MANUFACTURING - CHEMICAL PRODUCTS

1992

JANUARY — APRIL
Inquest into deaths of babies begins

LINDEN BIRDS AND ANDREW KRUZI

AT LEAST two of the babies who died after receiving contaminated intravenous drops could still be alive today if drip manufacturer Sabax had warned hospitals its products might have been infected, a medical expert said yesterday.

Prof Alan Rothberg, deputy dean at Wits University's medical faculty and paediatrics head at the Johannesburg General Hospital, was testifying in the Johannesburg Magistrate's Court during the first day of the inquest into the deaths of at least 13 babies at two private hospitals in 1990.

Rothberg was appointed by the inquest officers to investigate more than 60 infant deaths which occurred during those periods that might have been caused by infections in contaminated drip

Peter Soller, attorney for some of the families that lost babies, asked Rothberg if it was reasonable to presume that at least the last two infants who died, babies Webb and Hamel, would still be alive if Sabax had warned the Mornmegre and Park Lane clinics of possible contamination of admixture infusion drip.

"Yes if this was the case, and infection (at the clinic) was infection-free, then the two babies would probably be alive today," replied Rothberg.

Soller presented documents to the inquest which he said indicated that hospital staff were concerned about an apparent epidemic at their institutions. According to an affidavit, Garden City Clinic manager Dr Andre Nel had telephoned Sabax to report his concern and ask that the company take infection-control measures in its manufacturing process, said Soller.

He said Sabax quality control manager Keith Allen had reacted in a letter at the
Pool cleaner chemical ‘unsafe’

SWIMMING pool chemicals containing trichloroisocyanuric acid (TCICA) might not only be dangerous to humans, but also had the potential to do ecological damage, said Control Chemicals MD Peter Buchan at a news conference yesterday.

He was responding to a statement released by AECI on Tuesday saying products containing the chemical were safe to use.

Buchan, whose company manufactures pool chemicals using a locally manufactured rival product called Calcium Hypochlorite, said TCICA was a static, non-biodegradable compound that would eventually find its way into the water table where it had the potential to build up to harmful levels.

He said the chemical was originally tested as a weed killer, but was found to kill barley and radishes.

He estimated that 4 000 tons a year would find their way into the water table. The Agriculture Department released a report in November last year setting an approved concentration level of 100mg/l, but adding it had no chronic toxicity potential under normal use.

Buchan denied his company had a commercial interest in creating a dispute. He said Control Chemicals operated in an open market, that had “plenty of space for everybody.”

“My interest is purely to inform the public,” he said.

Meanwhile, AECI group communications manager Michael Blizzard called Buchan’s statement “generalisations and gross exaggerations,” and said he was trying to gain a bigger market share by using foul tactics. He added a full chemical report disproveing Buchan’s statements would be made available today.

Pledge to medics

HEALTH Minister Sulara Venter has told young doctors that new contracts are being worked out for them.

At a meeting earlier this week with the Young Doctors’ Association of SA (Yudasa), Venter confirmed she was strongly opposed to the possible abuse of young doctors, and specifically interns, because of their status as employees-in-training.

Venter also noted Yudasa’s concern that unsatisfactory working conditions lead to high level manpower flowing out of SA.

She agreed to discuss registration of foreign doctors with the SA Medical and Dental Council.

Venter undertook to submit a draft contract which would be available within one month for comments, for which Yudasa is an affiliate. However, she warned against unrealistic expectations.
Kaunda offered Tambo's house

LUSAKA — The ANC in Zambia had offered former president Kenneth Kaunda one of its Lusaka homes, the ANC in Lusaka said yesterday. (AA) 16/11/92.

The house was the residence of former ANC president Oliver Tambo, the ANC said.

United National Independence Party fund mobilisation committee chairman Gen Mallimba Machinga could not confirm the offer.

He said he had heard of it and it was being considered, along with other offers.

ANC spokesman in Johannesburg had not heard of the offer.

Meanwhile, the Lusaka City Council has evicted 45 ANC exiles from council houses, say ANC members.

South African Sam Ndzimile said the council in a joint operation with paramilitary officers stormed into his house on Tuesday and ordered him out immediately.

Minister of Home Affairs Newstead Zulu said he was not aware of the evictions.

Minister for Local Government and Housing Michael Sata was not immediately available for comment. — Sapa.

Back to school call by education groups

THE National Education Co-ordinating Committee (NECC) and the Congress of SA Students (Cosas) have appealed to students and teachers to "move their struggle out of the streets and back into the classroom".

NECC chairman Monde Tulwana yesterday predicted that the crisis in education would deepen this year as black school enrolment was expected to reach unprecedented levels.

Some schools had reported up to 120 pupils per classroom and many students were being turned away.

Tulwana warned 1992 could be a repetition of the past. He said there was a shortage of schools, teachers were underdeveloped and many schools had not received books and stationery.

