted in a tremendous increase in demand for high-quality gloves and while there are a number of Eastern manufacturers producing sufficient quantities to meet demand there are few, if any, able to produce the high-quality gloves required by the industries using them.

"This has afforded industrialists and entrepreneurs tremendous opportunities to engage in ventures to reduce this shortage."

The present combined production of producers of latex surgical gloves in South Africa met only about 27 percent of local demand.

Bruce Willan, a spokesman for the company, said that when the plant was fully operational it would have a production capacity of about 20 million units a year and would provide employment for between 130 and 180 people.

Local demand, including that from neighbouring states, was estimated at more than 30 million units.
Kroch Brothers decision to quit

EPM Products saga: Probably hastened the

By Ann Comy

Professional

There's no comparable difference. The jury of the Negro

Goldwater-Ford factor. The other major

was presided over by the US

SDF.

Whereas the official

and judgment indicate

In the circumstances, he could

As the situation and the price

hastened the

BUSINESS
Robert Gensel

Time to retire gracefully, say the Krons

[Text continues...]
Being the best puts Avroy Shlain on top

PRIVATE cosmetic manufacturer and direct sales company Avroy Shlain sets out to be "conspicuously the best".

Five years among the finalists in the Non-Listed Company Awards, a position as among the top three cosmetic houses in the country and the first SA cosmetic manufacturer to export has assured attention. Its success in this award and its continued growth has singled this company out as one of the most exciting and innovative cosmetic companies in SA.

From a base of R18m in 1986, the company achieved sales of R50m in 1990 in a substantial and steady market penetration.

Turnover grew by 25% in 1989 and the company expects 1990 growth to be similar. This maintains an impressive record set by 38% growth in 1987 and 26% in 1988.

A recent industry survey shows Avroy Shlain has a 13% share of cosmetic sales in SA. The company's core success lies in direct sales — a person-to-person approach perfected since its inception in 1973.

Doubled

Avroy Shlain products — 95% own manufacture and covering skin care, perfumes and make-up — are sold directly to the public by 5,000 trained beauty advisers throughout southern Africa.

Within two years, exports to Israel have more than doubled.

The company also manufactures under contract for selected retail groups and recently concluded an agreement with a major hotel group in which Avroy Shlain products appear in all luxury suites throughout the group's hotels.

Significant growth over the past year has come from contract business, ensuring an increase in local market share.

Financial director Brian Barkan says: "The cosmetic industry grew in rand terms by 15% in 1989. In the same period, our sales grew by 23%, so we know our market share is growing."
Excellent results for Adcock

<table>
<thead>
<tr>
<th>Adcock Ingram</th>
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<tbody>
<tr>
<td>Earnings</td>
<td>118</td>
</tr>
<tr>
<td>Dividends</td>
<td>80</td>
</tr>
<tr>
<td>1986</td>
<td>110</td>
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<tr>
<td>1987</td>
<td>113</td>
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<td>1988</td>
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<tr>
<td>1989</td>
<td>109</td>
</tr>
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<td>1990</td>
<td>106</td>
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</table>

**CHARTER MATHEWS**

PHARMACEUTICAL group Adcock Ingram—which today reports excellent results—has assured shareholders that it is fully aware of its responsibilities in determining whether the contaminated batches of Sabax admixture caused the deaths of two babies at the Park Lane Clinic.

"The admixture pharmacy has been closed down pending the outcome of investigations," group CE Don Bodley said.

"We would wish to stress that our prime concern is patient safety." (182)

In the year to September, Adcock's turnover rose 31% to R615,7m and operating income by a steeper 46% to R94,3m. Bodley says the results are due chiefly to a strong sales performance.

The interest bill lifted to R6,5m from

| To Page 2 |

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### Adcock

R5,8m and the company's tax rate rose to 46%. In 1989 the group paid a 35% tax rate because one-off capital allowances were claimed.

As a result of a slightly higher number of shares in issue, earnings rose by 21% to 18c a share. A final dividend of 46.5c a share has been declared bringing the total dividend for the year to 66c (18c).

The group is budgeting R14,5m for capital expenditure in 1990.

With effect from October 1990, the firm has been restructured into six units.

The group now consists of a pharmaceutical division, a division which manufactories and distributes hospital items and a division selling generic medicinal and pharmaceuticals.

There are also divisions for self-medication and over-the-counter products and wholesaling and retailing outlets.

Adcock Ingram shares closed unchanged at 3.20c; yesterday, down 30c. From the year's high of 3.50c reached on October 11.

At this level they offer a current dividend yield of 2.13% and an earnings yield of 5.69% compared with a sector average of 1.90% and 3.35% respectively.

*(See Page 3)*
Shot in the arm for Twins results

TURNOVER growth for Twins Pharmaceuticals exceeded inflation in the six months to September because of a sound performance by the pharmaceutical division which resulted in a greater market share for its products.

The turnover figure of R125.6m is not comparable with the previous interim period because Salters and Fisher Vet have been sold in the intervening period and Miborrow acquired.

Borrowing costs have fallen to R8.3m from R10m because the redeemable preference shares, dividends of which were accounted under this heading, have been redeemed out of operating cash flow.

When legislation was passed to prohibit the sale of skin-lightening products as cosmetics from the end of 1990, Twins' consumer division had a substantial number of returns of these products from customers.

An extraordinary item of R1.8m represents discontinuance of some operations including skin-lightening products.

A new range of skin products containing no hydroquinone has been launched and the directors said the initial demand had been satisfactory.

On attributable income of R19.6m (R17.4m) earnings were 20c (19.1c) a share after the extraordinary item.

An interim dividend of 7c, unchanged from 1989, has been declared.

The number of shares in issue rose to 96.1 million from 91 million as extra shares were issued to acquire full control of Sefimed. This step was taken to protect Twins' interests as Sefimed's profitability was declining, chairman Abe Krok said in the 1990 annual report.

Directors say Sefimed operations that do not fit the group's business objectives will be or have been sold or discontinued.

Directors are not forecasting a major earnings rise this year as sales and margins on consumer and Visioncare products are expected to weaken. There will also be additional costs to promote new products to replace skin-lighteners.
Court provisionally winds up Kemtrade

KEMTRADE Holdings Ltd and two of its subsidiaries, Kemtrade Distributors SA and Alpha Pharmaceuticals, were provisionally liquidated in the Rand Supreme Court yesterday.

Mr Justise G Leveson granted the provisional orders following urgent applications by the three companies.

Kemtrade Holdings, which is involved through its subsidiaries in wholesale and distribution of a range of toiletries and pharmaceutical products to pharmacies, department stores and supermarkets, had its JSE listing suspended on October 16.

A Kemtrade director, Malcolm Yesner, who submitted affidavits supporting the applications, said the holding company owed about R2.5m to its bankers. Its liabilities exceeded its assets by about R1.8m. The holding company had issued unlimited guarantees in favour of all its subsidiaries.

Yesner said Alpha Pharmaceuticals owed the holding company about R2.5m and its bankers R1.4m. Kemtrade Distributors owed its bankers about R1m and the holding company a further R1.7m.

Both subsidiaries had lost their shareholder capital, Yesner said.

"Although Alpha Pharmaceuticals made a profit of approximately R170,000 for the six-month period (ending August 1998), its accumulated loss up until then amounts to about R20,000," he said. "Kemtrade Distributors incurred a trading loss of about R1.4m during the same period."

Yesner said meetings were held with a merchant bank during October to consider the group's position. Restructuring and a cash injection of about R1m were proposed to enable the companies to carry on viable trading operations.

While the restructuring was being considered, a third party proposed a takeover of the Kemtrade Group.

Yesner said the third party was to investigate the group's affairs. It was agreed that restructuring proposals would be held over until this probe was complete.

Kemtrade was advised on Tuesday that the third party had decided against the takeover. Restructuring proposed by the merchant bank had also fallen away.

Yesner said because the restructuring and proposed takeover had not materialised, Kemtrade Holdings directors had resolved to liquidate the three companies in the interest of creditors.

The return date for final winding up order is December 11.
Romatex needs to do somewhat more

The 29 percent drop in Romatex earnings for the 12 months to September was lower than the market had originally been expecting.

But as they were released after the poor figures from both Frame and Da Gama, investors were probably preparing themselves for something worse.

In the financial 1999 annual report published last October management said it was looking for some earnings growth. But at the interim stage earnings were already down 27 percent and there was little prospect of avoiding an earnings slump in the full year.

Given the extent of the fall, it is unlikely that investors will put the share back on the sort of rating that it enjoyed 12 and 18 months ago.

Some firm evidence of the benefits of the recent capex programme and the export drive will be needed before the share looks attractive. (Except for those investors who are enticed by long-term recovery stocks).

It seems that the difficult trading conditions affected just about all the group’s operating divisions. Group turnover was up a nominal four percent to R715.7 million (R685.2 million) which, as the directors point out, reflects a drop in real terms.

The tougher market conditions knocked operating margins from 12.2 percent to 8.8 percent, which meant operating profit was down 24 percent to R63.3 million (R83.6 million).

Diagonal Street
ANN CROTTY

The Floorcoverings division continued to be a drain on group performance, with profits still to show some benefit from management’s decision to focus on the upper end of this market.

The directors say the industrial division, (with the exception of foam and the automotive business) also produced materially lower profits.

Margins in the fabrics division were down slightly, with the impact of local pressures being eased through exports.

Profits from Island View Bulk storage rose in line with expectations. At the interim stage, earnings from this division were unchanged on interim ’98.

Interest payments were up at R9.8 million (R6.9 million), reflecting the increase in gearing from 15 percent to 30 percent. This in turn reflected the R37.4 million capex which involved a restructurint of the group to reduce cyclicality.

Pre-tax profit was down 30 percent and attributable earnings were down 29 percent to R57.4 million (R52.4 million). The full year dividend payout is 55c (78c) a share.
Sabax winner of NPI excellence award

By Carina le Grange

The manufacturing division of Sabax — which has admitted contamination of two batches of admixture supplied to clinics where babies later died — has been named as one of the winners of the National Productivity Institute’s (NPI) 1999 Productivity Awards.

Last Friday, Sabax admitted two batches of a paediatric potassium admixture supplied to the Johannesburg Park Lane and Morningide clinics were contaminated.

At least 28 babies are believed to have died at hospitals and clinics in the Transvaal due to klebsiella sepsis after intravenous drips were administered.

The NPI names Sabax, suppliers of “crucial health care products” as a winner, along with Eskom’s Koeberg Nuclear Power Station, Sishen Mine, HL & H Mining Timber and Sappi.

It says Sabax has shown “consistent measured improvement in productivity, quality and safety over a number of years.”

A spokesman for the NPI says the award winners were chosen from entrants in June.
able 90% of attributable profits.

Edgars stores' sales growth came in the second quarter after the first quarter was affected by widespread violence. Second-quarter sales increased 31% on last year, taking six-month growth to 29% — so even the first quarter must have brought some real growth. Market share in the clothing, footwear, household textiles and accessories (CFTA) industry rose by one percentage point.

Sales House and Jet were hit by boycotts, unrest and stock shortages, which CE Vic Hammond says resulted in lower profitability. Their combined contribution to attributable profit was just 11%. Sales House's turnover rose 21%, thanks partly to a new store programme, while Jet's sales increased just 17%. The little-known Express chain, aimed at the lower end of the market, did not feature. Hammond says group strengths do not lie in this sector.

One might think that to achieve profits like this in recessionary times, margins would come under pressure. But the group managed to widen its operating margin to 14.7% from 14.4% in the same period last year. Group MD George Beeton says bad times were anticipated and greater efficiencies were planned into the business.

Though bad debts as a percentage of sales increased by 0.3%, surprising this has not affected gearing. Interest-bearing debt actually fell to 0.50 of shareholders' funds from 0.51 last September and 0.64 at March 31.

Financial director Mark Bower says this was possible because of strong cash flows from trading activity, amounting to R146.6m (September 1989: R83m). Interest-bearing debt was consequently cut by R20.4m since March 31, to R219m. Higher interest rates and increased borrowings pushed interest payments 61% higher than in the same period last year, to R27.5m.

Debtors, which increased by 31.3% to R659m, reflect higher sales as well as an increase in credit sales, which Hammond says rose 33%. Though people are still buying, they are using more credit than cash.

The group plans to continue with store refurbishment and new store developments. Hammond says refurbishments generally boost sales by 25%-30%. Space will be increased by 23 000 m² in the 1991 financial year — already sales per square metre have increased from R3 455 in September 1989 to R4 138 in September 1990. Hammond says planned expansion will be self-funded "but maybe somewhere down the road the group might sell part of its debtors' book."

He says prospects for Christmas are "reasonable" and "growth in earnings for the full year will be satisfactory, though at a slower pace than for the past six months. In my view, Christmas sales will surpass this."

Edgars' superior rating will probably improve with further rises in its R31 share price.

Heather Perosby

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EDGARS FIM 2/11/90

STAYING AHEAD (184)

Seemingly recession-proof, the group again produced outstanding results for the six months to September 29. A 26% increase in turnover and 24% increase in attributable profit compared to the first half of financial 1990 is mainly a result of contributions from Edgars stores, which contributed a remark-

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BUTTONED UP

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<tr>
<th></th>
<th>Sep 89</th>
<th>Mar 90</th>
<th>Sep 90</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>908</td>
<td>1 074</td>
<td>1 144</td>
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<tr>
<td>Operating profit (Rm)</td>
<td>131</td>
<td>157</td>
<td>169</td>
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<tr>
<td>Attributable profit (Rm)</td>
<td>57.5</td>
<td>66</td>
<td>71.5</td>
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<tr>
<td>Earnings (c)</td>
<td>113</td>
<td>130</td>
<td>141</td>
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<tr>
<td>Dividends (c)</td>
<td>27</td>
<td>66</td>
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FINANCIAL MAIL • NOVEMBER • 2 • 1990 • 63
Banks are now using new technology in the manufacture of banknotes. This is a development that could have implications for the security of banknotes in other countries.

**BUSINESS & TECHNOLOGY**

Brothers, Solchom or Pluscon Inks on the door. Instead, it was that of newcomer Ink Systems.

Ink Systems kicked off its new R4m factory with a five-year R40m government contract to produce the non-forgable security ink for SA's banknotes. The deal is for five years, while contracts in the ink industry normally run for no more than two. No competitive tender was held and there are a few ruffled feathers.

Previously, Reserve Bank subsidiary SA Banknote imported security ink from the Swiss company Sicpa, the leading international supplier of ink used for cheques and banknotes. But SA Banknote decided the ink could be made here, so it approached local ink companies and asked them to prepare the technology for local manufacture.

Sicpa, not wanting to be seen investing in SA, formed Ink Systems, a joint venture between itself and Ink Systems' executives. And as non-executive chairman, it appointed stockbrokers Sidney and Leslie Frankel, whose influence with government is well known. Ink Systems MD Colyn Swartz is emphatic that the Frankels have no shareholding in the company. Sidney Frankel declined to provide more than a few details.

Peter Surgey, MD of Pluscon Inks, is not happy with the terms of events. "We had an initial trial, where we did well, but we were told the ink was drying too slowly. We got that right, but when our proposal was ready we were told that we were not allowed to use the Reserve Bank machinery for the final trial. We were told the contract already had been awarded. We were very disappointed not to be given a shot at another trial."

Says SA Banknote MD Hugo Smuts: "As far as I am aware, there is only one supplier of security inks that is compatible with the kind of machines we use. Its competitors all over the world have tried unsuccessfully to make a competing product."

Smuts explains that when it comes to lower-tech litho inks, there is competition, SA Banknote buys from a range of suppliers.

Surgey admits that Sicpa is the international leader in security inks, but feels the local companies should still have been given a chance to show what they could do.

"We and our local competitors such as Coates and Solchom are already here. We have access to technology from such giants as BASF and Hoechst. Undoubtedly, any one of us could have produced acceptable security ink technology."
CE Johan van der Walt says the closure of the isoprene plant is of strategic importance. It's another step away from commodity chemicals and frees cash and management to add impetus to specialised chemicals.

The R115m provision for mothballing the facility was a big contributor in pushing gearing to 67%, as were the fall in retained earnings and capital expenditure of more than R250m. Another contributor was stocks of seasonal products, which are much higher in August than in March in preparation for spring. Van der Walt reckons gearing should ideally be 40%, but it won't be possible to get there in the next year or two.

Van der Walt expects to get some use from the isoprene plant. Other applications for all or parts of it are being studied. The carbide oven, for instance, could have application in the metal industry.

The R250m capex included three major expansion projects, two of which have recently been completed. The R65m high-density polyethylene (HDPE) and granulation capacity expansion at Sasol's Sasolburg plant should almost double the company's HDPE production. The plant came on stream end-September and full benefits are expected only in the next financial year.

The second phase of NCP's chlor-alkali project at Chloroform, near Midrand, has been commissioned successfully and has increased capacity significantly. The main market is water treatment, with the Rand Water Board an important customer.

The maleic anhydride plant at Isipingo will come on stream in January to produce polyesters for the paint industry and acetaldehyde for the food industry.

Van der Walt expects growth to come from a combination of acquisitions and organic growth, especially in the niche markets the group is focusing on. Though nothing is in the offing, Sentrachem is always on the lookout for takeovers, he says.

Van der Walt says the rate of decline accelerated in recent months. As long as depressing factors prevail, trading conditions will remain tough. The share offers good recovery potential — when the upturn comes.

Gerhard Slokker

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**Sentrachem Strategic Refocus**

Sentrachem is making headway in shifting its business focus away from commodity chemicals to the lighter, more specialised end of the market. By adding more value to products, it hopes for better and more sustainable returns on assets.