To address this, the NECC said it would be campaigning for an "intensive learning" programme by establishing 50 community-based learning centres and tuition programmes around the country.

The campaign also intends looking at ways in which parent bodies can become more involved.

Meanwhile, Cosas yesterday called on students to stop paying school fees as they believed many principals were not keeping proper accounts.

Cosas also accused teachers of being unprofessional and added that some had not reported for work.

Sapa reports education authorities attributed an abundance of unemployed teachers in urban areas to a migration of newly qualified personnel from the homelands.

DET spokesman Corrie Rademeyer said many teachers preferred jobs in specific areas and were reluctant to be placed elsewhere.

According to reports this week, in at least one homeland no new posts existed. More than 2,000 newly qualified candidates entered the market.

Infant deaths inquest told of drip contamination

THE Independent testing of a potassium-based intravenous drip solution, implicated in the deaths of 13 babies in April and September 1990, found the drips might have contained high levels of bacterial contamination and toxins, an inquest into the babies' deaths heard yesterday.

The inquest, entering its third day in the Johannesburg Magistrate's Court, heard that the potassium-based drips, known as K-Cocktails, when stored in "ideal (low-temperature) conditions", became significantly contaminated within a short period when injected with minimal concentrations of klebsiella bacteria.
'Bacteria found in Sabax plant'

By Philip Zoie

An eminent microbiologist told an inquest into the death of 13 babies in 1980 that sanitation in parts of Sabax's drip manufacturing plant had been below standard.

Pretoria University Professor Anton van Rensburg said he found it disturbing that bacteria had been found in seating and on the floor across the corridor from Sabax's admixture service unit, where drip solutions were compounded with chemical additives.

He was referring to a report by Institute of Medical Research Professor Margarethia Issacson on the admixture unit of the company that supplied drips to Park Lane and Morningside clinics, where 13 babies died of bacterial infections between March and September 1980.

Professor Issacson said in the report that two batches of K-cocktail contaminated with klebsiella pneumonia bacteria had been mixed by Sabax technician Alan Davies.

She found that the technician had dirty uniform sleeves in 10 out of 58 performance validations. It was probably no coincidence that the contaminated batches had been prepared by him, she said. Mr. Davies no longer works for Sabax.

Professor Issacson said the failure to detect the contamination had highlighted an important flaw in process validation quality control, an internationally acceptable system in which quality is assured by stringent application of procedure rather than regular microbiological testing.

The disposal of bacterial cultures at the plant was unsatisfactory, the professor said. Samples had to be wheeled on a trolley past the admixture unit to an adjacent steriliser room.

The K-cocktail solutions were not sterilised after compounding since this was not considered practical by Sabax. Professor van Rensburg confirmed the report's finding that end-product testing was necessary.

Professor van Rensburg also said it was possible that klebsiella bacteria could cause severe health deterioration within hours, if administered directly and in large quantities.

He was referring to Dr. Jack Kussel's evidence that three children under his care had developed acute symptoms of infection shortly after receiving intravenous fluids from Sabax drips.

In a separate report handed to the court, Professor van Rensburg said that blood samples of baby Heinrich Hamel, who died on September 19 at Park Lane Clinic, showed that he could well have been infected by one of the contaminated solutions of K-cocktail.

Clive Cohen, SC, appearing for Sabax, told the court that there was no indication in the nurses' records that Heinrich had been fed on K-cocktail the day before he died.

"At about 6 a.m. I saw K-cocktail going into baby Hamel's body," Dr. Kussel replied.

R. Levine, SC, representing Park Lane Clinic, said if necessary he would call Sister Ivy Moeketsi to testify that she drew an arrow in the nurses' book, intending to indicate a change from another solution to K-cocktail feeding.
Mix of promissory notes to fund AECI cash needs

SHERIDAN CONNOLLY

SA’s first commercial paper issue, a R50m transaction for chemicals group AECI, has been placed in the market by Discount House of SA (DHSA).

The placing, to fund AECI’s short-term cash requirements, took the form of a mixture of 31-day, fixed interest-bearing and prime overdraft rate-linked, floating interest-bearing promissory notes.

DHSA said AECI intends to roll the paper on a 30-day basis according to its cash flow needs. The issue was well received in the market and a good spread of investors were achieved, DHSA added in a statement yesterday.

A portion of the issue was also rolled in advance. "Demand for the paper outstripped supply and we had bids in a ratio of 2 to 1 — some of which were declined, the bid rate being slightly above the rate at which AECI London were prepared to issue the paper," said Sarel Oberholster, head of DHSA Treasury operations.

"We were very pleased with the strong demand which was achieved on a private placing basis, especially if it is considered that the placing went forward in a short space of time — an inherent requirement for trading short-term paper in the money market and without any publicity."

He added that investors showed strong demand for the issue and some firm bids could not be processed due to the speed at which the paper was being taken up at rates the borrower found attractive.

Investors who lost out on the maiden issue would be in a better position to take up paper on any rollovers or on any fresh issues that came to the market.

Commercial paper forms part of the disintermediation process whereby non-banks or corporates can bypass the banking sector and directly borrow from and lend to each other in the public.

Regulations governing commercial paper placement were set out by the Reserve Bank in the Government Gazette at the beginning of this month.
A SENIOR sister at the Mornaguide Clinic told a
Johannesburg inquest that since the clinic
stopped using K-cocktail
drips there had been no
incidents of infection in
the neo-natal unit similar
to those that had killed
four babies there in 1990.

**In vain**

Sister Janet Steyn, testi-
yfying at the inquest into
the deaths of 13 babies
who were fatally infected
at three private clinics
between March and Sep-
tember 1990, said that
her unit went in vain to
great lengths to find a
source of contamination.

The extensive investi-
gations included taking
swabs from doctors and
staff and even testing
sterile solutions, said Sis-
ter Steyn.

But neither her col-
leagues, nor the doctors
or paediatricians, consid-
ered that the infection
may have come from
contaminated intrave-
nous drips, the sister
said.

Carol Park, infection
control co-ordinator of
Park Lane Clinic parent
firm Clinic Holdings, told
the court they had begun
an intensive investigation
into possible sources of
contamination from Au-
gust 20.

Although she had not
considered Sabax drips a
likely culprit, she asked a
Sabax employee by tele-
phone to collect an un-
opened bag of K-cocktail
for testing. The bag was
fetching on August 21 and
she was never told
whether the test had re-
vealed contamination of
a solution.

Mrs Park said she also
ordered staff to record
batch numbers of all K-
cocktail solutions given
to patients.

**PHILIP ZOIN**

On this record, kept
outside the refrigerator
in the Park Lane Clinic
neo-natal unit, a note was
made that K-cocktail so-
lutions with batch num-
ber 00817 AV13 were re-
moved on September 19
for babies Jacqueline
Webb and Heinrich
Hamel.

Both babies died of
septicemic shock be-
fore noon on September
20. Examination of blood
cultures found that 1 baby
Webb had been infected
by pseudomonas orin-
osa and baby Hamel by
klebsiella pneumoniae
bacteria.

Paediatrician Dr Mar-
tin Davis told the court
that he was informed
that Van Drummelen and
Partners had found an
unopened bag from the
AV13 batch contaminated
with an klebsiella pneu-
monia and unspecified
pseudomonas bacteria.

R Levine, SC, appear-
ing for Clinic Holdings,
then produced a com-
puter printout signed by
Dr Selwyn Miller of Lan-
cet Laboratories, which
stated that profuse
growth of bacteria, in-
cluding pseudomonas orin-
osa, had been found in
two unopened bags from
the AV13 batch.

C Cohen, SC, represent-
ing Sabax, responded im-
mediately by asking the
court to call Lancet em-
ployee Judy Walsh, who
testified after an ad-
journing of about an
hour that pseudomonas orinosa had only been
found in one of the bags
tested.

She said that the mis-
take was a result of a
error made in transcrib-
ing her hand-written test
notes to computer.

Under cross-examina-
tion by Mr Cohen Dr
Davis earlier admitted
that baby Webb whom he
"strongly detected" had been infected by a con-
taminated K-cocktail drip, had shown since her birth	numerous symptoms of
possible infection.

**Forgot**

He also admitted that
he forgot to tell the court
in his evidence-in-chief
that Jacqueline suffered
two apnea attacks
(stopped breathing) on
September 18 and an-
other on September 19.

Dr Davis conceded
that, considering the
symptoms, the baby may
have been suffering from
an undetected infection
picked up before the K-
cocktail feeding.

The inquest continues
on Monday.
Inquest magistrate's decision challenged

A LAWYER representing the families of 18 babies, whose deaths were allegedly caused by contaminated drugs, told a Johannesburg inquest yesterday that he would ask a judge to decide whether the presiding magistrate had prejudiced the proceedings.

Attorney Peter Soller told the inquest into the 1990 deaths of 13 babies he would file for a notice of review on behalf of two of the parents to determine whether the magistrate T J La Grange may have prejudiced the inquest procedure.

Soller claims it was irregular for the inquest to have started without La Grange having all statements taken by investigating police.

He also claims that it was irregular for the magistrate not to have called paediatricians involved in the case to give oral evidence after he became aware, during the inquest, that they had material evidence other than that contained in the affidavits made to police.

Advocate A Bruwer, appearing for the paediatricians, last week said his clients had informed him they had further evidence, but told the court he would not breach confidentiality by disclosing its nature. Bruwer suggested the magistrate subpoena the paediatricians to testify.

However, La Grange informed the court that any further evidence should be placed before the court in affidavits.

Soller, requesting clarification on the issue, yesterday introduced two affidavits from parents appealing to La Grange to call the paediatricians to testify and submit to cross-examination.

However, when the magistrate stood by his decision, Soller told the court he had no option but to file for a notice of review.