The sluggish economy, high-interest rates, disruption by strikes and shutdown of the isoprene rubber plant at Karbochem in Newcastle have limited growth in turnover to 4% and in operating income to 0,4% in the 17 months to August.

The group expects to become less vulnerable to these factors as specialised chemicals make bigger contributions. However, the decision to expand in agricultural chemicals as part of this strategic thrust could affect performance, because of the cyclical nature of farming.

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**Slow Reaction**

<table>
<thead>
<tr>
<th>17 months to August 31</th>
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<th>1990</th>
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<tbody>
<tr>
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<tr>
<td>Operating income (Rbn)</td>
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<td>307</td>
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<tr>
<td>Attributable (Rbn)</td>
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<td>112</td>
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<tr>
<td>Earnings (c)</td>
<td>110</td>
<td>97</td>
</tr>
<tr>
<td>Dividend (c)</td>
<td>25</td>
<td>30,5</td>
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* Pro forma
ADCOCK-INGRAM posted a 29% increase in attributable income in the year to end-September, despite the economic slowdown, high interest rates and an increase in the effective tax rate to 46%. Including the latest results, the group achieved 32.5% compound earnings growth over the past five years. CE 

Don Bodley ascribes the performance to strong organic growth and successful introduction of new products.

With the economy contracting, growth must have been at someone else’s expense. Group financial executive Wally Holmes maintains that the advance was at no particular company’s expense, but across the board. With no player holding more than a 6% market share, it could be difficult to determine who lost to whom.

**ORGANIC GROWTH**

<table>
<thead>
<tr>
<th>Year to September 30</th>
<th>1989</th>
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<tbody>
<tr>
<td>Turnover (Rm)</td>
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<tr>
<td>Operating income (Rm)</td>
<td>67</td>
<td>84</td>
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<tr>
<td>Attributable (Rm)</td>
<td>38</td>
<td>49</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>143</td>
<td>182</td>
</tr>
<tr>
<td>Dividend (c)</td>
<td>53</td>
<td>88</td>
</tr>
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</table>

Holmes says good performance can also be ascribed to stringent cost control. The improvement in pre-interest margin to 15.3% from 14.3% confirms this. Return on net assets improved to 27.2% from 25.3%.

The Sabax drip affair could damage this year’s performance. Management says it is fully aware of its responsibilities. The admixture pharmacy has been closed pending investigations. Though management does not divulge any numbers, the pharmacy represents some 1% of Sabax’s business. The resultant loss of income is insignificant.

Though pharmaceutical companies normally have full product liability cover, it may not cover all consequences of Sabax.

Maintenance of organic growth will, to an extent, depend on research and development and continuous upgrading of hi-tech equipment. The group spends between 4%-5% of turnover on research and development and investment in equipment should not strain the balance sheet, as gearing is still well below the self-imposed limit of 0.30.

The share trades at R32.

Gerhard Stiebler
Stable gas market gives Afrox a boost

CHARLOTTE MATHEWS

AFRICAN Oxygen's (Afrox) stable market in supplying gases and in health care has underpinned its 24% improvement in turnover and 29% improvement in profits in the year to end-September.

"The gases business has a very wide spread of customers and range of applications and we have long-term contracts," chairman Peter Joubert said.

"So we are not affected by specific downturns in certain areas of the economy as much as other companies are. The hospital business does not make a fortune, but it is a steady, ongoing business. Welding is more volatile because it depends on the engineering sector that has turned down a bit in the latter part of the year."

On turnover of R903,9m the group achieved trading profits of R184,4m. Interest charges nearly doubled to R39,7m because rates were higher and because there is continuous expansion, especially in the gases business.

Expansion costs incurred a R21m hike in net borrowings to R221m but gearing has improved to 25.8% from 28.2%. Directors say debtors have been well managed and stock is at virtually the same levels in rand terms as in 1989.

A figure of R15,7m represents depreciation to reflect the current cost of assets. Joubert explained Afrox was one of a handful of companies that revalued all its assets to reflect their current value.

Afrox did not revalue contracts if they were tied to a particular customer because the bulk of the contract was taken over a period of time.

This year Afrox signed a 10-year contract with Middleburg Steel & Alloys to supply them with most of the production from Afrox's Middleburg plant. This restrained an increase in depreciation costs.

A profit of R64,8m before an extraordinary item of R1,5m was achieved. The extraordinary item represented income from the sale of two buildings.

Since Afrox applies inflation-adjusted accounting policies, the 27.1% improvement in earnings to 215c (175c) a share represents a real and not a nominal increase.

A total dividend of 135c (100c) a share was declared for the year.

Joubert said the outlook for the current financial year was difficult to predict.
Shield boosts turnover 23 pc

Finance Staff

"In an impressive performance for the six months to August, Shield Trading has shrugged off the recession-inspired retailing blues to post a 23,2 percent increase in turnover (to R306 million) and a 31,9 percent increase in group operating income (to R8,3 million)

Taxed income was up 28,7 percent and earnings per share increased by 28,7 percent to 6,3c

Lower base

Chairman Theo Muller now confidently predicts turnover will exceed R650 million by the February year-end

He says in spite of coming off a lower base, the current performance puts Shield in the forefront in the competitive retailing field.

"This trend shows no sign of abating.

"Eighty percent of our turnover comes from the black market and we are gaining access to markets other retailers either aren't prepared to or can't afford to"

Not complacent

A major factor in the group's favour is that it has no borrowings — a desirable situation in the current climate of high interest rates.

However, Mr Muller insists the company is not complacent and is seeking further growth.

380 franchises

It now has 380 wholesale and retail franchisees, evenly spread throughout the country.

A further part of the success formula, says Mr Muller, is the company's policy of paying hefty rebates to franchise holders which are used to finance further expansion.

In the six-month period these increased from R3,526 million to R4,357 million.
Afrox full of gas and flying higher

By DAVID CARTE

AFROX consolidated its blue-chip rating this week with a 27% annual earnings increase — after allowing for inflation.

What's better is that chairman Peter Joubert expects further earnings improvement in 1991, recession notwithstanding.

The gases, welding and hospital group reports sales up 24% at R180.3-million, operating profit 28% better at R124.4-million and taxed attributable profit 29% higher at R68.8-million in spite of an interest bill that surged 64% to R30.7-million. A final dividend of 65c has been declared, making 135c for the year to September, a 35% increase.

At the interim, earnings were up only 19%, implying that second-half earnings spurted no less than 33%.

To eliminate most of the effects of inflation from stated earnings, Afrox provided an extra R15.7-million of additional depreciation. This amount was virtually unchanged on 1989.

Labour

The secret of Afrox's success, says Mr Joubert, is in finding new applications for gases, developing hospitals cost effectively, while stressing patient care and satisfaction, good husbandry of working capital and of labour.

Labour relations are based on a principle of "job ownership" and job growth. All staff members with more than 10 years' service have shares through a sort of unit trust. Staff members own 8% of the company worth R89-million. The company has yet to have a strike.

Gases and welding contributed 35% of profits and health care the balance. About 75% of assets are in gases and welding and 25% in hospitals.

Mr Joubert reports that demand for gases across the economy actually declined. But Afrox makes 120 types of gas and continues to invent ways of using them. It managed to increase sales volumes. It earns a 50% share of the...
The secret of Afrox’s success, says Mr Joubert, is in finding new applications for gases, developing hospitals cost effectively, while stressing patient care and satisfaction, good husbandry of working capital and of labour. Labour relations are based on a principle of “job ownership” and job growth. All staff members with more than 10 years’ service have shares through a sort of unit trust. Staff members own 5% of the company worth R38-million. The company has yet to have a strike.

Mr Joubert reports that demand for gases across the economy actually declined. But Afrox makes 130 types of gas and continues to invent new ways of using them. It managed to increase sales volumes. It claims a 60% share of its markets.

Oxygen is being used by gold mines to increase extraction rates in the leaching process. In addition, Afrox has built large gas plants at Iscor, Middelburg Steel and Scaw Metals. It sells these gases at modest prices to the host companies — but scores in being able to sell excess capacity to other users.

Afwrox has started exporting. Exports topped R15-million and are bound to grow.

The group is on a hectic expansion tack, having spent R349-million in the past three years. Capital spending has been concentrated in the medical division in recent years, but Mr Joubert says the emphasis in the immediate future will swing back to gases.

Cyclical

“There are so many empty beds in provincial hospitals it seems silly to expand private hospitals. We are still hoping the State will provide wards in existing hospitals.”

Mr Joubert says welding is the most cyclical part of the business and is feeling the downturn in engineering and metal working. At 3000c, Afrox is 17 times latest inflation-adjusted earnings and about 12 times historic cost earnings. The dividend yield is 8.6%.

Shareholders who bought the share a year ago have had an all-in return of 45%. Those who bought five years ago have had an annual compound rate of return of 28%. Nice going and there’s more organic growth to come.
Cheap drugs get thumbs down

By GLenda NEVill

THE Cape Provincial Administration has been acting illegally in dispensing medicine through pharmacies to the poor and needy in rural areas, a Supreme Court judge ruled this week.

Acting Justice A J van Deventer ordered the CPA to stop the practice immediately.

The judgment could have far-reaching effects in other provinces which operate similar schemes but pharmacies claim will enable them to provide better, safer service.

The practice, how in jumbo packing the outcome of an appeal, against the judgment, was instituted by the CPA as a means of "cutting its drugs bill.

It involved buying medicines in bulk, resealing and repackaging them, in smaller doses, into cheaper containers.

But cheapskates and drug companies believed the practice was risky because of the possibility of contamination.

Comply

But deputy director-general of health and hospital services Dr George Watermeyer dismissed their fears saying that, over the years, no one had been affected by toxins from prepackaged preparations.

He also justified the CPA's scheme by saying the provinces had acted in the belief that various acts of parliament, appropriate to the private sector, need not necessarily apply to the state.

But Acting Justice Van Deventer ruled that the state and provincial health "authorities" were not above the law and had to comply with the Medicines Control Act and could not repackage medicines.

The judgment came after a pharmaceutical company, Raats, Ronigen and Vermeulen, brought a semi-urgent application against the Administrator of the Cape.
Hope of reserve sales rises

By DON ROBERTSON

An appeal for the release of strategic oil stocks and stockpiling of currency reserves was made this week in Johannesburg for more reserves to be held in case of any further increase in foreign exchange rates or average in 1983.

On the other hand, due to the hike in the oil price, the foreign currency cost of imports may rise very considerably.

Option

"Again, given our very extensive domestic reserves of oil, there's always the option of importing less in volume in 1981 in the hope that the crisis will be over by 1982. This would help to ease the commitment we face to import our oil.

Mr. Norrie, deputy president of the Department of Minerals and Energy Affairs, said that he knows that the Public Enterprises Minister felt that he could be seen to be doing something to ease the situation by reducing the amount of imports. He also said that he trusted that this would help to ease the situation.

Stronger

"They stand in now at about $12 a barrel compared with the current price of $11.50 a barrel," he said.

Mr. Norrie, said that he knew that the Public Enterprises Minister had been considering some steps towards strengthening the exchange rate, but that he also knew that Mr. Norrie had not changed his views on oil sanctions against South Africa during recent weeks.

Viljoen's political development of the past few weeks had been adjudged as "weak" by some of the People's Products Act proponents.
Financial Staff

A R6 million expansion plan has been announced by Durban-based CG Smith Chemicals, part of the CG Smith group. This is in addition to the planned R4 million capital replacement programme.

The expansion will affect three Merebank operations: the food yeast plant, the ethanol distillation plant and a new manufacturing facility for pharmaceutical intermediates.

General manager of CG Smith Chemicals Mike Buchanan says, "The expansion project is in line with our commitment to diversification and development of carefully selected niche markets."

A continuous fermentation vessel will be installed in the food yeast plant, and an increase in capacity of the yeast cream separation station will also be carried out.

The ethanol distillation plant will receive further upgrading to its computer system which will take the plant to its maximum capacity for the production of premium grade potable alcohol.

In addition, a manufacturing facility will be built to supply pharmaceutical intermediates.
Hard work has spread the herbicide market

AGRICULTURAL CHEMICAL MANUFACTURER AND DISTRIBUTOR SANACHEM, BASED IN DURBAN, HAS HAD AN ANNUAL EXPORT GROWTH OF ABOUT 40% OVER THE PAST FEW YEARS, SAYS MD ROBERT MAUGARD.

ABOUT 20% OF THE COMPANY’S TURNOVER COMES FROM EXPORTS.

SANACHEM IS JOINTLY OWNED BY JSE-LISTED FARMAG AND SENTRACHEM.

IT EXPORTS HERBICIDES, FUNGICIDES AND INSECTICIDES TO ABOUT 30 COUNTRIES.

THE COMPANY’S SUCCESS IN EXPORTS COMES “PURELY FROM HARD WORK”, MAUGARD SAYS.

“In the past year, we have opened between 10 and 12 new markets.

“In some areas we are at full production and are considering extensions to enable us to cope with demand,” he says.
CHEMICAL giant AECI has warned shareholders that attributable earnings for the year to December will be significantly lower than previously expected.

This is because of a severe decline in local and international market activity and increased raw material costs in the wake of higher world oil prices. Already earnings for the nine months to September are 15% below those achieved in the comparable period of 1989. Financial director Neale Axelson says it is unlikely full-year results will improve on this.

At the interim stage, earnings were down 19% after all AECI’s businesses were affected by deteriorating market conditions, extensive destocking by customers and industrial action.

At the time, directors said provided industrial action did not escalate, AECI’s earnings for the full year would be similar to 1989’s. This was based on the expectation that the normal business pattern which favours the second-half results would continue — but it has not.

Axelson says while most of the destocking experienced in the first half is out-of-the-system, the downturn has affected AECI’s local market and has led to a general fall in local sales volumes.

Included in AECI’s markets are weak textiles, construction, automotive and mining industries. The profitability of its fertiliser business will depend on conditions in the agriculture.

Export sales volumes have held-up reasonably well in a weak international market. There has been some price improvement for certain products, but margins have come under pressure as the rand has formed against the dollar.

AECI’s position has been exacerbated by the high oil price which has raised the cost of many oil-related chemical feedstocks. Axelson says the rise in raw material input costs are hard to pass on to customers in the current weak market.

He also expects the 1991 financial year to be difficult.

Most analysts find AECI’s caution of lower earnings for the current year — published in a notice today — no surprise.

Frankel Kruger Vonderene analyst Mike Haworth is forecasting a 17% drop in earnings to 1965 (263c) a share in the year ending December. He expects turnover growth to slow and AECI’s margins to fall from 17.7% to below 10%. Anticipating recovery to be slow in the 1991 financial year, he expects AECI to hold its dividend of 25c a share in the last financial year — flat until the end of 1991.

While Sasol is benefiting from higher world oil prices, other companies in the chemical sector are finding their raw material costs rising. Feeling the effects of sluggish conditions, Sentrachem recently announced a 12.7% fall in attributable earnings for the 17 months to August.

However, JD Anderson head of research says long-term prospects for local chemical companies look good.
Rationalisation shifts
Spicer into profit mode

DCM-listed group Spicer-Mitchell Holdings (Spicer) has produced a R650 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 R259 000 last time around.

This translated into earnings a share of 7.9c (loss a share 1.9c).

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.

S3S 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 R269 000.

Last year’s results saw a net loss of R1,5m despite a 66% increase in turnover to R15,3m. Earnings fell to 15.2c (5.2c) a share.
Sanachem takes prize in services

Agricultural products manufacturer Sanachem has been named the winner of the State President's Award for Export Achievement in the services sector.

Sanachem, a subsidiary of JSE-listed Farmag, exports a range of generic chemical products, including agricultural pesticides, and provides a range of services to its sister companies and foreign customers.

Based at Verulam outside Durban, the company's exports have more than doubled during the past three years, says export manager Colin Foster.

With markets established in South America, Africa and the Indian Ocean Islands, he says export achievements are particularly notable as progress was made against strong rivalry from overseas-based multinationals.

"Keen pricing, top quality generic products and special packaging are some of the factors which have helped us to notch up a list of successes," says Mr Foster.

Noting that exports to year-end February 1990 totalled R9 million, he expects a marginal increase this year despite a slowdown in most economies worldwide.

Sanachem, which assists its four sister companies in the Farmag group with their exports of machinery to pharmaceuticals, provides its foreign trading partners with a local shopping service for quality goods at the best prices available.

As part of its ongoing international thrust, Sanachem has established sales offices in four countries this year.

Another initiative has led to its products being subjected to overseas field trials.
Cheaper petrol as oil price falls?

JOHANNESBURG — The pump price of South Africa's petrol is likely to be reduced in the middle of the month, an informed source said yesterday. This was because world oil prices had fallen below the $37.50-a-barrel level on which October's price rise was based.

At that time, world oil prices were hovering between $37 and $40 a barrel and the National Energy Council gave an assurance that consumers would benefit if crude oil prices dropped.

Since then volatile world prices have been lower, despite a built-in war premium of about $15 a barrel. While the price briefly touched the $27-a-barrel level two weeks ago, it has been trading around $38 a barrel recently.

Yesterday oil prices reflected the lower trend. North Sea Brent crude for December delivery closed at $31.85, marginally up on Monday's close.

A (NEC) spokesman yesterday declined to comment on a possible fall in the petrol pump price in the near future.

But he said the NEC was currently reviewing the position of the Equalisation Fund — which serves to even out the impact of fluctuating world oil prices — as it stood at the end of October.

Sapa-Reuters reports from London that world oil prices drifted lower yesterday in a market that lacked news, traders said.
Afrox publishes results — again

Afrox, manufacturer of gases and industrial products, today reported its results for the second time because it felt that one day was not sufficient for investors to properly assess the company.