Yesterday paediatrician Dr Errol Gottlich testified that after the rapid deterioration and death of his ostensibly healthy patient, baby Stapelberg, in August 1990, he had "looked at the potassium drip) as a possible implicating factor."

He said he had drawn samples from two drips fed to the baby and contacted the manufacturers Sabax, asking them to test for possible contamination. Gottlich was informed the samples had been collected, but heard nothing more from Sabax.

Contacting Sabax again 19 days later, he said the company had told him they received only one sample from a saline drip which proved to be free of contamination.

Saline drips are not implicated in the baby deaths.

Proceedings are scheduled to continue today.

ANDREW KRUMM
Drip technician ‘lackadaisical’

A TECHNICIAN could have contaminated drips which allegedly caused the deaths in 1990 of 13 babies, a Johannesburg inquest heard yesterday.

The court was told that during routine quality control tests conducted by drip manufacturer Sabax, technician Allan Dav- 

es regularly failed (40% of the time) to exercise the "skills and procedures" required in terms of international norms.

The skills and procedures required of Davies were integral to the company's quality control process, known as process validation, and necessary to maintain sterile conditions during drip production.

Microbiologist Prof Margaretha Issacson of the SA Institute of Medical Research, who yesterday offered evidence of her investigation into Sabax facilities, labelled Davies "inexperienced" and "lackadaisical." Issacson said Davies was a potential source of infection.

In her report, Issacson said "although it was not shown there was a causal connection between Davies' skill and the contaminated products," he should be transferred to "less sensitive duties."

Reviewing quality control tests, attorney Peter Soller, representing 10 of the families which lost babies, said sterile conditions had been compromised on production equipment during testing.

He said bacteria tests done in the cabinet in which the drips were produced showed contamination.

During cross-examination by advocate Clive Cohen SC, representing Sabax, Issacson said technicians' skills and procedures were "most important" in guaranteeing the sterility of the end product.

Issacson criticised Sabax testing procedures, saying neither drip components certified sterile by suppliers nor the Sabax end product were tested for contamination. However, a body of opinion regarded these tests as unnecessary.

The inquest continues today.

Azayo vows to continue its campaigns

The Azanian Youth Organisation (Azayo) would continue to provide visiting artists with a "hot reception," president Thami Mecerwa said yesterday after his release from detention on Monday.

Mecerwa was detained for more than a week in connection with the grenade attack on the offices of the Paul Simon tour management before Simon's first concert two weeks ago.

Mecerwa said his detention under the Internal Security Act was an attempt to intimidate Azayo.

"We will definitely continue to use any means possible to stop the tour," he said last night. "And any other artists can expect not to get red-gloves treatment from us if they come here to make money."

Mecerwa added, however, that Azayo would leave alone artists who contributed to black culture, such as American director Spike Lee, who arrives tomorrow to begin filming Malcolm X.

But US rap group Snap, which is planning a visit in a few months, could expect "a hot reception," he said.

Whites patrol squatter camp

A COMMITTEE formed by white residents of Chartwell on the North Rand has started 24-hour patrols of entrances to the Zevenfontein squatter camp to prevent more people moving into the area.

Chartwell Action Committee chairman Mike Findlay said the committee had been authorised by the owners of the land to exercise control over numbers.

More than 100 brick and bakke loads of building material had been prevented from entering the camp over the weekend, he said.

Findlay claimed the committee was in contact with squatter leaders and there had been no incidents between the two groups.

Last night a police spokesman could not confirm that a committee had been formed to patrol the entrance, but said police were patrolling the area and all was quiet.

Police fired first shots, says AWP
Professor 'uncomfortable' with Sabax control system

By Philip Zob

A microbiology professor told the inquest on the deaths of 13 babies in 1990 that she would have been uncomfortable relying solely on Sabax's system of quality control, unless it were accompanied by physical evidence that drips were sterile.

Professor Margaretta Isaacson of the Institute of Medical Research said she believed that end-product sterility testing should have been conducted on the drips. She also felt that the sterility of additives, supplied to Sabax by other manufacturers, should have been verified through spot-checking.

But Professor Isaacson, who at Sabax's request presented a report on the company's admixture unit, said the firm's system of process validation was still the favoured method of quality control, despite the risk of human error.

The professor said she had believed Sabax without question when told that end-product sterilisation was not feasible because heat would make the solution unstable. She had found no evidence of wilful negligence by any Sabax employee, but one technician, Alan Davies, had been less painstaking than the others and had not improved his performance significantly with practice.

Counsel for 10 of the parents, Peter Soller, read out results of employee performance validations which stated that Mr. Davies and Cynthia Wilson had repeatedly failed in aspects of bacterial hygiene maintenance.

Sabax counsel Clive Cohen cross-examined Sister Puck Veld, who on Monday testified that she was asked if she was crazy after suggesting to three Sabax employees that contaminated drips might have been responsible for infecting babies. The inquest continues.
Conscription 'a drain on economy'

JOHNATHAN REID

CONSCRIPTION costs the SA economy vastly more than would the maintenance of a volunteer professional army by drawing it of skilled labour and contributing to the brain drain, End Conscription Campaign economist Andrew Whiteford said yesterday 8/12/91.

He said the resultant decline in economic productivity was a counter to SADF and Defence Ministry claims that SA could not afford a well-paid volunteer army.

While a conscripted army was cheaper to the state, the real measure of military costs was the cost to the economy, Whiteford said.

The economic cost of a national serviceman was not what the army paid him, but the income he lost by serving the SADF.

Whiteford said conscription of young white men had been a significant contributor to the brain drain and for each emigrating graduate the country lost both the cost of educating him, and his future earnings.

The brain drain was estimated to cost SA up to R1bn annually, he said.

Meanwhile, our Political Staff reports Defence Minister Roelf Meyer yesterday entered the fray over the prosecution of people who failed to turn up for military service, categorically stating that they would be liable for court action.

This contradicted a statement by Deputy Defence Minister Wynand Breitenbach, who had said prosecution were being "left in abeyance" while the Gleeson Committee report was being considered.

Sabax ignored directive on medical drips, inquest told

ANDREW KRUMM

MEDICAL equipment manufacturer Sabax did not comply with certain SABS sterility testing directives, a Johannesburg inquest into the deaths of 13 infants heard yesterday.

The court was told Sabax had not observed an SABS directive requiring drip components to be tested before being used in manufacture.

Adcock Ingram corporate planner Arthur Barnett, testifying on behalf of subsidiary Sabax, said Sabax had subjected drip components to "visual inspection".

However, under cross-examination by Morningside Clinic advocate Bruce Burman he acknowledged that the company had "not tested suppliers' components nor had it inspected (supplier production) facilities".

Burman said the company had "looked to the bona fides of suppliers" which certified the component products as sterile.

The inquest continues.

California bans lead wine wrappers

CAPE TOWN — Lead wrappers on wines exported to California must be removed by March 31 following a court ruling aimed at protecting consumers against lead poisoning.

The state outlawed lead foil wrapping on wine bottles on December 31 last year, the Cape Chamber of Industries reported in its latest bulletin.

"The move was to protect consumers from drinking wine with unacceptable levels of lead," it said.

Under a related order to be issued by the state, lead wrappers on wines imported into California must be removed by March 31.

Meanwhile, US red wine sales skyrocketed after a television report quoted scientists as saying cabernets could prevent coronary death. A market research organisation, Information Resources Inc, said in Washington that Monday sales of cabernet wines increased by 45% in the weeks following a television report in November about its apparent cholesterol-lowering properties.

Scientists interviewed on the programme said red wine contained resveratrol which was believed to break up cholesterol — Sapa
TPA invites ideas on squatters

A WORKING group of all parties interested in the controversial low-cost housing strategy for the area north of Johannesburg is to be instituted, the Department of Community Development announced yesterday.

Deputy director-general of the department, Mr Dekker, said the working group, chaired by chief director of Physical Planning and Development of the Transvaal Provincial Administration P P C van der Hoven, would investigate and evaluate all proposals for a solution to homelessness in the area.

It would report to the Executive Committee of the TPA by March 31.

About the immediate problem of relocating the Zevenfontein squatters, Dekker said the community would be moved within a week.

"The TPA is urgently negotiating with especially the Randburg Town Council and the Sandton Town Council to try to find land closer to work opportunities and where basic services could be provided." Dekker said more time was needed to evaluate proposals that had been received from interested groups up to yesterday morning.

"What is definite is that the community will be moved before the end of January. If a suitable site cannot be found closer to Randburg or Sandton, they will temporarily be moved to Diepsloot, the original site chosen for them."

Arrangements would be made for basic services to be provided at that site until a permanent site could be found.

"The present site at Zevenfontein is not suited. It has an adverse impact on the environment and the living circumstances are poor," he said.

Dekker said the issue of finding space for the influx of poor people was obviously sensitive and the working group had been introduced to hear proposals by all interested groups and individuals.

— Sapa

Inquest told of Sabax's delay in advising against drips

DRIP manufacturer Sabax had not "considered" advising clients hospitals to change their drip systems until five months after it was told products could be contaminated, a Johannesburg Hospital inquest into the deaths of 13 babies heard yesterday.

Sabax was first informed by Garden City Clinic of possible drip contamination on 4 May 1999, but only stopped supplying the implicated products in late September 1999.

However, Sabax quality assurance manager Keith Allen said bacterial tests on products removed from hospitals and performed by Sabax in June 1999 had found no contamination.

During cross-examination by Advocate R Levin, representing Clinic Holdings — Garden City's holding company — Allen said a company representative had followed up incidents at Garden City Clinic and Johannesburg Hospital in May and June 1999.