The results, first published in Business Day last Friday, showed Afrox turning in a 29% hike in attributable profits to R55.9m (R51.7m) for the year ending September.

Chairman Peter Josbert said yesterday publishing the results only once was "too fleeting" for investors to assess the company.

Publishing a company's results twice was a good idea, even if the results were not good, he said.
SA industry not competitive

Call to drop trade barriers for chemicals

A report on SA’s chemical industry calls for government to remove GST and import surcharges on capital equipment and to reduce tariff protection on raw materials to help increase the industry’s international competitiveness.

The report accepted that lowered tariff protection would force prices down and lead to a general restructuring of the industry. Those activities that survived would be internationally competitive.

It said the increased economic activity resulting from lowering the surcharge and GST on capital equipment would mean the lost revenue being more than recouped through other GST and income tax.

The study was produced by a working group chaired by J A Lambrechts of the Department of Trade and Industry. It included representatives from major chemical companies and converters and the Board of Trade and Industry.

It stressed the need for consistent government policies influencing investment.

SA’s imports of chemical and related products already exceed exports by an estimated R5bn a year. And Trade and Industry Minister Kent Durr expects this negative trade balance to grow.

The report broadly discussed key issues which affected the chemical industry. It made 14 recommendations to government.

It said while SA’s chemical sector was indispensable to growth in the manufacturing sector and to the economy generally, it was proportionately less developed than in other industrialised countries.

Its point of departure was that the initiative for investment should be left to the private sector, but since government policy influenced the environment in which the industry operated, government should facilitate its development by judicious measures.

The report said government must commit itself to a consistent and coherent monetary, fiscal and industrial policy to create a stable investment climate.

Government should also urgently remove fiscal measures which acted as unnecessary disincentives to investment, international competitiveness and economic growth.

In this regard surcharges, GST and tariffs on capital equipment were particularly detrimental. Studies showed that these taxes added at least 10% to the capital cost of plant built in SA.

To achieve an after-tax discounted rate of return on an investment of 5% in real terms, a local investor had to have a pre-tax simple return on investment of about 24%, compared with 19% in Germany and 12% in Taiwan.

To Page 2

Chemicals

The report stressed the need to increase competition by avoiding high levels of tariff protection, and for the least possible use of import control to be made — but it called for some protection against dumping.

The Board of Trade and Industry is involved in a separate investigation into tariff protection in the chemical industry.

The report’s recommendations also addressed the need to create additional sources of chemical building blocks at competitive prices.

The fastest growing sector of the chemical industry was organic chemicals where potential demand for raw materials suggested that major new capacity for a balanced spectrum of the major building blocks needed to be created by the mid-1990s.

The report said new investment would present an opportunity to create surplus capacity for derivatives which, if competitively priced, could be exported. At the same time, it could establish a base for the manufacture of other chemical intermediates and polymers which are currently being imported.

Durr has invited comment on the report by November 30.
Trek backs petrol co-op venture

By JOSHUA RABOROKO

A COOPERATIVE venture which could have far reaching implications for the small business development in South Africa, has been announced by Trek Petroleum and a private company, Natabo.

The venture, which centres around forming fully fledged cooperative societies involving taxi owners, will not only result in financial advantages to taxi owners, but will also open doors to greater wealth creation at grassroots level.

Two service stations, one in Tzaneen and the other in Gompo, East London, are already functioning on the cooperative basis and more will follow, as the long term plan is to build up a network of mutually beneficial operations.

The general manager of Trek Petroleum, Mr Andy Kamfer, said: "We have decided to support this venture because we sincerely believe that the cooperative route is the best system through which economic opportunities can be created in certain sectors of our economy.

Discounts allowed

"By becoming members of the cooperative, different types of benefits accrue to taxi owners and operators. Discounts on petrol are allowed but, through the cooperative bargaining power of the members, discounts on many other related products such as oil, tyres, batteries and spares can be negotiated and, at the end of the day, the member's shares in all the profits of the business.

The managing director of Natabo, Mr Roly Burke, was of the opinion that "cooperatives are easily the most sensible way to create business and economic opportunities.

Firstly, he said, the cooperative was traditional to many cultures and seemingly it was easily understood in all sectors of the community. One of the most important aspects of a cooperative was that ownership rested in the hands of the members and no single person could enrich himself at the expense of others.

"It also means, Burke said, "that no single person can dominate the cooperative since all the members have an equal say in matters. Board members are elected on a democratic, electoral basis and if they do not produce satisfactory results, they are simply voted out of office."
Trade and Industry Minister Kent Durr yesterday invited comment on the recently released report by the Government-appointed Working Group for the Promotion of the Chemical Industry.

Mr Durr said in a statement that South Africa's importation of chemical products and related industries, as well as of plastics and rubber, already exceeded exports by about R5 billion.

"I am of the opinion that this negative balance between import and export could show a sharp increase in the future," Mr Durr said.

He added that the working group had therefore been constituted to formulate a strategy for the promotion of the chemical industry.

Copies of the report are available at R20 each from The Director, Technology Promotion, Department of Trade and Industry, Private Bag X54, Pretoria 2000.

Comment on the document should be submitted to the same address — Sapa.
December of accelerated capital depreciation allowances on plant and machinery caused a sharp increase in taxable income and a 150% rise in the tax bill.

With the deepening of the recession local demand won't be much help to this year's performance and even the export breakthrough is not likely to bring real growth. The share trades at 160c, where a 6.3 p.e. rating reflects more optimism than for the clothing sector as a whole, with an average 4.4 p.e. ratio.

The company is offering bonus shares instead of the annual dividend, at a rate of six for 100. That's effectively worth 9.6c a share, against the 9c cash payment. As long as the share price stays above 150c, the scrip dividend is worth more, for investors who want to increase their stake and don't mind building up odd lots — which can be difficult to sell, and perhaps only at a discount.

Gerhard Sijbler

**ABHOLD F(1) 9/11/90**

**EXPORT HOPES (184)**

Activities: Manufacturer and wholesaler of knitwear and clothing

Control: Directors 34.6%

Executive Chairman: Y O Aboob

Capital structure: 14.6m shares Market capitalisation R23.7m

Share market: Price 160c. Yields 5.6% on dividend, 15.9% on earnings, p.e ratio, 6.3.

Trading volume last quarter, 1.88m shares

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After a tough year in which unrest and stayaways pushed up raw material stocks, with a subsequent doubling in short-term debt, Johannesburg clothing group Abhold expects a windfall from exports this year. Director Gani Gaibee says political change has added impetus to the export drive.

Last year started well, with a 48% increase in pre-interest profit at the August 1989 interim stage. However, the traditionally better second half turned sour, with all the work stoppages. Annual turnover was only marginally better, while inventories got out of hand and rose to R42.1m from R29.4m. Abhold says raw material suppliers were quoting delivery periods of up to nine months. As Abhold was committed to orders, it took up the raw materials. Unrest and stayaways then delayed its own delivery schedules. This led to cancellations of orders and increased stockholding.

He is confident that the export division, set up some 18 months ago, can make a meaningful contribution in reducing stocks. At first, sanctions and negative overseas perceptions of SA made headway difficult. Gaibee reckons “perseverance and hard work” led to the breakthrough. Trial orders were well received and Abhold has since secured substantial further orders.

A high interest bill was not the only problem for the bottom line. The withdrawal in
EVERITE (183)

COPING WELL

Activities: Makes fibre cement and plastic products
Control: Everite Holdings 56%
Chairman: E L Arne MD G M Thomas
Capital structure: 88.9m 6ords Market capitalisation R222m
Share market: Price 250c Yields 5.2% on dividend, 10.4% on earnings, p/e ratio, 9.6; Cover, 2.0 12-month high, 280c, low, 230c
Trading volume last quarter, 138 700 shares

Year to June 87 88 89 90
ST debt (Rm) 17.2 10.7 4.7 2.5
LT debt (Rm) 14.2 11.8 11.7 29.3
Debt equity ratio 0.11 0.06 0.03 0.05
Shareholders interest 0.73 0.75 0.75 0.74
Int & leasing cover 1.0 1.7 3.2 4.5
Return on cap (%) 5.8 7.5 10.3 7.6
Turnover (Rm) 282 326 373 392
Pre-arr profit (Rm) 24.2 29.0 40.5 32.7
Pre-arr margin (%) 7.3 8.2 10.7 9.7
Earnings (c) 13.1 19.0 21.6 26
Dividends (c) 8.7 11 13 13
Net worth (c) 303 302 329 366

FIM 9/11/90

Everite is feeling the general economic decline, especially in the black housing market.
MD George Thomas concedes that the short-term outlook is gloomy.

But it was not only the black market that hit sales last year. Falls of 6% in volume and
18% in value also reflected a strike at the capital-intensive nature of the business and the resultant
high operating costs, lower volumes impacted sharply on profit margins.

However, on historic cost figures, the group coped pretty well. Return on shareholders' funds, on historic cost, was 15.8% as opposed to an inflation-adjusted 6.1%.

The balance sheet is still healthy, thanks to Swas conservatism, with virtually no debt.

Thomas expects to fund continuing capex (R25m-R30m for 1991) out of cash flow and borrowings.

He says some funding could be obtained by liquidating endowment fund policies built up out of past strong cash flows.

Much of the capex is on replacing asbestos with safer material. This programme is expected to be completed by end-1992.

Management cautiously forecasts better profits for the Everite trading division, which last year contributed 73% of group pre-tax income.

However, since Thomas wrote his report in early September, the international oil price hike has added negative factors to the already clouded economic crystal ball. It will be a commendable performance to maintain last year's profit.

The group remains well placed to benefit from positive economic developments, especially in black housing. With a 250c share price some 30% below NAV, Everite is definitely not overpriced.

Grahame Slabber

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Everite's Thomas troubled by strikes

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This document contains financial data and commentary on the performance of Everite, a company that manufactures fibre cement and plastic products. The data includes financial ratios, trading volume, and a comparison of historic and inflation-adjusted returns on shareholders' funds. The commentary discusses the challenges faced by the company, including economic declines, strikes, and the impact of oil price hikes. The document also notes the group's cautious forecasts for the future and its position relative to net asset value (NAV).
Premier Group closing price

Premier lifts earnings above inflation rate

By Ann Cotty

First half figures for Premier are in line with chief executive Peter Wrighton's target for real growth with earnings up a sterling 16 percent to 84c (72c) a share. An interim dividend of 25 (25c) has been declared.

However, if the interest charges had not dropped by 13 percent, reduced margins at the group's pharmaceutical division would have kept the increase in earnings per share below the inflation rate.

But the good news is that apart from the troubled pharmaceutical activities, the group's operations performed very well in tough trading conditions.

In the six months to end-September group turnover was up 20 percent to R2.5 billion (R2.3 billion). But trading profit increased by only 11 percent to R158.4 million (R142.7 million).

Peter Wrighton ... Petfood a success story

reflecting a squeeze on margins - down from 6.8 percent to 6.3 percent.

Mr Wrighton explains that the drop in margins was largely due to the difficulties at PDC and Gresham. "We had a large turnover contribution from this source but there wasn't much profit."

Part of PDC's problems are industry-related with the impact of tough trading conditions aggravated by the very high shrinkage that appears to be experienced by most of the players.

PDC suffered additional problems resulting from what its recent pre-listing statement referred to as the blending of the cultures and the methods of operation of a mutual wholesaler (SAPDC) with those of a commercial organisation (the PWD business).

Twins, which manufactures pharmaceuticals, also had a tough six months. Its performance was adversely affected by the restructuring of Safmed. And in August it had to take a stock loss following the banning of skin lighteners.

According to Mr Wrighton, margins in the group's food division were virtually unchanged on the year-end figure of 6.3 percent.

Helped by last year's proceeds from the rights issue, interest-bearing debt was down to R37.2 million (R42.6 million).

But the balance sheet shows interest-bearing debt at end-September '90 was up 46 percent to R54.5 million (R37.8 million).

Wrighton says that the increase in debt was due to the increase in working capital. He believes there is some scope for reducing the group's working capital levels.

The lower interest burden helped to lift the pre-tax profit increase to 21 percent - from R100.1 million to R121.2 million.

Taxed profit was up 19 percent to R94.2 million (R79.7 million) and a marginal reduction in minority interests helped to show a 26 percent hike in attributable earnings - up to R60.3 million (R46.7 million).

The increase in per share level was diluted by the increased number of shares in issue.

Looking through the group's food operations, Mr Wrighton said that the milling division did very well - enjoying a substantial increase in turnover with margins unchanged.

Margarine and edible oils continued to suffer but problems with these were no longer internal. The factories and new plant were all operating well but market conditions were flat largely due to imported oil and a new entrant into the margarine market.

Agribusiness was adversely affected by a poor crop but this was more than countered by better margins.

The petfood operation did extremely well and according to Mr Wrighton it was the group's "success story."

The fishing story was the same as that told by all the other players in the industry - results were hit by the sharp cut in the Cape quota.

The recent acquisition - Atlantic Fishing - is performing well.

A cursory comparison between Premier and Tiger's performance in the 12 months to end-September indicates that Premier's earnings growth is benefiting significantly from the restructuring effect over the past 18 months or so.

Previously it tended to underperform its main competitor. Tiger but in the 12 months to end-September (adding the last six months of Premier's financial '90 year to the 6 months under review), Premier appears to have pipped its rival.

Turnover at Tiger was up 18 percent, at Premier it was up 23 percent. Earnings per share at Tiger rose 16 percent compared with a 23 percent hike at Premier.

In comparing the two it should be noted that Premier is in a recovery situation and Tiger is reporting good profits off a very strong base.

For the full year, Mr. Wrighton says that the group is trying very hard to achieve the target of real earnings but he points out that at the time the original target, was made, inflation looked as though it was easing and there was no fuel crisis.
CITY bus fares are set to drop following yesterday's 15c per litre decrease in the petrol price — but recently-increased air fares, train fares and inter-city bus tariffs will remain unchanged.

City Tramways managing director Mr B W Gie said yesterday the company "supports a decrease in bus fares and will announce the extent and date later".

Companies who had increased their prices because of the petrol hike "should now reduce them to a certain extent", Pick 'n Pay managing director Mr Hugh Herman said yesterday.

September's record petrol price of R1.55 for 97 octane has decreased to R1.40 and 93 octane from R1.51 to R1.36, with effect from Monday. The diesel price decreases from R1.41 to R1.32.

The reduction in price was announced by Mineral and Energy Affairs Minister Dr Dawie de Villiers yesterday.

Lower crude oil prices had resulted in an over-recovery on petrol and diesel, and the government had decided to pass the lower fuel price on to consumers, he said. He warned, however, the price decreases could be temporary, as it was not possible to forecast the future price of crude oil due to events in the Persian Gulf.

While bus fares are set to decrease, those using other modes of transport will not enjoy the same reductions. SAA spokesman Mr Mike Phelpho said yes-

Petrol

Petro cut reduces bus fares

Staff Reporter

From page 1

Petrol

Fees increased, ranging from 5% to 15%, remain unchanged.

Spoornet have no plans to decrease train tariffs. "We run on electricity and the recent tariff increases have nothing to do with the petrol increase," Spoornet spokesman Mr Evette Dlwage said yesterday.

Recent inter-city bus fare increases, ranging from 5% to 15%, remain unchanged.

Aatonet spokesman Mr Christo Bester said yesterday "We will not be lowering our fares. However, the fuel price decrease would avoid another price hike in the near future.

The Automobile Association has appealed to commerce and industry to review any recent price increases and to pass on any savings to the consumer. The Democratic Party also appealed to all producers and distributors to pass any decreases on to consumers. "Inflation is public enemy number one against economic growth, which will be so necessary in bringing about the new South Africa," the DP's acting energy spokesman, Mr Geoff Engel, said in a statement.

The Cape Times financial staff reports that economists labelled yesterday's announcement very favourably. Most expected the inflation rate to drop by about 0.5% as a result.
SA Druggists looks like a good buy

From JOHN SPIRA

JOHANNESBURG — Investors seeking a defensive hedge in present uncertain stock-market conditions might consider SA Druggists, a company with an impressive record and one which should continue to make progress even in the face of economic recession.

SA Druggists manufactures and distributes pharmaceutical and related products with an annual turnover approaching R1 billion.

It is divided into five divisions - pharmaceutical, distribution, chemical, consumer and medical, industrial and commercial. The pharmaceutical and distribution divisions contribute more than 80 percent of total turnover and around 65 percent of overall pre-tax profits.

The pharmaceutical division manufactures and markets specialised and consumer-branded pharmaceuticals. It is expanding its export markets and a R45 million factory is being built.

The distribution division comprises two sub-divisions, one of which handles the well-known Link retail pharmacy franchise.

The chemical division, although smaller, is highly profitable, manufacturing and exporting specialised pharmaceutical chemicals.

The consumer division, which has been substantially rationalised, markets consumer pharmaceuticals and beauty aids, while the medical, industrial and commercial divisions market veterinary and hospital products.

In the year to March 1990, taxed profit declined marginally to R40.8 million from R41.6 million, producing earnings of 29c a share. This was the first profit decline for seven years, reflecting a squeeze on margins and reduced exports.

The near-term outlook is therefore not especially positive.

Yet, as stockbroking firm Senekal, Mount and Kitsos points out, SA Druggists has four strong bull points:

- Exports are expected to start moving ahead as trade boycotts and sanctions are phased out.
- SA Druggists has strong defensive features. The pharmaceutical and medical sectors tend to be resilient to economic downturns owing to the low price elasticity of demand for their products.
- The low gearing is a marked plus in the current high interest-rate environment.
- As awareness of the AIDS problem spreads and research into drugs to deal with the affliction increases, scope exists for SA Druggists to expand its product range into a potentially profitable area.