He confirmed the company had "not officially" considered advising hospitals to change to a heat sterilised product.

On Wednesday, corporate planner for Sabax's holding company Adcock Ingram, Arthur Barnett said Sabax stopped supplying the drips in late September after contamination was found in drips received by two babies who died at Morningside Clinic.

The inquest continues...
The inferred conclusion is that the British government, based on its experience with the novel coronavirus, has decided to implement a strict quarantine and isolation policy. This decision is likely aimed at controlling the spread of the virus within the country. The text also suggests that there is a need for international cooperation to manage the global pandemic effectively.
Board unable to prove collusion

THE Competition Board suspects that there is price collusion in the fertiliser industry but could not find sufficient evidence in an investigation to support the conviction of alleged wrongdoers.

In its recent investigation into restrictive practices in the fertilisers industry, the Board found evidence of identical prices, but was unable to prove beyond reasonable doubt that the parties involved had agreed to collude.

"None of the parties can be said to have contravened the prohibition if there is not an agreement, arrangement or understanding between them. Identical prices are not necessarily sufficient evidence of horizontal price collusion," the Board said.

It was also unable to find sufficient evidence to support allegations of collusion on conditions of supply.

Part of the investigation was to determine whether an agreement between industry heavyweights, Indian Ocean Fertiliser, AECI, AECI Open cast Services (now Richards Bay Fertiliser), and Kynoch Fertiliser, resulted in an increase in concentration which was not in the public interest.

In terms of the agreement, Richards Bay Fertiliser, which is jointly held by Indian Ocean Fertiliser (IOF) and AECI (now Indian Ocean Fertiliser's granulation plant at Richards Bay at a cost equal to that of operating the plant.

Each shareholder was obliged to purchase a minimum amount of fertiliser from RBF each year, while AECI and its wholly owned subsidiary Kynoch, were limited to selling fertiliser in the local market and IOF to foreign markets.

The Board found that the agreement did not result in a considerable increase in concentration in the industry.

"There is probably more opportunity for competition now that before price control was abolished on January 1 1984. In 1981 there were three large producers, Fedma, Omnia and Tropic and in 1991, there were still three major participants, Kynoch, Omnia and Sasol," the Board said.

The investigation followed a long history of allegations of collusion.

An argument in support of the industry which for many years has been dogged by declining volumes, high input costs and the effects of drought was that the agreement between its major participants made the industry more stable.

It prevented the withdrawal of one or more of the large producers - and a concomitant decline in competition - and ensured that the farming community did not have to import fertiliser at a time when storage and distribution facilities were inadequate.
Inquest court clears Sabax

A JOHANNESBURG magistrate yesterday cleared pharmaceutical manufacturer Sabax of negligence or culpability in the death of 13 infants between February and September 1990.

Reporting the findings of an inquest court which probed the baby deaths alleged to have been caused by contaminated drips, presiding magistrate T J La Grange said "we find no evidence of negligence or culpa" on the part of Sabax.

"In respect of (11 of the babies) we find the deaths were not brought about by an offence on the part of someone," La Grange said.

He told the packed court that in the case of two babies, infants Hamel and Webb, the court could not "report a finding". However, he said even though it had been shown that certain drips had been contaminated, "on a balance of probabilities, Sabax products could not be linked to the deaths of babies Hamel and Webb".

La Grange said he had looked for three criteria in implicating the drips in the baby deaths. He said these were the presence of implicated bacteria in a specific baby's blood, in drips used to feed the baby and in unopened drips of the same batch fed to the baby. Babies Hamel and Webb were closest to these criteria.

La Grange said the court did not blame parents for their suspicions.

He pointed out that on the face of it, all babies had either received the implicated drips or displayed the same symptoms prior to death, which he said indicated "clearly something was happening".

But he said the court could not exclude other evidence such as possible underlying infections and clinical problems the babies could have had.

Absolving the hospitals (Park Lane, Garden City and Morningide clinics) and the paediatricians of negligence, La Grange said "we deal with omnipresent infections" which pose a risk.

Complimenting the hospitals for their infection control measures, he said the risk of infection could only be reduced, not eliminated.

La Grange said in the eyes of the reasonable man, the doctors and hospitals had exercised reasonable care.

Responding to the findings, Sabax CEO Ian Strachan said in the light of considerable adverse publicity, the company was very pleased. He believed the findings had vindicated Sabax's reputation as a pharmaceutical manufacturer.

Park Lane Clinic GM Dr Gordon Cohen said although it was regrettable certain specific causes of death were never found, the findings had demonstrated the hospitals involved were in no way responsible for the baby deaths.

Sapa reports that at least two couples are to take civil action following the court's finding. Attorneys Rene Kruger Inc, representing Mr and Mrs Dudley Pritchard and Mr and Mrs Marco Fiocchi, said in a statement their clients were of the view the inquest should not have terminated before all available evidence had been placed before the court.