A marginal improvement in earnings could well eventuate in the current financial year, possibly resulting in the distribution increasing from 10c to 11c for a prospective yield of 4.9 percent.
CG Smith

group pinched

The CG Smith group has reported earnings up one percent at 751c a share for the year to September.

The group attributes the small increase to the difficult prevailing economic conditions.

The food, pharmaceutical, packaging and textile group has declared a final dividend of 158c per share.

This makes a one percent higher payout for the year of 263c.

The food sector of the group's business produced the best results.

It increased its contribution to group attributable profits by 12 percent to R202,7 million. — Sapa.
Royal's products prove a successful mix

A SUCCESSFUL mixture of food and pharmaceutical products contributed to Royal Corporation (Royal) posting a 20% hike in earnings to 6.5c (5.4c) a share in the six months to August.

The holding company of Royal Beech Nut and Lovasz Chemicals reported a 37% rise in turnover to R102.6m (R72.2m) and a 43% hike in operating profit to R2.8m (R1.1m), chairman Vivian Immerman said yesterday.

The group is listed in the Industrial Holdings sector of the JSE, however its interests are mainly in food, pharmaceutical and chemical products.

Group net income increased by 61% to R6.1m (R3.8m), while attributable income was up 20% to R4.4m (R3.7m) after associated company income and preference dividends were taken into account.

In line with Royal's policy, no interim dividend was declared.

Following the operational management merger of Holpro Pharmaceutical with Lovass in March, the chemical side of the group has been re-focused, concentrating on manufacturing and supplying speciality pharmaceutical raw materials.

Holpro's purchase price - of which R160m had been paid - was being disputed and Immerman hoped to recover a "substantial portion" in acquisition warranty claims.
Royal set for a good year

Food and pharmaceutical group, Royal Corporation has recorded a 60.6 percent increase in net income and a 20.4 percent hike in earnings to 6.6 cents a share for the six months to August.

No half-year dividend announcement is made as the company declares a single pay-out after the end of the financial year.

Royal's turnover expanded by 36.8 percent to R109.8 million and operating profit by 43.1 percent to R8.308 million at the halfway stage.

Chairman Vivian Immerman says that the group traditionally earns most of its profit in the second half of the year and he is confident the group will achieve earnings growth above inflation for the current year.

Royal's shares are currently priced at about 150 cents, at which level they yield 22.3 percent and 4.0 percent, respectively, on historical earnings and dividends. - Sapa
SA Druggists turns in a poor performance

SA DRUGGISTS (SAD), the Federale Volksbeleggings-controlled pharmaceutical group, turned in an unhealthy financial performance for the half year ended September 1990.

Attributable income fell 7% to R18.8m (R20.2m) or 15.3c (14.2c) a share in the face of an interest bill that rocketed by 115% to R7.4m (R3.4m). The interim dividend of 4.73c a share remained unchanged from last year, as did operating-income at R43m.

The group managed to increase turnover by 14% to R516m (R453m) despite competitive business conditions in the pharmaceutical sector and security in all aspects becoming more difficult and expensive.

SAD shares fell 10c yesterday to 210c ahead of the interim results, and seem set to go lower.

Despite the interim results not meeting expectations, SAD MD Tony Karus said progress had been made in the distribution division's LPA, Johannesburg operation, where warehouse restructuring had been completed.

"This operation was now in a position to seek the additional principals and turnover necessary to return it to an acceptable level of profitability."

The new marketing structure for the Lecon group of companies indicated encouraging progress in the second quarter, he added.

Karus did not expect group earnings for the financial year to be materially different from those in the previous financial year.
Vadek to produce US chemicals

MARCIA KLEIN

Vadek Paints has been appointed by a US-based chemical corporation as the sole SA-licensed manufacturer and distributor of its environment-friendly, non-petroleum-based Earth-Rite range of chemical products.

The technology agreement is based on patented processes, and SA is the first country outside the US to receive manufacturing rights for the product.

Vadek — which specialises in paints and specialised coatings for industry and commerce — has contracted to purchase the manufacturing technology from EcoClean of the US, says Vadek marketing executive John Vadas.

Initially the base slurry for the products will be imported. However, local operations will begin in January and will significantly improve company earnings in financial 1991.

Earth-Rite products include shampoo, household cleaners and heavy industrial detergents and will be sold nationally both in supermarkets and in industry.

The group was previously involved only in paint and coatings, and the new diversification — although the technological processes are similar — would make a significant difference to sales.

Directors expect the use of phosphates in cleaners to be banned soon, and Vadek will be "on the cutting edge" of the environmentally aware market to compete with major competitors.

The products would not cost more than SA brands, as they were produced from agricultural-based products such as soya and maize, Vadas said.
Plastics training board set up

ZILLA EFRAKR

THE Plastics Federation of SA has established the Plas- 
tics Industry Training Board to co-ordinate all training 
in the industry and give accreditation to organisations 
which conduct approved training programmes.

Federation CE Bill Naude says "The board will be 
active at all levels within the industry, from shop floor to 
university graduates."

It aims to provide tuition for 240 new trainees each 
year along set guidelines which will form the basis of a 
long-term national training strategy. All vocational 
national qualifications gained through the training board will be 
recognised overseas.

Representatives from both employer and employee 
sectors will be responsible for setting standards and 
qualifications for the industry.

The training board is finalising its application to the 
Department of Manpower for accreditation and has set 
up an investigation into the requirements of the SA 
plastics industry. The board's chairman is Mega Plastics 
MD Ralph Oxenham.
Malaise grips SA Druggists

By Ann Crotty

SA Druggists' results for the six months to end-September are in line with market expectations — earnings per share are down 7 percent to 13.29c (14.31c) and an unchanged interim dividend of 4.75c a share has been declared.

The results see a continuation of the difficulties that hit the group in the second half of financial '90 and led to a marginal decline in eps for that full year.

In the review period, turnover was up 14 percent to R616.8 million (R453.7 million) Operating income was virtually unchanged at R43.9 million (R42.8 million) reflecting continued pressure on margins — down from 9.4 percent to 8.3 percent. Results for financial '90 showed margins were down to 9.2 percent from 10.6 percent in financial '89.

Interest charges were more than double at R7.4 million (R3.4 million) — again a continuation of a financial '90 trend.

Taxed income was down 7 percent to R18.7 million (R20.2 million).

Financial '90's performance was hit by a number of problems including difficulties with the Government's tender system which knocked Lennon's performance (in the pharmaceutical division).

Looking at the review period the directors note that the decline in attributable earnings "was a consequence of difficult trading conditions within certain sections of the pharmaceutical industry and a materially higher interest burden".

According to management, benefits from remedial action taken in some divisions have not yet materialised significantly.
US firms in SA 'on probation'

WASHINGTON — The US State Department has placed 17 firms "on probation" after judging that their SA subsidiaries had taken inadequate steps to trim and promote black employees and had been insufficiently active in community development.

One company, National Utility Service, has been assessed as "failing to meet the basic requirements" of the labour code contained in the Comprehensive Anti-Apartheid Act, and faces loss of government export assistance.

Nine firms are deemed to be making "satisfactory progress".

The findings are contained in the State Department's latest annual report on the conduct of US subsidiaries whose parents do not subscribe to the Statement of Principles and monitoring system that grew out of the old Sullivan Code.

The report urges all US companies to stay put because "a continued American business presence in post-apartheid SA will remain a vital contributor to growth and equal opportunity.

It issues a plea to state and local governments — whose punitive policies against firms with SA ties have been a major factor in the withdrawal of US investment — to react positively to further progress in SA.

Eighty-five US firms registered with the

US firms

department last year with an aggregate SA workforce of 27,518, down from 37,693 in 1988.

Twenty-seven companies opted to answer a State Department questionnaire — rather than submit to the Arthur D Little audit performed on those companies that signed the Statement of Principles.

Subsidiaries of companies placed on probation include Echlin-Charger Manufacturing of Johannesburg, Precision Valve of Randburg and National Standard Co of Uitenhage. The report does not explain what "probation" entails.

All companies, except NUS, whose returns were incomplete, were judged to have met the basic standards set by the CAAA. These included an appropriate minimum wage — averaging R767 a month.

Overall, wages for black employees in the reporting firms averaged R1,454 a month for salaried workers and R1,259 for hourly workers — an increase of 33% and 23% respectively over 1988 levels.

Also up dramatically were per capita expenditures on employee training and education — from R187 in 1988 to R233 last year.

The firms claimed to have spent a total of R4,272 on non-employee education and community development in 1988, up from R1,861 in 1988.

Others on probation are Wynn's Car Care Products, Air Express, Buckman Laboratories, Consolidated Pneumatic Tool Co, Cooler Electronics, Ernerz Magnetics, L & M Radiators, MacDermid, Preformed Mine Products, Salisbury Veterinary, Schenectady Chemicals, Simplicity Patterns, Lohmann & Co, and Wilbur-Ellis Co.
Hoechst sells plastics stake for R22.5m

CHEMICAL giant Sentra-
chem (Sencem) has ac-
qured the 50% interest
held by Hoechst in oper-
tions of its Mega Plastics
division at a cost of R22.5m,
a statement released by the
group said yesterday.

The operations con-
cerned are Megapape, SA's
major producer of high-
density polyethylene pipp-
ing, Megaflex, the leading
manufacturer of flexible
hoses, and Megapak, which
makes packaging and ma-
terial handling systems.

Hoechst shed its Mega in-
terests as plastic convert-
ing "is no longer an integral
part of its business.

Hoechst, however, re-
ains in partnership with

Sentrachem in their joint
ventures in Safropol, SA's
sole producer of high-den-
sity polyethylene and a
major producer of polypro-
pylene, and Plasback, which
markets Safropol's
products to the local con-
verting industry.

Sentrachem directors be-
lieve the effect of the ac-
quision on group earnings
will be positive, and the pro-
duction, marketing and dis-
tribution of Mega products
will not be affected.

"Mega is strategically
important to Sentrachem
as it provides us with a sub-
stantial and secure market
for the group's polymers
and plasticizers," said Sentra-
chem CEO Johan van der
Walt.

"While Mega has become
peripheral to Hoechst's
business, it is central to
ours and we consequently
happily accepted the oppor-
tunity to increase our
shareholding," said Senthra-
chem CEO Johan van der
Walt.

Hoechst shares, which fell from a January
high of 71c to 55c bounced
up 22c to 400c yesterday.

'Mega is strategically
important to Sentrachem
as it provides us with a sub-
stantial and secure market
for the group's polymers
and plasticizers.'
Sentrachem acquires 50% of Mega from Hoechst

Finance Staff

Sentrachem has acquired the 50 percent interest which Hoechst held in some of the operations of its Mega Plastics division for R22.5 million.

The operations concerned are Megapipe, South Africa's major producer of high-density polyethylene piping, Megaflex, a leading manufacturer of flexible hoses and Megapak, which makes packaging and materials handling systems.

Hoechst sold its Mega interests as plastic converting is no longer part of its core business. Hoechst remains in partnership with Sentrachem in their joint ventures in Sapripol, South Africa's only producer of high-density polyethylene and a major producer of polypropylene, and Plastomark, which markets Sapripol's products to the local converting industry.

The effect of the acquisition of Sentrachem's earnings will be positive and the production, marketing and distribution of Mega products will not be affected in any way.
Breakthroughs in environment friendly chemicals

PRESSURE for pest and rodent control chemicals that are less harmful to the environment, animals and humans has led to a number of breakthroughs.

Among the local companies claiming breakthroughs are chemicals manufacturer Ciba-Geigy, while pest control firm Pest Master has obtained the rights to use another new product.

In its efforts to provide "environmental friendly" pesticides, Ciba-Geigy reports having ceased all development work with harmful chlorinated hydrocarbons and organo-phosphates — known to cause most repercussions to nature.

Ciba-Geigy communications manager, plant protection, Gert van Zyl says the company has withdrawn certain herbicides because their persistence was too long and the danger of pollution existed.

Successes achieved by Ciba-Geigy in this field include Larvadex and Vetraxin for the control of flies and blowflies.

In addition, the cattle dip Ektoban is preferred by many farmers against external parasites because it has very little effect on the oxpecker bird.

Van Zyl says much research is aimed at producing safer formulations. The active microscopic droplets in Promet, for example, are encapsulated in a non-active substance so that it has virtually no effect on animals.

Agents active through the use of low doses include Logran, applied at 13 grammes a hectare for weed control in wheat, and Larvadex which is used at five parts per million in chicken feed for the control of flies.

Pest Master MD Peter Winspear says his company has the rights to use Insect Killer, an environmental friendly product that does not harm warm-blooded animals and birds.

The product, which costs about 50% more than conventional pesticides, is effective on anything up to locusts and is not susceptible to pest immunity because of its residual effect.

Spray

"It is also the first product that can be used to spray farm lands which does not necessitate the removal of livestock."

Previously, cattle had to be kept away for about three days from any area sprayed with conventional pesticides.

While the Department of Agriculture is still conducting trials before authorising the use of Insect Killer on farms, it is available for urban area applications, says Winspear.
Families want Sabax probe

THE families involved in the Sabax drip scandal have resolved to press ahead with further judicial investigation into the cause of deaths allegedly linked to the contaminated medical supply product.

Attorney Mr Peter Soller, acting for them, said the families have also agreed to co-operate with the Attorney-General to support the Government decision to consider a mass inquest into the deaths.

Mr Soller said that the matter was under investigation by the South African Police at the behest of the Minister of Health Services, Sam de Beer, but was not expected to come before court until March next year.
Chemical giant posts decrease in earnings

PROSPECTS for chemical giant Sasolchem (Senchem) in the near future were dependent on the economic development of SA, chairman A J van den Berg said in the annual report.

The group posted a drop in earnings in the 17 months to August following four years of sustained growth. This reflected the effects of a severe domestic recession, a general softening in world chemical prices, labour problems and reduced demand for group products, he said. In the 17 months attributable income decreased by 12,4% to R111,6m (on a comparative basis) on a 3,5% increase in turnover.

Van den Berg said in the climate of trade liberalism, adjustments to industrial policy should be prepared in conjunction with the private sector. "The SA chemical industry has the potential to become more export oriented and to participate significantly in world chemical markets."

CE Johan van der Walt said areas of future developments included biotechnology, metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides.

EXECUTIVE SUITE

THIS IS OUR FIRST SESSION IN QUITE A WHILE, MR. STONE
WPP Group fortunes nosedive

JOHN CAVILL

LONDON — The share price of WPP Group, the world’s biggest marketing services company and parent of J Walter Thompson and Ogilvy Mather, crashed by 12% in two days in frenzied selling after a warning about a slump in advertising.

By yesterday the market value of WPP had collapsed from £156m to £43m.

Only three months ago WPP, whose turnover had more than trebled to £1bn since 1987, taking pre-tax profits up by 45% to £75m, reported sparkling figures for the first half of 1990.

But on Monday CE Martin Sorrell said 1990 profits would not meet expectations after cuts in advertising budgets “across all areas”.

The chief concerns are over WPP’s financial structure — bank debts of £340m and convertible preference shares of £214m. In addition, WPP still owes £165m for past acquisitions (of which £100m is payable in cash), with goodwill of £360m in the balance sheet and net equity asset value of minus £342m.

Chemical giant posts decrease in earnings

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EXPORTS
Various projects which were started or continued during the year represented capital expenditure of about R250m, the benefits of which would be felt in the next few years.

Many developing countries were concentrating on developing their chemical industries as a prerequisite for growth in manufacturing and exports.

To ensure future growth, aspects that militated against the industry becoming a significant exporter — such as raw materials at uncompetitive prices, high capital equipment costs and the heavy tax burden — needed to be addressed, he said.

Saschem and other parties were investigating the feasibility of building a petrochemical cracker as a private sector initiative, which he said government should be prepared to facilitate.

Van den Berg said in the climate of trade liberalism, adjustments to industrial policy should be prepared in conjunction with the private sector. “The SA chemical industry has the potential to become more export oriented and to participate significantly in world chemical markets.”

CE Johan van der Walt said areas of future developments included biotechnology, metals chemistry, high-tech plastic conversion and environmentally friendly herbicides and pesticides.

EXECUTIVE SUITE

THIS IS OUR FIRST SESSION, MR. STONE

QUITE A WHILE, MR. STONE
Nivea wins temporary interdict

Star Correspondent

DURBAN — The Pinetown-based manufacturer of the Nivea skin care product range has been granted a temporary interdict in the Supreme Court, Durban, restraining the sale or distribution of a range of similar products that allegedly infringed the Nivea trade mark.

The interdict was brought by Smith & Nephew against MD Fresh International (Pty) a Johannesburg based manufacturer and distributor of cosmetic products and H Golden and Company (Pty) of Durban, trading as Cheks.

Mr Justice Wilson ordered that the two responding companies show cause on January 33 why they should not be barred from infringing the registered trade marks of the Nivea range by using the mark "Vivea", or "Viya", and "Creme" or "Liquid Creme" on their products.
Foreign trends could be boon for Noristan

MARIETTE DU PLESSIS

JSE-listed health-care group Noristan Holdings could benefit commercially and scientifically from three major pharmaceutical trends emerging abroad, executive director Fritz Snyckers said yesterday.

Snyckers, who recently returned from a business trip to the Far East and Europe, said he was “excited at the long-term prospects for Noristan in the areas of open-ended research co-operation, clinical work joint ventures and dosage optimisation”.

Since optimisation of dosages did not require as large an R & D outlay as the development of compounds and new products, significant opportunities existed for Noristan to co-operate with international licensors in terms of “made-to-order” formulations tailored to SA market needs, he said.

The trend away from substance innovation and straight generics to dosage development and formulation optimisation for special applications was particularly evident in Europe, where sophisticated technology was available for patient-tailored dosages and release patterns.

This in turn allowed for exact timing of drug release to be predetermined and for side-effects of drugs to be minimised significantly through an optimised administration, he said.

A number of major foreign pharmaceutical firms had expressed interest in research co-operation on some of the compounds identified by Noristan, and Snyckers expected Noristan to enter into such agreements in 1991.

While it would be unlikely for Noristan to fully develop new research compounds, we are flexible enough to develop novel ideas and to identify the lead molecule on which the multinationals can optimise,” Snyckers said.

Snyckers said foreign interest in Noristan underlined the fact that its credible performance in the R & D field remained an important factor in maintaining a sound image with foreign principals R & D expenditure represented 4% of Noristan’s pharmaceutical sales.
NORISTAN  FIM 23/11/90
LARGER DOSE

Activities: Manufactures and markets pharmaceuticals, cosmetics, medical and hospital equipment, chemicals and computerized information systems

Control: Directors 28.5%, WBA 21%
Chairman: N Stukenholm, MD H Snyckers

Capital structures: 55,4m ards Market capitalization R53,4m

Share markets: Price 100c Yields 6.0% on dividend, 19.6% on earnings, p e ratio, 5.1
cover, 3.3 12-month high, 120c, low, 65c
Trading volume last quarter, 270 000 shares

Year to June 30
'97  '98  '99  '00
ST debt (Rm) 8.7  7.7  2.3  3.3
LT debt (Rm) 4.0  1.3  2.8  4.2
Debt equity ratio 0.19  0.04  0.11
Shareholders' interest 0.62  0.71  0.71  0.63
Int & leasing cover 3.0  3.4  6.2  14.5
Return on cap (%) 10.5  18.1  16.7  13.2
Turnover (Rm) 49.2  55.1  62.7  97.1
Pre-nt profit (Rm) 3.7  7.1  8.6  12.8
Pre-nt margin (%) 7.9  13.7  13.9
Earnings (c) 7.7  15.4  17.5  19.6
Dividends (c) 2.0  2.4  5.5  6.0
Net worth (c) 64  78  93  104

Noristan has gone some way towards achieving its goal of broadening its activities in the health-care market.

During the 1990 year W&A acquired a stake in Noristan. This helped in the acquisition of a number of related businesses and provided the family-controlled group with outside expertise. Management expects to invest further in the health-care area, and possibly establish an offshore base in financial 1991. Thus, with organic growth, should ensure a satisfactory performance.

With effect from July 1989, Noristan acquired 94% of listed property vehicle Aurorcs and W&A took control of 21% of Noristan’s issued share capital. Aurorcs’ name was subsequently changed to Norimed and its listing was transferred to the pharmaceutical and medical sector.

In June 1990 Norimted started negotiating with Crest Holdings to buy the latter’s operating subsidiary, Crest Healthcare Technology (a supplier of patient monitoring equipment and anesthesia products). The acquisition, for R7m, was finalised after year-end but took effect from October 1989.

Crest became an operating subsidiary of Norimed and this division contributed R14,7m to group turnover and R2,4m to operating profit — 13.2% of the total — in financial 1990. Also in June, Norimted’s property interests were sold to W&A subsidiary Hunts for R15,7m — the benefit of the properties’ income having been enjoyed for a full year.

The group also expanded its Norsdata division which supplies custom-developed computer systems to the medical, dental and...
TUBBY Gercke, founder and chairman of Sun Packaging (Sunpack), one of the stars of the 1986 listings boom, is coming to the JSE with another novel listing.

At a capital cost of R12-million, Mr Gercke, together with the IDC, has built SA's second polystyrene producer 400 metres away from Sunpack's Atlantis plant.

The plant is the only one in the Western Cape and competes with Sentra-chem's Styrochem, until now the only supplier of polystyrene, which is used in many packaging applications but most commonly in trays for fresh foods.

Products made by new company Biopolymers will be biodegradable and will not use CFCs.

The plant is working, but biodegradable products have still to be produced. It will also make synthetic paper. Products will go not only to Sunpack but to rival companies. Sunpack will take about half of capacity. Biopolymers will export to West Germany and the US.

Managing director is Ko Eigenhuis, formerly of Bakke and Sasol.

Value

The new company has yet to earn a profit and will be listed on the Development Capital Market.

Shareholders in Sunpack and holding company, Sun Packaging Investments (Sunvest), will be offered 5.9-million shares at 50c each. The IDC will subscribe for 2-million shares Sunvest will hold 8.6-million shares (53%).

There will be 16.5-million shares in issue, valuing the company at R8-million.

Biopolymers (to be abbreviated Biopoly on the JSE) expects to lose R983 000 in 1991, but to achieve a pre-tax profit of R27 000 in 1992. In 1993, the pre-tax number is forecast at R35.5-million and in 1994 at R40.9-million.
Chemical distributors merge their operations

AECI Explosives & Chemicals and Chemical Services will merge their respective chemical distribution subsidiaries into a new company in a move towards the further streamlining of an overtraded market.

The first move towards rationalisation of the competitive chemical distribution market was the merger of Hidpro and Lovaza last year.

The new company Crest Chemicals will come into being through the merger of Spectrum Chemicals and Chemserve Trading on January 1.

It will rank as SA's third largest chemical distribution company, behind Protea Industrial Chemicals.

AECI and Chemical Services will each have a 50% share in the new venture which will be managed by Chemical Services, which is also held by AECI.

Dave Stewart has been appointed MD of Crest Chemicals and Lex van Vught of Chemical Services will be chairman.

Van Vught says the merger will result in various savings to both groups. In addition, the product ranges of both companies are complementary as a large proportion of Spectrum's range is produced locally and Chemserve's products are mainly imported.

Crest Chemicals will operate out of Kramerville, Sandton in the Transvaal, Prospecton and Durban in Natal, and Epping and Cape Town in the western Cape. It will have also branches in Fort Elizabeth and East London.
The local production of indulinol—
chemically equivalent to creosote—
requires the expansion of the current-
equipment to meet market needs.

The expansion program involves the
availability of new equipment and
operational improvements to
increase production capacity.

Hoechst SA's subsidiary, Hoechst
Expansion SA, is preparing plans
for this expansion.

Stratford
Chemsve and AECI merge distribution interests

Finance Staff

AECI Explosives and Chemicals and Chemical Services will merge their respective chemical distribution interests in a new company on January 1. On that date, Spectrum Chemicals (Pty) Limited and Chemserve Trading (Pty) Limited will merge into a new company to be known as Crest Chemicals (Pty) Limited.

AECI and Chemical Services will each have a 50 percent share in the new venture which will be managed by Chemical Services. Dave Stewart has been appointed managing director of Crest Chemicals and Lex van Vught of Chemical Services will be chairman.

"Although Spectrum Chemicals and Chemserve Trading are relative newcomers to the chemical distribution market, both have met with considerable success in establishing themselves as reliable and efficient suppliers," says Dave Stewart.

"We are confident that the merged operation will benefit the industry by offering a more comprehensive product range through its national branch network." The merger is a move towards rationalisation of a market which has become overtraded.

Crest Chemicals will operate out of Kromerville, Sagolosan in the Transvaal, Port Elizabeth, Durban in Natal, Epping, Cape Town in the Western Cape and will have branches in Port Elizabeth and East London.
Vadek buys rights to ‘green’ formula

PAINT manufacturer Vadek has bought rights to produce environmentally-safe cleaning chemicals in SA.

The formula, invented by EconoClean of the US, will be marketed in SA under the Earth-Rite label. Products include shampoo, household cloners, and heavy industrial detergents.

The products are non-toxic, unperfumed and packaged in recyclable containers.

"There are some regulations relating to what non-toxic means, and we adhere to those, but I don't know any that define 'environmentally safe,'" Vadek marketing executive John Vadas says. "Our definition is that it must not poison the environment and must be biodegradable."

Vadas says the presence of phosphates in some detergents has a serious effect on water resources. In rural areas clothes are washed in rivers, and the absence of phosphorus in detergent would help protect organisms in natural water sources.

The products will not be expensive as they are made from agricultural products such as soya bean, maize or citrus. Vadas feels the "environmentally safe" aspect of the new products will be a selling point.
Contract business boom for Noristan

PRETORIA-based health-care group Noristan Holdings increased its contract manufacture business during the past 12 months, with sales up by 63%, pharmaceutical business unit director Fritz Snyckers said yesterday.

In a statement, Snyckers said contract manufacture accounted for half of the company's unit output, with external contract sales, making a substantial contribution to the division's overall performance.

This performance, however, was underpinned by substantial real unit growth, tight financial and operational controls and new manufacturing contracts, the most recent being with Kneill Pharmaceuticals SA and Propan Pharmaceuticals.

But the introduction of an additional half-shift at Noristan's Waltloo factory, necessitated by an overall 18% unit growth, would significantly improve asset utilisation and productivity, he said.

The upgrading and reopening of a modernised sterile manufacturing area and the manufacture of sterile products for Propan would further strengthen its existing contract manufacturing abilities, he said.

With effect from July 1989, Noristan acquired a controlling interest in Aurochs and refocused it from property development to health care.

Aurochs, renamed Normed, subsequently acquired a 108% interest in Crest Healthcare Technology, enabling it to manufacture and distribute medical equipment.

In financial 1989, group turnover jumped by 55% and operating profit by 46%, reflecting the acquisitions and the good performance of the core pharmaceutical division.

New look Farm-Ag positioned for rosier days

RALE Holding subsidiary Farm-Ag — which reported a net loss of R7.7m in the year to end-February from an R11.2m profit in the previous year — would return to profitability in financial 1991 following the disposal of its major loss-contributing operations, says its annual report.

Directors said the firm — which manufactured and distributed agricultural chemicals, machinery, heaters, lawn mowers, patent medicines and toiletries — would become profitable despite the large financing cost incurred early during financial 1991 to finance accounts receivable of the businesses it disposed of.

Borrowings at year-end amounted to R96m.

In major rationalisation during the second half of the year, poorly performing operations and those with high working capital requirements were disposed of.

Farm-Ag acquired a controlling interest in Rale subsidiary Stanchem — an agricultural and chemical wholesaling and retailing business — following a rights offer. Stanchem was disposing of two businesses and its head office.

The group's net asset value at year-end was 231.4c a share against 336c a share in February 1989.
This giant states its mission as being in the chemical business "for the ongoing benefit of stakeholders." But, with 2.4% compound

**Companies**

<table>
<thead>
<tr>
<th>Capex</th>
<th>Sentrachem</th>
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<tbody>
<tr>
<td>1989</td>
<td>Source: J. O. Memmen</td>
</tr>
<tr>
<td>Nov</td>
<td>Mar</td>
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</tbody>
</table>

**EPS growth over the past 10 years, "benefit" seems a misnomer, at least for investors**

**Activities:** Chemicals manufacturing

**Control:** Sankorp 37.8%

**Chairman:** A. J. van der Berg, MD J. H. van der Walt

**Capital structure:** 115.5m ords Market capitalization R462m

**Share market:** Price 400c Yield 9.1% on dividend, 24.2% on earnings, p/e ratio, 4.1, cover, 2.6 12-month high, 710c, low, 380c

**Trading volume last quarter, 984 000 shares**

**Year to Aug 31**

<table>
<thead>
<tr>
<th>ST debt (Rm)</th>
<th>179</th>
<th>98</th>
<th>116</th>
<th>160</th>
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<td>LT debt (Rm)</td>
<td>541</td>
<td>414</td>
<td>440</td>
<td>414</td>
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<tr>
<td>Debt equity ratio</td>
<td>0.92</td>
<td>0.56</td>
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<tr>
<td>Shareholders' interest</td>
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<td>Int &amp; loaning cover</td>
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<td>Return on cap (%)</td>
<td>3.6</td>
<td>8.7</td>
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<td>17.9</td>
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<tr>
<td>Turnover (Rm)</td>
<td>11.4</td>
<td>12.8</td>
<td>28.8</td>
<td>25.9</td>
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<tr>
<td>Pre-int profit (Rm)</td>
<td>64</td>
<td>160</td>
<td>355</td>
<td>341</td>
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<tr>
<td>Pre-int margin (%)</td>
<td>5.6</td>
<td>12.7</td>
<td>12.3</td>
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<tr>
<td>Earnings (c)</td>
<td>47.1</td>
<td>64.7</td>
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<td>98.7</td>
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<tr>
<td>Dividends (c)</td>
<td>nil</td>
<td>20</td>
<td>27.5</td>
<td>35.6</td>
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<tr>
<td>Net worth (c)</td>
<td>430</td>
<td>582</td>
<td>469</td>
<td>473</td>
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</tbody>
</table>

* 17 months
† Pro-forma
* Year to March 31

The venture into producing synthetic rubber and clashing to the overtrusted fertiliser market for too long caused financial strains. Turnover fell in two of the past 10 years and

In 1985 the group made a R50.4m attributable loss. Free cash flow was negative in five of the 10 years.

Economic slowdown did hit performance but most problems seem to have come from involvement in the Afrene synthetic rubber plant at Karbochem in Newcastle and the fertiliser market through Fedmus.

Since 1979, when it was decided to build Afrene, it has been a millstone round management's neck. The R430m capital cost was way ahead of estimates and since start-up in 1982 it has operated in the red. The sale of the ex-subsidiary Fedmus five months into last year limited year-on-year turnover growth to 15%. With Fedmus stripped out, turnover grew by 39% and pre-tax income by 42%.

Management realised that to achieve better and more sustainable returns on assets the group would have to move away from commodity chemicals and focus more on the lighter and more specialised end of the market. This train of thought perhaps eased the decision to mothball the Afrene plant.

The R250m capex last year went into expanding facilities to service niches in the chemical market. Some projects, like the R58m high-density polyethylene plant at Sasolburg, will start kicking in profits this year.

Actions taken by MD Johan van der Walt in the past two years could improve growth in the Nineties. With Afrene and Fedmus out of the system the group could well again earn 25% on capital employed. The new focus to add more value to products, and thereby also profits, will add to the share's recovery potential when the upturn comes.

Gerhard Stibbe
RE-RATING SHOULD BE EXTENDED

Activities: Exploration, production, marketing and distribution of petroleum products
Control: Gencor and Genbel 93%
Chairman: B A Smith, MD R J Angel
Capital structure: 110m orts Market capitalisation £1.2bn
Share market: Price 2.730c Yields 3.6% on dividend, 9.7% on earnings, p/e ratio, 10.3, cover, 2.7 12-month high, 3.250c, low, 2.625c Trading volume last quarter, 621,000 shares

<table>
<thead>
<tr>
<th>Year to August</th>
<th>88</th>
<th>89</th>
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<td>LT debt (tbn)</td>
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<td>Debt equity ratio</td>
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<td>Interest cover</td>
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<tr>
<td>Int &amp; leasing cover</td>
<td>n/a</td>
<td>n/a</td>
<td>17.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>14.7</td>
<td>16.1</td>
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<tr>
<td>Turnover (tbn)</td>
<td>0.74</td>
<td>1.0</td>
<td>3.17</td>
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<td>Net profit (tbn)</td>
<td>45.2</td>
<td>50.8</td>
<td>203.0</td>
<td>322.6</td>
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<tr>
<td>Pre-tax profit (%)</td>
<td>4.4</td>
<td>3.6</td>
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<tr>
<td>Earnings (t)</td>
<td>127</td>
<td>182</td>
<td>321</td>
<td>264</td>
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<tr>
<td>Dividends (t)</td>
<td>78</td>
<td>83</td>
<td>87</td>
<td>97</td>
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<tr>
<td>Net worth (t)</td>
<td>810</td>
<td>778</td>
<td>1,007</td>
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</tbody>
</table>

* 1989 - Actual results for 12 months for Trek Beleggings and six months for interests acquired from March 1
† 1990 - Pro forma results assuming a full 12-month contribution from all interests which now make up the Engen Group

Milden results leave little doubt that the first stage of the transformation of what was Trek Beleggings from a relatively minor player into one of the leaders of the energy industry has been accomplished. The question now is whether momentum in the successive stages can be maintained, enabling the enlarged group to achieve target levels of profitability.

Though Engen ended the financial year comfortably ahead of its transmuted listing statement forecast — and without in any way trying to minimise achievements to date — two points should not be overlooked. One is that the new Engen is less profitable than the old Trek in terms of return on capital employed. The other is that EPS were probably lower than they would have been had additional assets not been injected into Trek.

The latter is impossible to quantify with any accuracy, but the fact that 1990 pro forma earnings — assuming that Engen operated in its present form throughout — were 7c (3.5%) below the actual results suggests that the 5.4% dilution shone forward at the time of the deal was close to the mark.

The reconstruction midway through the year creates a number of problems when it comes to analysing the financial statements, because the income statement cannot be related directly to the balance sheet. For this reason, the accompanying table includes a column based on pro forma 1990 results. Unless otherwise indicated, all comments here relate to the pro forma position.

Though trading margins widened considerably, mainly thanks to the inclusion of refining profits, this was more than offset by the higher funds employed, so that pre-interest return on total assets fell significantly from Trek's 15% in 1989 to only 12.5%.

Possibly even more to the point is that even if the ratio is calculated on net capital employed (excluding cost-free liabilities), it still amounts to only 19.3%, or roughly three quarters of what it should be if Engen is to remain within its own financial targets.

Two key targets are the ceiling on borrowings at 50% of permanent capital and minimum interest cover of five times. Putting these together, and on the present effective cost of debt of 14%, implies a target return on net funds employed of about 24%. That, in turn, implies that Engen can push operating profit well above 1989's pro forma figure.