The statement noted that there were two reviews to the Supreme Court contending that not all the available evidence was put before the court.
Govt hints at non-racial local elections next year

CAPE TOWN — It was unlikely that the 1993 municipal elections would be like those of 1988, which were racially based, Local Government Minister Leon Wessels said yesterday.

The final negotiations for future structures of local government would be conducted nationally, though government still encouraged local talks, he told a news briefing.

"We are negotiating structures for central government at national level, but at the same time putting together structures for local government at national level," Wessels said.

"The final negotiations on future structures of local government will be national."

Black schools back to normal

PRETORIA — Normal schooling is proceeding in most black schools in the country despite isolated incidents in the Transvaal and Free State since the reopening of schools under the Department of Education and Training, according to a DET spokesman.

However, disruptions still affected other schools.

DET national spokesman Geoff Mkwakwa yesterday said some Transvaal and Free State schools were disrupted when pupils demanded full pass rates.

National enrolment figures were not yet known.

Schools affected by the "pass one, pass all" campaign were Franchise Secondary in Naledi, Soweto, Tyre 
lelani in Soshanguve, Pretoria, and Dr Reginald Cingo Secondary in Kroonstad. The situation was normalised after meetings with parents.

Probe into cost of medicine

THE high cost of medicine is being addressed by the introduction of a five-year SA National Drugs Action Programme (Sandap).

Commissioned by the Health and Population Development Department, Sandap was formed to stabilise drug prices and ensure that essential medicines were made affordable.

Cape Town University's pharmacology department headed the project.

Prof Peter Felb, of UCT's Medical School, said Sandap was started last August, but during the prior period numerous groups concerned with health care had offered their support and input for the programme.

A Health Department spokesman said five basic principles — affordability, accessibility, equity, cost effectiveness and acceptability — would be essential for better health care services. Asked if the issue of cost effectiveness of medicines received enough attention from Sandap, the spokesman said, "There are no simplistic solutions to the high cost of medicines in SA, and all possible solutions have been investigated."

Another issue the UCT team intends resolving is that of traditional and herbal medicines.
Sabax: 'Cannot base findings on suspicions"

By Philip Zoio

Nobody could be held responsible for the deaths of 11 babies in private clinics in 1990, a Johannesburg inquest magistrate found yesterday.

Mr T J le Grange and his two assessors were unable to make a finding in respect of the other two babies, Jacqueline Webb and Heinrich Hamel, both earlier described as "strong cases for unnatural death" by Johannesburg Hospital chief paediatrician Professor Alan Rothberg.

Mr le Grange found there was no evidence that Sabax, the manufacturer of the drip solutions given to all the babies before their deaths, had attempted to deceive anyone or "cover up" investigations into their products or facilities.

The court found that, rightly or wrongly, their admixture unit's system of quality control was in accordance with internationally accepted standards.

Expense

Mr le Grange said that a batch of admixture component calcium gluconate, which was used in all of the batches found contaminated after September, may have introduced the contamination.

The court also found that the Park Lane, Garden City and Morningside Clinics had not been negligent.

They had gone "to great expense" to find the source of infection and their system of infection control had been of a high standard.

Their paediatricians had all demonstrated a "high standard of professional conduct," Mr le Grange said.

The court found that it couldn't be proven on a balance of probabilities that any of the fatal infections were contracted through contaminated drips made by Sabax.

Mr le Grange said that he did not blame the parents for their suspicion that Sabax was culpable. "But we cannot base our findings on their suspicions."

He said that all the babies had been ill when they entered neonatal units and may have contracted infections from an environment in which a risk of infection was inevitable.

Although samples of the batch given to babies Hamel and Webb were found contaminated, the causal connection between the infusion of drip fluid and the fatal infections had not been established.

Mr le Grange said that baby Hamel was showing "obvious signs of respiratory distress" before he allegedly received K-cocktail fluid, and may have been suffering from an underlying infection.

It could not be established clearly that he received K-cocktail on the night before his death on September 29.

Baby Jacqueline Webb (died September 20) had suffered jaundice, poor circulation and three anaemic attacks (arrested breathing) before and on September 19, Mr le Grange found.

Dr Martin Davis conceded that she may also have had a continuing infection before she received K-cocktail that evening, Mr le Grange said.

The three babies treated by Dr Richard Booth, Rudi Hoffman (died August 21), Ashley Prichard (died August 6) and Roberto Foschini (died August 21), were infected almost simultaneously, Mr le Grange said.

The court accepted the evidence of Professor Rothberg that there was no connection between their deaths and any Sabax product.

Linda Dila (died August 8), one of the babies classified as a moderate case for unnatural death, collapsed shortly after birth. Her clinical progression was consistent with infection before recovering from a Sabax drip.

The magistrate justified his earlier decision not to call the doctors who treated four of the babies by saying that their oral evidence would not have taken the case further.