That obviously won't happen overnight. But, as a medium-term prospect, the outlook is encouraging for a number of reasons. Firstly, the income statement has yet to feel the full impact of rationalisation at Mobil, Trek and Sonap. So far, rationalisation has been confined mainly to product distribution, but it could go further if, for example, it is decided to bring the three marketing chains under a single umbrella when Engen takes up the Mobil trademark — as it must after June 1994.

Also on the rationalisation front, but a separate issue, is the additional revenue that will be generated once Trek's refining contract with Shell-BP expires in 1992 — coinciding with the completion of the first phase of the expansion of Engen's Genref refinery.

This expansion, whose second phase is due for completion in 1994, should offer increased margins as well. For one thing, yields of refined product, especially higher value-added products, are expected to improve, for another, Engen will then have capacity to generate additional sales through exports which, though less profitable than domestic sales, help maintain high plant loadings with beneficial effects on utilisation.

SA's improved political image could not have come at a better time for exports. MD Rob Angel is obviously elated at the progress that the group, divorced from Mobil US, has already achieved.

Continued improvement in the political equation would also significantly enhance the development of a meaningful exploration programme with considerable potential benefits if, at some stage, Engen can own-source some of its crude oil requirements.

Against all this, there are few apparent negatives. About the only one of any consequence is the impact on demand of all the increased sources of revenue.

There is also the possibility that a withdrawal of the oil embargo as part of a general softening of sanctions could trigger deregulation of the oil industry, with a consequent intensification of competition.

But the balance of probability favours strong profit growth in the next few years.

Over the past year, the price rose from 1.700c to a high of 3.250c shortly after the listing of Engen, before settling back to the present 2.750c. On yield considerations, the market has done little more than recognise that Trek, previously unable to derive full benefits from its strong cash-generating ability and, therefore, undervalued, has been catapulted on its new growth path. As this translates into earnings, the share should continue to outperform on further upward re-rating.

Brian Thompson

SENTRACHEM FIM 30/11/90

This giant states its mission as being in the chemical business "for the ongoing benefit of stakeholders." But, with 2.4% compound
Plate Glass begins to emerge from woods

By Ann Crotty

A drastic programme to dispose of the bulk of its international wood operations at a loss of R74 million enabled Plate Glass & Shatterprufe Industries (PGSI) to exceed market expectations and turn in a marginal increase in nominal earnings at the interim stage.

For the six months to September, PGSI reported earnings per share of 213,1c (211,8c) and has declared an unchanged dividend of 65c.

The cost of the disposal of the overseas wood interests was taken below the line and was netted out against the profit earned on the sale of PGSI's UK-based building glass subsidiary to St Gobain.

If the R74 million loss had been treated as an abnormal item and not an extraordinary (non-trading) item and had therefore been taken above the line, it would have been equivalent to 45c a share.

Group financial director Mike Read says PGSI's treatment of the loss is in line with normal accounting practice. "Once a decision is made and steps are taken to dispose of assets, the losses incurred in that disposal are treated as a non-trading item."

This means PGSI's income statement was saved from what would certainly have been significant operating losses on the international wood side.

In financial 1990, the international wood division lost 200,5c a share.

Much of this was taken in the second half — with an estimated 50c a share loss suffered in the six months to September 1989.

If that 50c loss were stripped out of the comparative interim earnings figure, the review earnings performance would show a 33 percent drop on the previous interim.

On the balance sheet side, the combined effect of the profitable sale of building glass assets to St Gobain and the costly disposal of the wood interests saw a sharp reduction in gearing — down from 78 percent at end-March to 38 percent at end-September.

Reflecting the impact of the streamlining, the review figures show turnover down 14 percent to R1,36 billion (R1,57 billion) and operating profit up nine percent to R182,4 million (R165,4 million).

Interest charges were down 13 percent to R19,5 million (R22,3 million). A reduction in income from associates and a hefty increase in preference dividends meant attributable income was virtually unchanged at R38,1 million (R38,9 million).

The directors say the wood division accounted for earnings of 43c a share, compared with 24c in the previous interim (which includes the 50c international loss).

The glass division's interim contribution was down to 170c (208c) mainly as a result of heavy offshore development costs.

There was an extraordinary profit of R25 million, reflecting the balance of the R115 million net profit on the European glass deal (equivalent to 68c a share), the R74 million loss on the disposal of wood interests and R15 million goodwill costs attached to various acquisitions.

At a current trading level of R36,50, the share is well down on its 12-month high of R69.

In early May, just before the announcement of the problems suffered by the international wood operations, the share was at R59.

For the full year, the 208c a share "turnover" loss will not be repeated. Shareholders must weigh this benefit against the R74 million loss that had to be taken to ensure its non-recurrence.
New Vaal housing scheme launched

By KENOSI MODISANE

A Johannesburg-based pharmaceutical and a housing company this week launched a new range of corporate group scheme housing in Eboti's North Oates Gardens.

The scheme, which involved Adcock-Ingrams Laboratories and Minnar International, was hailed as "positive step for companies to be involved in group housing schemes for their employees".

"This is not only a step forward in the building industry, but it is a triumph that senior officials from companies should inspect houses built for their employees before they move in," said Mr Philip Nicolau of Minnar.

"It is also a good social exercise that senior members in a company should know where their employees retire to at the end of every working day," added Nicolau.

About 11 executive officials from Adcock inspected the houses built at the new suburb. And they were later treated to a braai as a "roof wetting party".

Sevatana 30/11/90
More for export

CG SMITH Chemicals is investing R7.5 million in the expansion of its plant for the production of furfural at Scelza on the Natal South Coast.

CG Smith supplies the entire SA market for furfural and the expansion will increase production for export, says development manager Brian Cowell.

Furfural is a chemical produced from sugar mill byproduct bagasse and is used as a solvent in oil refineries and in the production of furfuryl alcohol for the foundry industry.
Cheery for Royal

Business Times Reporter

CHEMICAL and confectionery group Royal Corporation has picked a cherry with its latest acquisition. It has bought the entire shareholding in the South African Preserving Co (Sapco) for undisclosed amount from its international parent, Del Monte Foods International.

Sources in the industry believe the price is high — R50-million to R100-million. Sapco is a byword in the Tulbagh area of the Western Cape and the world’s preserved-fruit industry. It is the primary supplier of canned fruit to Del Monte and the deal is believed to guarantee the long-term continuation of the agreement.

The Del Monte label will also appear on SA supermarket shelves.

The deal is subject to certain formalities and approval by Royal shareholders. Details will be announced soon
Engen off to flying start and better to come as wells flow

ENGEN'S transmuted listing through Trek Beleggings in May was a milestone for the JSE, providing investors with an opportunity to get into SA's only comprehensive oil-based fuel group.

Straddling exploration, refining, distribution and retail sales, Engen must benefit as the economy expands and matures.

Looking further afield, the door will open to opportunities as other countries in Southern Africa focus on the development of their own economies.

Then there is always the chance of a windfall breakthrough in oil and gas exploration.

The first move in the birth of Engen came with Gencor's coup in buying US oil giant Mobil's Southern African operations for R550-million when the parent gave in to disinvestment pressure.

STAKE

This provided the Genref refinery in Durban and Mobil's huge distribution network throughout Southern Africa. It fitted in well with Gencor-controlled Trek, a strong force in the marketing of petroleum products and a producer of re-refined lubricants and greases, and Sonap, with its strong distribution network in the Transvaal.

Gencor also has a 30% stake in the Mossgas out-from-gas project which is due to start deliveries late next year.

The final element came from Gencor's 20% option in Soekor's promising drilling operations in the Bredasdorp Basin and its interests in the North Sea's Alba and Kibda fields.

The formation of the R5-billion-a-year Engen culminated in the reverse listing through Trek Beleggings in May.

It has started in fine style, producing earnings and dividends well ahead of the transmuted listing document's forecasts for the year to August 30.

Attributable income, forecast to be R260-million, but R253-million and the final dividend of 7c was 7c ahead of forecast. The payout for the year was 97c.

By IAN SMITH

Funded

The group is also examining oil exploration ventures outside Southern Africa. A likely target area is West Africa, says Mr Angel.

Engen is manager of the Mossgas project and has 30% of the present equity investment of R100-million. Offshore and onshore work is about 80% complete.

Six months after commercial production begins, Mossgas will be recapitalised and funded 40% by shareholders, 40% by the Central Energy Fund in special loans, interest and redemption terms being based on profitability, and 20% by commercial loans, largely in foreign export credits on imported components.

Agreements with Soekor give Engen the right to take part in up to 26% of exploration wells in an area of 6000 sq km.

Various levels of interest have been acquired in 17 prospects since 1987 and potentially commercial flow rates have been recorded in six of them.

Mr Angel says that because of the high cost of exploration, risk management is a critical factor.

"Spreading risk, both through geographical diversity and by reduced exposure through minority interests is the rule more than the exception. A key element of Engen's strategy will be rigorous management of risk," says Mr Angel.

Forces

Engen has started a R1.2-billion upgrading and expansion programme which will increase efficiency and refining capacity at Genref by the end of 1993.

It has joined forces with chemical groups Sentrachem and AECI to investigate the possibility of building a R4.5-billion chemical complex based on the infrastructure and by-products of either Mossgas or Genref.

The investigation is expected to be completed by the end of the year and a decision to go ahead could be made two years later.

The 50% increase in refining capacity at Genref will come on stream at a time when refineries around the world are expected to be stretched by demand.

It will enable Trek refining, currently done by Shell-BP, to be brought in-house.

The expansion will also enable Engen to increase exports to African and Indian Ocean countries.

"We are pre-investing in selected areas to secure a share of these rapidly growing markets once the expanded refinery is on stream," says Mr Angel.

Managing director Rob Angel, who elected to stay with Engen in spite of attractive offers from Mobil when his handover year ended, is confident that earnings will improve as expansion and "de-bottlenecking" projects are completed and rationalisation benefits, particularly in distribution, arrive.

Rob Angel Risk management vital
Engen tipped to unveil R600-m expansion plan

By Magnus Heystek

Engen is expected to announce today a major expansion plan, rumoured to be in the vicinity of R600 million over a period of time, at its Genrefel refinery in Durban.

The Engen board is meeting later today when the go-ahead is expected to be given to the project, industry sources say.

On Friday chairman of Engen Bernard Smith told shareholders at the AGM in Cape Town he expected Engen to increase earnings in the current financial year.

Despite the downturn, which has been further exacerbated by the Gulf crisis, Mr Smith felt confident that Engen, SA’s only totally integrated energy company, would better the past year’s earnings of 1946c a share.

Mr Smith said that as was evident towards the end of the last financial year, the economy in general was not buoyant and that it had since continued to decline.

Thus, combined with higher fuel prices, could adversely affect volume sales, he said.

“However, no serious evidence of such a deterioration in sales has been seen to date,” he said.

“We are encouraged to see the Government responding quickly to the recent fall in world product prices by reducing pump prices,” he said.

“This will protect the SA economy from further pressure.”

Commenting on the longer-term outlook for oil and fuel prices, Mr Smith said that should the Gulf crisis escalate into war, it would undoubtedly cause wild price fluctuations in the short term.

“However, unless Iraqi troops are able to occupy and mine neighbouring oil fields in Saudi Arabia or other Gulf states, there is unlikely to be any real medium-term shortage of crude,” he told the meeting.

Mr Smith, however, noted that the disruption of shipping in the Gulf was a potentially serious short-term risk.

He said that Gulf refineries were more vulnerable and if any were hit by missiles or bombs, the supply of fuel products could tighten further.

This would place further upward pressure on refining margins.

He said the escalating tension in the Gulf, in conjunction with long-term tightening of refinery capacity worldwide, highlighted the importance to Engen of the Genrefel refinery in Durban.

The refinery, which had been shut down for planned major maintenance, had been successfully restarted, he said.
SA Druggists 'will maintain earnings'

MARIETTE DU PLESSIS

ALTHOUGH difficulties experienced during 1990 interrupted SA Druggists' (SAD's) consistent 24% compound growth in profits of the past seven years, earnings would be maintained in financial 1991, MD Tony Karis said in an interview.

While interim results did not meet expectations, Karis was confident that when SAD's two-year period of consolidation came to an end in March 1991, profit growth would be possible.

He regarded marketing, productivity, exports and asset management as the four main criteria of growth, and expected improved management of stock and debtors during the latter half of the year to ensure improved profitability.

Despite growth in earnings in the first six months, reduced trading margins and lower exports saw SAD's earnings falling by 1% in the year to end-March 1990.

Operating margins during this period were also cut in view of problems both in its distribution division's LPA Johannesburg operation and on the manufacturing side, where large volumes of unprofitable state tender business hammered margins at the Lennon Pharmaceutical factory.

Although LPA came back on stream during August, additional turnover was needed to return to the previous year's profitability levels.

In addition, Lennon was "moving in the right direction and operations are up and running at expected growth levels", Karis said.

While state tender business amounted to about a quarter of Lennon's turnover, reduction in the tender sector would be made up in the private sector, together with other private sector growth, he said.

Problems at LPA were also seen as the main factor which resulted in the 7% drop in attributable income in the first six months of the current financial year.

Karis also saw exporting as a major growth area and expected to regain lost overseas customers to boost export revenue.
Engen gives go-ahead for R670-m expansion at Durban refinery

By Jabulani Sikhakhane

The board of Engen, Gencor's energy arm, has authorised a capital expenditure totalling R670 million to increase capacity by some 30 percent at the Genref refinery in Durban.

The amount includes escalation and R70 million capitalised interest.

Chairman Bernard Smith said yesterday that the first phase of this expansion, which will start early next year, will allow Genref to take over the production of Trek volumes in 1992, accommodate anticipated increases in Mobil, Sonap and export volumes.

The increased capacity will reduce the costs of production per unit due to increased volume output, lead to energy savings of about five percent and an increase of about 2.4 percent in gasoline and diesel yields.

The first phase of the project, which is expected to pay for itself within five years, is due for completion by August 1992.

Exports

Chief executive and managing director, Rob Angel told a media briefing yesterday that Engen will be setting up infrastructure in neighbouring African countries to prepare for exports into these countries when the first phase of Genref's expansion is complete by mid-1992.

The second phase of the expansion programme, which will be taken to the Engen board by about June 1991, will cost an estimated R500 million. The third phase is still in a conceptual engineering stage.

Mr. Angel said:

Mr. Smith said the R670 million can be financed out of retained earnings and borrowings.

At end August 1990, Engen had retained earnings of R227,751 million.

However, he said consideration was being given to raising additional capital in the future.

On top of the expansion programme at the Genref refinery, Engen will need another R200 million to take eight percent of Gencor's 30 percent stake in the Alia oil fields in the North Sea.

The fields have in-place oil reserves in excess of one billion barrels.

Engen will also need extra capital should it decide to increase its participation in Mossgas when it comes on stream.
Sapref oil refinery will ‘easily make up’ lost Trek business

SAPREF, the Shell-BP oil refinery in Durban, will easily make up lost throughput after the 1992 termination of its refining contract with Engen-controlled Trek, Shell MD John Drake said yesterday.

"With demand increasing steadily, the reduction in throughput will be easily accommodated," Drake said.

"Current growth will more than compensate for any loss as a result of the termination of the contract."

On Monday, Engen announced a R670m first-phase expansion of its Genref refinery in Durban. The expansion will enable Genref to bring the Trek refining in-house, so the Shell-BP refining contract will not be renewed.

"The oil companies do not release physical volume figures. The Genref first phase expansion will boost capacity by 30%. Most of this is expected to be used to handle the refining needs of Trek."

Termination of the Trek refining contract would boost available capacity at Sapref, effectively deferring the next major refinery expansion, Drake said.

He confirmed that Shell was studying the possibility of expanding its refinery operations. "We are doing technical analysis but expansion is likely to occur only towards the mid-1980s," he said.

Demand for petrol remained strong, despite higher prices resulting from the Gulf crisis, Drake said.

"There is some inelasticity in demand for petrol in SA. This is partly because we do not have a good public transport system. Rapid urbanisation and the growth of the black taxi industry have contributed to continued strong demand," he said.

Demand for diesel products had been flat, he said. This was attributed to the slowing economy and reduced demand..."
Sabax wins top SA safety award

SABAX, a division of Adcock-Ingram, recorded a 24 percent increase in turnover during the past financial year. Sabax recently admitted contamination was found in a number of units in two batches of an admixture prescription medicine prepared by its admixture pharmacy and which may have caused the deaths of many new-born babies.

The admission came after press reports about a number of infant deaths at exclusive private clinics and a Johannesburg hospital. The infants died from the Klebsiella infection, which might have been passed on in contaminated potassium drops manufactured and distributed by Sabax.

Adcock Ingram's 1990 annual report reveals that Sabax experienced a 24 percent growth in turnover and received the National Productivity Institute's Gold Class award and NSCOA's supreme safety award — SA's supreme safety award — during the 1990 financial year.

The annual report states that Sabax's "successful inventory reduction programme, manufacturing efficiencies and productivity improvements favourably impacted on earnings growth."

The infant death scandal is mentioned in the annual report under "Sabax investigation."

In his chairman's statement, Robert Albert Williams said: "Investigations have revealed that units in two batches of an admixture prescription medicine prepared in the Sabax admixture pharmacy were contaminated.

"Detailed investigations by ourselves and independent third parties are still being conducted in order to determine the precise cause of this contamination. I would like to reassure our shareholders that we are fully aware of our responsibilities and will continue to investigate thoroughly the entire matter."

Mr Williams said the Sabax admixture pharmacy operation has been closed pending the outcome of investigations.

He said all other sterile products manufactured by Sabax — such as large volume sterile intravenous infusions, dialysis solutions and irrigation fluids and blood packs — are "not implicated."
Chemicals see threat of dumping

THE SPECTRE of dumping haunts the R10-billion-a-year chemical industry because the Government has reduced tariff protection to international norms.

One of the biggest fears is that international producers will dump chemical products into SA as the world economy enters recession, says Sentrachem director Roy Pithey.

"Mr Pithey says SA is a small but sophisticated and competitive market. "We have a good infrastructure and when the softer international demand begins to fade, chemicals will be dumped in SA."

"Anti-dumping measures are not easy to instil and it is difficult to prove dumping. The onus should be on the exporter to prove that goods have not been dumped."

Mergers

The Lambrechts committee report, a joint effort by the Department of Trade and Industry and the chemical makers, recognises this problem.

The report says protection should be reduced gradually to improve the industry's competitiveness. It admits that less protection means lower prices, with the result that not all companies will survive.

"Mr Pithey thinks it unlikely that mergers will take place, or that any of the major producers will disappear."

By DIRK TIEMANN

Mr Pithey says the chemical industry agrees with what the Government is trying to do. "Our industry developed under a policy of supplying only the home market. Exporters face several disadvantages, not the least being SA's geographic and political isolation."

"Raw materials often have to be imported at relatively high costs. Volatile gases, forming the basis of the petrochemical industry, are difficult and expensive to transport."

Mr Pithey says the industry cannot grow without exporting, but access to raw materials at world prices is essential. The removal of protection must allow the industry to get its foreign distributors in place and to identify markets.

Mr Pithey regards a naphtha cracker as essential for growth. Naphtha is a derivative of crude oil and is used as feedstock to produce ethylene, propylene and other hydrocarbons. The cracker would cost about R2.5-billion and R2-billion would be needed for downstream plants.

Mr Pithey believes the cracker would supply worldprice raw materials and provide all the chemical building blocks, which are not readily available in SA.
Rubber hopes

By DON ROBERTSON

KARBOCHEM, a Sentrachem subsidiary, is investigating the manufacture of an advanced form of butadiene rubber at its under-used Newcastle plant.

In the past, the quality of butadiene rubber, made in only two other countries, has been imported.

Part of the plant will be modified at a cost of between R10-million and R15-million in the second quarter of next year and production could start early in 1992.

When in full production three years later, about 20 000 tons of rubber will be available for export. It could earn about R85-million at today's prices, says managing director Ben Schoeman.

Production will be about 36 000 tons of which about 12 000 will be used in SA.

The Newcastle plant has not been fully used since polysisoprene rubber production was stopped this year. Production was ended because of a sharp drop in the price of natural rubber, which the synthetic polysisoprene rubber replaces. SA synthetic rubber replaces SA natural rubber and this section of the plant became unprofitable.

Tyre manufacturers have tested the technical specifications of the product and have indicated that they will support it if pricing is competitive. It can also be used in the manufacture of industrial rubber products.

Mr Schoeman says: "Tests in Europe have convinced us that this rubber will be ideal for SA use and export. "It is so versatile that it could replace virtually any other butadiene rubber used in tyre manufacturing."

The rand's world value

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Domestic interest rates

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Capital market

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Best sections this week

Tobacco and Match | 4.5+ | 4.5 |
Venture Capital | 4.5+ | 3.8 |
Banks and Fin Serv | 4.5+ | 7.7 |
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Overall market this week
Afrox chairman hits at overregulation

Persistent overregulation reduced market-related activity and inflated healthcare costs to unacceptable levels, Afrox chairman Peter Joubert said in the annual report.

Thus, combined with a weak currency which added enormously to the cost of many imported items of capital and consumables, as well as the underutilisation of hospital beds run by the public sector, were matters of grave concern, Joubert said.

No progress had been made in this respect, or in the general overregulation of health services, the multiplicity of health authorities and the restraint placed on suppliers, the medical profession, medical schemes and pharmacies.

Afrox's healthcare division consisted of, among others, 10 hospitals and a day clinic as well as its clinical pharmaceutical subsidiary, Home and Hospital Dispensaries.

In the year ending September 1990, returns from the healthcare division increased significantly with the completion of several expansion projects. Overall group performance was in line with expectations, with earnings 27% higher at 21.5c (17.6c) a share.

Although 1991 was expected to be a difficult period in which interest rates would remain high, Afrox was well positioned to maintain positive growth, though at a lower level than achieved during the 1990 financial year, Joubert said.
Adcock is poised for growth after changes

PHARMACEUTICAL group Adcock Ingram is poised for growth and its recent restructuring bodes well for increased earnings in financial 1991, CEO Don Bodley said in a recent interview.

The economic downturn could affect consumer products and proprietary medicines, he said. However, he expected Adcock to maintain a reasonable level of organic growth in 1991 because of new products in the pipeline as well as the fast-growing self-medication market.

Adcock experienced another year of strong growth in 1990, with attributable income reflecting a 25% increase to R49,4m (R38,3m).

Its current dividend yield and earnings yield of 2,12% and 5,65% respectively, compared favourably with the sector's 4,5% and 8,3%.

The restructuring programme necessitated the reorganising of Adcock Ingram Laboratories in Industria and Saphar-Med in Durban.

During 1990, Adcock acquired the assets of and rights to market existing and future products of Leo Laboratories, a Danish company, and those of Bi-Hern Tool and Products, a specialist plastics mould and dye manufacturer.

The Sabex dye affair, being investigated by the Department of Health, could affect this year's performance, but Bodley was confident this would not happen since the admixture pharmacy involved represented less than 1% of Sabex's business.

In the annual report, a 25% return on ordinary shareholders' equity was forecast for 1991.
Investor doubts about the wisdom of Royal Corporation’s (formerly Lovasz Chemicals) acquisitions of Royal Beech Nut last year and the price paid appear to have been dispelled.

Royal’s latest acquisition of fruit canner, SA Preserving Company (Sapco) and certain SA trademarks from Del Monte Foods International has raised no such doubts. Analysts believe the price paid to be around R100 million.

Royal’s share price has been rated strongly, surging 46 percent from 160c at the end of November to the current price of 228c. At this price level Royal is trading on an earnings multiple of 12 and a dividend yield of 2.6, compared with the industrial holdings average of 8 and 4.9.

Management maintains that while Royal is listed in the industrial holdings, its activities are more comparable with those in the food sector which has an average P/E of 12.8 and dividend yield of 3.4.

Investor interest in Royal is also being spurred by speculation of another acquisition and the fact that Royal will probably soon announce a separate listing of its food and chemical interests.

Analysts believe that Royal will probably go for a rights issue through the separate listing of Royal Beech-Nut, which houses the group’s food and confectionery, in order to fund the acquisition of Sapco.

Managing director, Doug Johnston said recently that RBN will list when it makes an acquisition or when the market is right for a listing.

Analysts say that Royal’s rating is also justified in line with the group’s performance. In the six months to ending August, Royal showed a 20.4 percent increase in earnings, at a time when most companies were reporting falling earnings.

Sapco cans fruit for export under long-term contracts (said to be over 25 years) to Del Monte Foods International, which is one of the biggest canners in the world.

Sapco’s canning plant operates from November to end-April, leaving six months of spare capacity for Royal to use.

One analyst notes that although the purchase price might appear high, Sapco could double Royal’s profitability.

All the current Sapco production is for export. Export allowances should lower Royal’s already-low effective tax rate. In financial 1989, Royal’s effective tax rate was 11.5 percent.

Royal, previously Lovasz Chemicals, was reconstituted in March 1989 to complete the acquisition of Royal Beech-Nut from its disinvesting US parent Nabisco for R45 million.

Although Lovasz was criticised for offering more than other bidders were willing to pay, RBN now contributes about 67 percent of the group’s attributable profits and has justified the price paid.

Other acquisitions included Manhattan Confectionery for R4.5 million and two brands from the Kelloggs Corporation.

After a R60.5 million rights issue, Lovasz changed its name to Royal Corporation and moved from the chemical and oils sector to the industrial holdings board of the JSE.

It had RBN as its food and confectionery arm and Lovasz housing the group’s chemical and pharmaceutical business.

The successful integration of all these acquisitions and their subsequent good performances is sufficient vindication, according to Vivian Immelman (executive chairman of Royal Corporation) aim to build a solid and focused industrial group.

Overall, Frankel, Marx Polak, Vinderne analyst, Teague Payne says the market has gained confidence that Vivian Immelman can achieve his ambition to build Royal into a major, dynamic group.

He adds that Mr Immelman generally acquires businesses with which he is thoroughly familiar.
Court costs may cripple farmers

SEVEN Natal Midlands farmers might have to sell their farms to pay about R1.5m in legal costs incurred by losing a protracted court battle against 17 chemical companies, Natal Fresh Produce Association chairman Roger Evans said yesterday.

The Taia Valley farmers claimed they had suffered millions of rands in damage to their vegetable harvests caused by vapour drifting from the hormone herbicides used by sugar farmers in the area.

Vapour drift arose from the evaporation and subsequent condensation of herbicides which deformed crops and, in cases of extreme exposure, could kill entire harvests.

Evans alleged the use of hormone herbicides manufactured and produced by the companies had over the past five years resulted in percentage yield of the farmers' first-grade tomatoes declining from 70% to 15% a year.

The average lettuce yield had dropped from 65% to 32% and that of cabbages from 85% to 45%.

Last month the farmers were refused leave by the Natal division of the Supreme Court to revive their legal case, with costs being awarded in favour of the chemical companies.

The court ruled that the farmers had failed to show they could adequately amend their particulars of the claim alleging that the hormone herbicides were in fact responsible for damage to their crops and that their use was wrongful.

The companies, among others Centracem, Staalchem Chemicals, FBC Holdings and Starkie Ayres, did offer to cover the legal costs which the farmers were ordered to pay, on condition the farmers forfeited their right to take legal action, refrained from public campaigns and apologised for any inconvenience caused to the national newspapers.

Evans, also one of the plaintiffs in the case, said the farmers had refused to apologise for something which they could substantiate with scientific evidence.

He said the case was rejected on technicalities before the evidence could even be tested in court.

Evans said the farmers were convinced that investigations into the matter by themselves, the University of Natal, the Department of Agriculture and the Sugar Association could still turn events in their favour.

Government had since declared a wide "cordon sanitaire" around the Taia Valley in which the use of any phenoxyes was forbidden and in addition had enforced a ban on all applications of such products by aeroplane for the whole of Natal.
Titanium project should come on stream next year

THE R295m 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.

Gencon 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 titaferrous 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.

JOHN CAVILL and PETER GALLI

RBM was also expanding zircon output from 140,000 tons a year to 300,000 tons and rutile from 69,000 tons to 115,000 tons. RBM produces 650 tons of monazite, 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 titaferrous slag in 1989 were Canada (1-million tons), South Africa (650,000 tons) and Norway (200,000 tons).

Titanium dioxide pigment, which is mainly used in paint, paper and plastics, accounts for 50% of consumption of titaferrous 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 unpening of 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.
Strikers receive ultimatum

ABOUT 15 workers at a chemical company in Paarden Eiland have been given an ultimatum to return to work by 8am today after they went on an "illegal" strike yesterday morning.

A spokesman for the SA Chemical Workers Union, Mr Peter Roman, said the workers went on strike over a demand for an R30-a-week across-the-board wage increase.

A spokesman for Albon Chemicals, Mr Sam Druck, said the company had offered the workers a 20.5% wage increase. — Sapa
Farm-Ag gearing improves

RATIONALISATION and disposals improved Rale Holdings' subsidiary Farm-Ag's gearing materially in the six months to end-August with net income from continued operations rising 54% to R5m (R3,3m) on a 46% drop in turnover to R40,4m (R74,5m).

Results published today show a 55% rise in taxed profit to R3,1m (R2m) but the R3,6m loss from discontinued operations resulted in a net income of R1,5m (R4m).

The disposal of Farm-Ag's agricultural seed distribution business, previously conducted by its Staalchem division, together with the costs of collecting and financing trade debtors of disposed businesses contributed to those losses.

Earnings a share before losses increased by 46% to 35,3c (24,2c) while earnings after losses showed a 57% drop to 19,2c (24,2c).

No interim dividend has been declared.

Directors said a comparison of the results with those of the corresponding period in 1989 was of little value because of the substantial reorganisation and disposal of many component businesses.

"... these results compared favourably with those achieved for the 12-month period ended February 1990 where net income from continued operations amounted to R3,6m and the loss from discontinued operations amounted to R11m," they said.

A major reorganisation of the Potter and Moore toiletries division should curtail losses by financial year-end, directors said.

They added that losses arising from discontinued operations were expected to be lower in the last six months, and forecast a substantial rise in attributable income from associated companies which were seasonal and heavily biased towards the second half of the financial year.

Similar trend

Progress had been made on the acquisition of suitable assets to enable Farm-Ag to retain the listing of Staalchem which became a cash shell in October.

Since holding company Rale Holdings' only investment is its 65% shareholding in Farm-Ag, its results also reflected a similar trend.

Taxed profit more than doubled to R2,8m (R1,38m), but ordinary shareholders' attributable income dropped 70% to R605,000. Earnings after losses from discontinued operations also decreased by 70% to 0,85c (2,11c) a share.
SA pays high price for gas

MARC HÄSSENFUSS

SA's average gas price is 78% higher than the combined average for major industrial countries, a National Utility Services (NUS) international gas price survey shows.

The survey, covering the year to end-September, showed SA gas users paid an average of R23.44 a gigajoule (a measure of energy), whereas Italy paid R17.34, the US R10 and Canada R8.74. The International Energy Agency said SA did not have a natural gas supply, and thus distorted price comparisons. But he agreed that while gas was traditionally an inexpensive commodity, "in SA's case this is clearly no longer so".

The high price South Africans paid for gas was a reflection of a lack of volume, but was also an indication of the small number of dominant suppliers and the consequent lack of competition, Cornelius said.
Adcock is showing strong organic growth

Adcock Ingram's continued strong growth justifies this health care group's premium rating by investors.

In the past five years, Adcock has achieved a compound dividend growth of 30 percent, while earnings have grown in the same order.

At yesterday's closing price of R3.2, Adcock yields 2.1 percent on dividend, representing a premium rating of 43.24 percent over the industrial index dividend yield of 3.7 percent.

This strong growth pattern continued in financial 1990, despite a contracting economy. Adcock beat an increase in the tax rate to 48 percent (39.7 percent) to chip in with an earnings growth of 22.5 percent. Dividends were up 24.8 percent.

Chief executive Don Bodley writes in the group's annual report that this performance was due to strong organic growth from all subsidiaries as a result of improved marketing strategies.

All group divisions showed strong growth. E J Adcock upped its turnover 40 percent to R230.1 million. But Mr Bodley notes that margins from this division were lower because of pressure from medical aid schemes for larger discounts and increased competition from dispensing doctors.

Adcock Ingram Laboratories's turnover rose 39 percent to R171.7 million, Saba 24 percent to R130.3 million and Saphar-Med chipped in with a turnover increase of 25 percent to R74.6 million.

The group's stated aim is to increase exports to 10 percent of turnover in the next few years. Mr Bodley says the group has made progress in developing exports, with considerable potential to expand in Africa, the Far East, Europe and the Indian Ocean Islands.

The group has established an export department to co-ordinate group export activities and develop distribution networks. In financial 1990, export sales rose nine percent to R6,813 million.

Despite high interest rates, Adcock managed to reduce gearing to 12.8 percent from 16 percent. Interest bearing debt was R21,086 million (R20,148 million) being made up of a bank overdraft of R3,318 million and call money and other loans totalling R17,767 million.

Management attributes this feat to improved profitability (margins up to 15.3 percent from 14.3 percent) and a positive net cash flow.

After investment activities and dividends paid, the group showed a cash inflow of R3.25 million, compared with a cash outflow of R10.06 million in financial 1989.

Cash generated by operations improved 39 percent to R97.77 million. This was due to improved operating income and efficient working capital management.

The group implemented an inventory reduction programme. Working capital per cent of turnover fell from 35 percent to 14.1c from 15.8c. Also, stock turn showed a slight improvement to average 6.8 times a year.

Mr Bodley says to achieve the group's key strategic objective of growth, Adcock has restructured its operations and now has six market-focused strategic business units.

Group capital expenditure for the current year is budgeted at R4.8 million and works projects include the upgrading of a tablet factory to increase capacity and manufacturing flexibility.

Despite the number of challenging issues facing the health care industry, chairman Robe Williams forecasts a reasonable level of organic growth in the current financial year, with earnings showing a satisfactory increase.
Blueprint for new AECI plant

Zilla Efray

AECI Explosives and Chemicals is to build a new 130 tons a day carbon dioxide liquefaction plant, costing R7m, at its Modderfontein factory near Kempton Park.

The plant will use an "environmentally friendly" process, developed locally, and its cooling unit will not use chlorofluorocarbons (CFCs).

An AECI statement says the plant will replace AECI Explosives and Chemicals' existing 50 tons a day plant and is expected to come on stream by the end of 1991. Production at the existing plant will be phased out to avoid interruption in supply.

The new plant will be able to supply the expected 5% to 10% annual growth of the local market for the next decade, with surplus capacity to stimulate the development of new applications.

AECI says the current SA market is about 140 tons a day, with the majority of the product used in the food industry in applications like soft drink carbonation. Carbon dioxide is also used in the foundry, mining, steel, welding and fire extinguisher industries.

The plant is expected to enhance AECI Explosives and Chemicals' competitive position as a carbon dioxide supplier.

AECI Explosives and Chemicals business development manager Chris Davidson, who championed the development and justification of the plant, has been appointed project manager.

AECI Explosives and Chemicals marketing manager Eddie Beddyl will assume responsibility for the new business on completion of the plant.
AECI gives go-ahead for R7-m CO2 plant

AECI has approved the expenditure of R7 million by operating company AECI Explosives & Chemicals to build a 130-ton per day carbon dioxide liquefaction plant at its Modderfontein factory, near Kempton Park.

The plant uses an innovative and environment-friendly process, developed locally. The cooling unit in the plant will not use chlorofluorocarbons.

It will replace the existing plant and is expected to come on stream by the end of 1991. Production at the existing plant will be phased out in order to ensure that there is no interruption in supply.
Revamped Farm-ag still battling odds

By David Canning

DURBAN — Revamped Farm-ag's interim figures do not bear much comparison with those of 1969.

On turnover of R40,4 million (R174.5 million) in the six months to August, it achieved net income from continued operations of R5.67 million. Earnings a share before losses rose to 25.2c (22.2c) and after losses dropped to 10.2c (22.2c) The interim dividend has been passed.

Gearing has been materially reduced thanks to the collection of money flowing from discontinued operations.
Tax takes a big bite of Darmag's profits

CISKEIAN rubber and plastics producer Darmag posted reduced interim earnings for the six months ended September after a hefty increase in its tax bill.

The group's 42% boost in pre-tax profit to R1,1m (R771,000) was transformed by a R110,000 tax bill (previously a R337,000 tax credit) into a 13% decline in attributable earnings of R899,000 (R1,14m) or 4,5c (5,5c) a share.

- Directors said profitability had improved mainly as a result of attention to cost saving and an improved performance in the plastics division.
- Turnover showed a slender 5% increase to R14m (R13,4m).
- An interim dividend was not declared although directors said tight control on capital spending during a period of increasing financing costs had stabilised the previously deteriorating cash position.

More demand

The group's ability to resume dividend payments would be reviewed at the end of the year, the directors said.

Darmag reported significantly increased demand for its plastic products as the division took advantage of the previous year's investment in new equipment moulds and design facilities to obtain additional business and increase plant utilization.

Turnover in the rubber division was maintained by improved sales of rubber battery products coupled with the discontinuance of low margin products and reduction in overheads.

New entrants into the battery separator business depressed group performance in this sector.

The group expects second half performance to be similar to that of the first half.
Petrol cut welcomed but 'need to save' -

By ESANN von RENSBURG
Staff Reporter and Sapa

REACTION and praise from various quarters for the petrol price cut has been tempered by a National Energy Council (NEC) warning that the risk of war in the Gulf is increasing daily - with the probability of a major fuel shortage.

National Energy Council group executive Dr Robert Scott said although the fuel price reduction would be welcomed by motorists and the transport industry, it did not signal a relaxed attitude towards the need for fuel saving.

"We are observing developments in the Gulf with concern. War would almost certainly mean a disruption in world oil supplies. A very likely scenario is that a country like South Africa, to which an international oil embargo still applies, would be affected by such a crisis."

He said a major fuel-saving effort by motorists and fleet owners would ease the effects of an oil crisis and could postpone the introduction of mandatory fuel savings.

But for this warning, reaction to the petrol price reduction has been positive.

Checkers group managing director Mr Sergio Martinengo said it was well-timed.

"The food industry, which is very sensitive to the fuel price, will start to renegotiate the bulk of food merchandise prices for 1991 within weeks."

"The price increase of September/October 1990 would not have been brought into account in these negotiations, the reason being that Checkers did not accept any petrol price related increases over the past three months.

"Consumers will therefore most definitely benefit from this," he said.

Consumer Council director Mr Jan Cronje said the decrease in the petrol price was a welcome Christmas gift to consumers but appealed to consumers to use fuel sparingly.

Mr Cronje also appealed to businesses to use the reduction to stabilise prices.

The South African Chamber of Business, in welcoming the move, said the decision was in line with its previously stated view that the fuel price should be lowered when circumstances permitted.

South African Airways has said it would not review its prices until the middle of January as the price of jet fuel was fixed on the 15th of each month.

A spokesman said they were not in a position to alter it until the January price was known.

The petrol price reduction was welcomed by the managing director of the OK Bazaars, Mr Gordon Hood, who appealed to all suppliers to help pass savings to the consumer.

"The reduction should boost morale and would bring some relief to businesses that were experiencing high transport costs, he said.

The SA Chamber of Commerce said in a statement that the price drop would have a ripple effect on the economy and might even reduce unemployment and inflation.

However, because of the unresolved crisis in the Gulf, the decrease could be only temporary and all fuel-users should continue to save fuel.

New IRA victim?
LONDON - Gunmen shot dead a police reservist in Northern Ireland early today as he was driving home in his car. The 46-year-old reserve constable in the Royal Ulster Constabulary was shot several times. - Sapa-Reuters
Royals in purple

By JULIE WALKER

ROYAL companies reigned this week on speculation that the chemical and food interests might be listed separately.

Large bookorders by the same broking firm in Royal began a week ago, the share price adding 10c with each deal. The price climbed from 240c to a year's high of 280c. The March low was 110c.

Holding company Hoyohol picked up 35c to 270c on Friday afternoon. Gama shares changed hands at R7 and nearly R4 million. McCarthy at R3. Coxon added R100 to R150.

Gold backed up a little on Middle Eastern warmongering, but the dollar's midweek gains reduced the net rise to about $10 for $333.

But institutions were not interested, many having gone fishing. A rise in gold the size of a tidal wave, not a ripple, will not be required to bring the earnings potential of the mines in line with their current share prices.

Liberty Life added 50c to R25 on big volume at the lower price. FTT gave up 50c to 1 255c, but Richemont was hurt by the run, shedding 15c to 2 116c. De Beers was up and down, closing 10c off at R68.35 after touching R67.

Randfont brightened on announcing negotiations to add 40c to 340c on speculation of a deal with ICS, possibly involving Pestzow Chickens. ICS added 90c to 1 090c.

Heavy trade was evident in sugar about R180c. It lost 3c to R177c. A total of 750,000 Da.
Never-ever bridal pair

INTRIGUING as it may be, a marriage between Gencor and international trading combine Lonrho is unlikely to be read in the bars.

A London report that Lonrho chairman Tony Rowland is pondering a merger with Gencor sets analysts speculating about the benefits of the move — but many of their conclusions are wide of the mark.

Chairman Derek Keys admits that he is disturbed that Gencor’s share price stands at a 50% discount to its net asset — denying shareholders R5.4-billion of their real wealth.

The opportunities in a Lonrho deal could do something to redress that, given the multinational’s exposure in Africa and its presence in Europe, the Middle East and the US.

There are also synergies in mining, in oil operations where Gencor’s Engen is keen to get into exploration, particularly on the west coast of Africa, and in some trading operations.

The opportunities were examined in a preliminary document prepared some time ago — the London Sunday Telegraph based its report on this — but nothing more has happened.

By Ian Smith

More co-operation between the two groups, particularly in mining, is a more likely prospect, sources say.

The companies are already linked through last year’s merger of Impala’s Karene mine and Lonrho’s Western Platinum Impala has a 53% stake in the enlarged company.

Mr Keys has said the two groups will not merge. He says: “At divisional level there are discussions from time to time aimed at possible synergies between businesses in the two groups.”

A full merger does have attractions for Lonrho, hugely enhancing its assets and earnings base, the SA operations helping to counter more problematic operations in black Africa.

London broker UBS Philips & Drew this week reduced its pre-tax profit forecast for Lonrho’s current year from £290-million to £280-million.

Investors have frequently questioned the formula used for the valuation of assets, particularly in African states, and there is no successor in place for the 73-year-old Mr Rowland.
Sentrachem moots ferro-alloy project

Sentrachem is investigating converting its Newcastle carbide furnace, at a cost of about R120m, to process ferro-alloys for exports in a project which could bring in an international partner. Executive director Glen Carter confirmed at the weakened that the chemical group had had discussions about a project to produce ferrochrome for exports in conjunction with People's Republic of China partners. It was recently reported that Sentrachem had met a visiting Chinese delegation about a possible joint venture. However, Carter said Sentrachem had also had discussions about partnerships with other international parties. The carbide furnace was part of the loss-making isoprene producing plant which was mothballed earlier this year at a cost of R120m. Sentrachem was examining modifying it to produce either ferrochrome, ferrosilicon or ferromanganese for world markets. Carter stressed Sentrachem was still involved in the investigation, but expected a decision by early next year.
Second half could be brighter Prochem

PROTEA Chemicals is not expecting improved earnings in the first half of the current year, but there could be some improvement in the second half, says chairman Hugh Brown in his annual review.

In the year to August, Protea Chemicals' (Prochem's) attributable earnings fell 61% to R4.1m or 8.9c a share.

Prochem was affected by the economic downturn, greatly increased competition, high interest rates and lower international chemical commodity prices. Stringent cost reductions were applied but these did not compensate for the decrease in margins.

On the group's prospects, Brown says the prevailing economic climate makes it difficult to forecast even a few months into the future. "An upward movement in commodity chemical prices arising from the Gulf crisis will assist the trading group, but this will be offset by the continuing cutback in demand from a host of industries serviced by the group."

Brown says the self-contained, self-

rescuer project has been successfully completed with the Government Mining Engineer approving the use of the device after stringent SABS and Chamber of Mine tests.

This project was developed by Gencor and taken over by Prochem.

The Government Mining Engineer has ruled that the unit, which is the only locally designed and manufactured approved self-rescuer, must be installed by gold mines engaged in the trackless method of mining.

In addition, Brown says the electronic sequential blasting project has made progress. It is hoped this will be marketed during the current year.

With effect from September 1, Prochem sold the Chemplast Merc Etter, which incurred losses during the year. It is active in the supply of corrosion resistant pumps, valves, piping and components.

However, the group will retain Chemplast's electroplating, electronic chemicals and automotive chemicals divisions.
Chemical industry looks beyond 1991

THE 1991 prospects for SA's chemical industry, estimated to be worth R20bn a year, are not rosy. But the long-term outlook appears brighter.

The industry could be hard hit by a war in the Gulf because a jump in the price of crude oil, from which many inputs into chemicals are derived, could place severe pressure on margins.

This would come at a time when many commodity prices and demand for chemicals, which are used in almost every facet of industry, are soft in the wake of economic downturns in SA and the OECD countries

Dented

AECI MD Mike Sander adds that SA's chemical industry is also being affected by the lower gold price, poor agricultural conditions and the unrest situation. Most of these factors are expected to leave their mark on the chemical industry in 1991.

They have already dented the earnings of chemical companies in 1990.

For the nine months to September, AECI's attributable earnings were 15% down on the previous comparable period and Sentrachem's fell 12,4% in the 17 months to August.

But, Sander says, SA's chemical industry will have shown a better 1990 performance, with a smaller drop in earnings, than chemical industries elsewhere in the world.

At the moment the local chemical industry is pulling in its belt and cutting costs, with much capacity being shut down.

AECI Explosives & Chemicals and Chemical Services are merging their respective distribution subsidiaries in a streamlining move in an over-traded market.

ZILLA EFRAT

But, Sander says, following the rationalisation of the fertiliser business a few years ago, very few other opportunities exist.

However, in the wake of tough market conditions local companies are increasingly looking to produce specialist products and becoming far more outward looking.

Sander says for SA chemical companies to be successful in the future, they need to see themselves as global players and build world-scale plants for exports.

Despite the economic downturn, large investments are planned or being investigated: Sasol plans a programme of 20 new projects which have a capital value of R3bn, and Sentrachem has embarked on a R200m expansion programme aimed at substantially boosting its exports.

Sander says AECI has large plans under consideration, but he will not elaborate at this stage. An announcement could be made in mid-1991.

AECI, Sentrachem and Gencor's energy group Engen are investigating also the building of a naphtha cracker, which could cost up to R4,5bn.

But, Sander says, to be truly internationally competitive, the industry requires some government support, not in the form of subsidies but in the creation of a more favourable investment climate.

Essential

While SA producers have some raw material cost advantages, they are put at a disadvantage by taxes, GPT, surcharges and accounting methods for depreciation.

For example, Sander says, it will cost between 35% and 46% more to build a chemical plant in SA than in the US Gulf, because of SA's tax structure.
Call for changes to medical schemes

He said it was out of step with the government's policy of deregulation to legislate for the control of either the remuneration or the income levels of health-care providers in the private sector.

Slabber emphasised that government's health-care policies were not only formulated to be in the interest of all its citizens, but for the not for-profit and non-profit sectors.

Costs were audited annually and reported to members and the Registrar of Medical Schemes, he said.

PHARMACEUTICAL companies and doctors are clamouring for changes to SA's health-care legislation, especially with regard to medical aid schemes.

In Adcock Ingram's annual report, chairman Robbie Williams called for the deregulation of medical aid schemes to offer members a more broadly based series of options, ranging from all-inclusive cover to disaster cover, in line with other forms of insurance.

At Gershon's AGM chairman Gordon Utan also questioned the credibility of the medical aid system, in terms of which pharmacists were being pushed by medical aid societies to assume the role of a discounter.

Dispensing Family Practitioners (DFP) chairman Robert Rapti issued a statement saying: "Medical schemes are failing to deliver the goods and have abused the archaic state of present legislation governing health care in the private sector."

He also questioned the manner in which the 5% to 10% was used for administration since "medical aid contributions were public funds.

Department of Health director-general Coenie Slabber said requests were made to all interested parties to submit their suggestions regarding the present health-care situation and the matter was receiving attention.

MARIETTE DU PLESSIS
Festive season boosts 'hangover industry'

MARIETTE DU PLESSIS

THE 'hangover industry' is not suffering from the ill-effects of the current recession, with sales of medication for overindulgence substantially higher during the festive season, pharmacists say.

Pharmacists expect sales of Prohep, Essentiale and Guronsan C tablets to increase by nearly 50% in December and over the New Year period compared with the rest of the year. "The demand is very high," a pharmacist says.

Prohep, which is used to counteract the aftereffects of overindulgence, appears to be favoured by most customers. "It is because people do not want to go overboard," a pharmacist says.

In cases where excessive intake is planned well in advance — and one may add with some deliberation — medication such as Guronsan C and Essentiale will be used to prevent hangovers.

"This is the festive season when parties are taking place every day and not only over weekends. People consume more alcohol than usual and this trend is definitely reflected by sales of so-called hangover tablets," a pharmacist says.

Most pharmacies were also offering special prices for these tablets, with a pack of 20 Prohep and Essentiale tablets retailing at R9.90 and R7.95 respectively — 20% less than normal — while 30 Guronsan C tablets are selling at R13.99.

SA Druggist (SAD), which manufactures Guronsan C, projects sales to rise by 35% in the October to December period, compared with the average 25% increase in sales during the rest of the year, SAD MD Tony Karis says.

He says there is an direct correlation between a higher alcohol consumption and the rise in purchases of hangover tablets.

Advertisements such as the Prohep advertisement on television — which shows a person drinking beer and then using the medication — strengthens the assumption that alcohol and these tablets are related, Karis says.

Health-care group Norstam, which manufactures Prohep, expects sales to equal 1999 figures, which were 14% higher during this period, a spokesman says.
The pharmaceutical industry weathers recessionary elements

The pharmaceutical industry has achieved an element of stability in spite of recessionary conditions and the intense competition which has prevailed in the fragmented sector. But mixed 1989/90 year-end results indicated things could change if the downswing were prolonged.

A number of challenging issues faced the health-care industry as a whole, and the downturn in the economy could affect consumer products and proprietary medicines, Adcock Ingram CE Don Bodley said.

He added that preventive medicine and primary health care in both the public and private sectors should receive more attention, together with the promotion of responsible self-medication and deregulation of medical aids and schemes.

Because consumers also traded down on drugs during recessions and competition intensified as a result, the pharmaceutical industry, like any other industry, suffered from the effects of inflation and increased costs, he said. However, every attempt was made to contain medicine prices through increased productivity and efficiency.

Pharmaceutical Manufacturers' Association president Hugo Snyckers said the industry's competitive nature ensured the price of medicine was kept as low as possible, but in view of high manufacturing costs and the current economic climate, costs were unlikely to be reduced.

In the local pharmaceutical industry, individual companies held at most only 6% of the market and competition in this rapidly changing scenario was on the increase, he said.

While several major players in the JSE's pharmaceutical and medical sector were holding their own against a general background of recession-hit profit figures, others were stagnating or consolidating to some extent.

**Difficulties**

The sector's average earnings yield and dividend yield trailed industrial sector averages.

SA Druggists' (SAD) pedestrian results in the year to end-March, due mainly to difficulties in its pharmaceutical and distribution divisions, brought to an end its seven-year achievement of 28% growth in compound earnings, MD Tony Karis said.

In the six months to September, SAD also failed to improve on its 22% increase in operating income achieved in the corresponding period last year. However, Karis said SAD's two-year period of consolidation was nearing its end and taxed profits for financial 1991 should equal this year's R75m, while "some" earnings growth was possible.

The Premier Group's Towns Pharmaceuticals raised earnings by 14.4% in the year ended March, followed by a 23% rise in attributable income in the six months to September.

But in view of the economic recession, directors did not expect a significant increase in earnings for the 1991 financial year.

Industry lender and Barlow Rand subsidiary Adcock Ingram posted a 29% increase in attributable income in the year to end-September, to achieve a 32.5% compound growth in earnings over the past five years.

Despite the downturn, Adcock forecast a reasonable level of organic growth in 1991, with the self-medication market offering the greatest potential for growth, Bodley said.

Health services group President Medical Investments (Presmed) posted a 89% rise in attributable income in the year ended February, followed by a 96% jump in the six months to end-August 1990 over the comparable period.