Mr le Grange also said he did not hear testimony on 11 alleged deaths at Medunsa Hospital in Garankuwa because this evidence was irrelevant.
ROYAL CORP

A handsome profile

Activities: Holding company of Roychem and Royal Foods
Control: Royal Group Holdings 51.6%
Chairman: V S Immerman, MD D H B Johnston
Capital structure: 67.8m ords Market capitalisation R328m

Share market: Price 480c Yields 2.9% on dividend, 7.8% on earnings, p/e ratio, 12.9, cover, 2.7 12-month high, 500c, low, 270c
Trading volume last quarter, 1.0m shares

Year end Aug

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*6 months  †18 months

Despite undergoing structural changes in the past year, Royal retains a little-changed profile for shareholders

It was a year of major acquisitions and listings for Royal Foods and Roychem, with significant minority interests being introduced into the previously wholly owned companies. The new structure — including consolidation of the acquisitions — took effect during the last six months of the 18-month accounting period to August, so the period is not strictly comparable with previous happenings.

Nevertheless, a breakdown of attributable earnings for this half-year indicates that Royal Foods contributed 65% and Roychem 35%. This is almost the same as the 64.36 split estimated by the company for the full 18 months and compares with 64.36 for the 1990 financial year (to February).

The marginal reduction in Roychem's contribution can be attributed to the larger minority holding in this company — 42.2% against 34.8% for Royal Foods.

But shareholders should be pleased that the minor change in earnings profile indicates that the development of each division is receiving equal attention. If this continues, it will preclude the development of a Cinderella syndrome that would ultimately rebound on Royal.

Because operations were wholly owned until March, there is no way of knowing if or how the structural changes affected the profile of net worth. They did, however, yield a massive capital profit which boosted total net worth from 130c a share in February 1990 to 266c in August 1991.

This figure is about 68% attributable to Royal Foods and 32% to Roychem. The ratio highlights the glamorous image and, hence, market attraction of Royal Foods which boasts trademarks such as Beech-Nut and Del Monte, while Roychem is more profitable with an annualised ROE of 16% (Foods 13.6%).

Total attributable value of Royal Corp's holdings in Royal Foods and Roychem is R394.2m, of which 81% is in Foods and only 19% in Roychem. This puts a hypothetical value of R51c on Royal Corp, 100c more than the current market price.

If the two competing companies do no worse than hold their ratings, Royal's price could climb, even though it has trebled over the past two years.

The same applies to pyramid Royhold, which has 35m shares in issue and holds a similar number of Royal Corp. The two should, therefore, as is now the case, trade on
FOCUS: Many questions remain unanswered in the drip deaths tragedy

Why did the babies die?

Nobody can be held responsible for the deaths of 11 babies in private clinics during 1990, a Johannesburg magistrate has ruled.

To a lay person that means it just happened. It was, if you will, an act of God or fate — a terrible coincidence.

Several of the 11 babies were in the same small set of top-class clinics — it was not a phenomenon spread among a number of hospitals and clinics with a baby dead here and a baby dead there. There were unusual clusters of babies who just died.

They all seemed to have the same bacterial infection. And they all had, for differing reasons, the same type of drip supplied by the same manufacturer.

To top it all, they had some of the best-known doctors in Johannesburg attending to them for their short lives — and at least three of the babies had the same doctor.

It’s not even that rare, in this country, to have problems with contaminated drip bags. Some years ago, a factory which was manufacturing contaminated drips was closed.

The magistrate, TJ le Grange, has found that Sabex, the manufacturer of the drip bags used in the tiny patients, was not to blame for the deaths. While the bacteria was found in the mixture in the bag, it could have been introduced through the mixture. Sabex’s standards were adequate.

Parents, longing for some way of putting their trauma to rest, think this was unjust.

Le Grange also exonerated the behaviour of the doctors and the clinics. There are several questions raised by the whole issue which have to be asked. Here, for instance, are some:

What are the rates of death from hospital-acquired infections at each hospital in the country? This information is collected, but not normally available to the public. If a prospective patient was to be admitted to a hospital that had more infections than others, he or she could decide not to go. This information should be accessible to the public and perhaps be tabled in parliament.

It may be unusual practice for doctors to remain silent even when they “lose” an unusually high number of patients, but is it correct? Would the public not have more confidence in doctors who exhibited their concern when things go badly wrong and made it known that they expect something to be done so this cannot happen to their patients again? Some members of the public may be wondering, however unjustifiably, if the doctors were incompetent.

According to reports, at least one doctor would not even speak to the bereaved parent of one of the babies. When the story was broken in this column in 1990 — doctors clamoured as tight as the hospitals did. And it has not yet become clear what they did about the fact that they lost so many little lives.

The hospitals may have cleaned up the mess and called in investigators. But it seemed at the time that efforts to investigate the problem were accelerated only after newspapers published tales of dying babies.

If there is a question in the public mind over who is to blame and whether their own newborn children will suffer the same fate — and there surely has to be one now — should the authorities not be clamouring to sort out the problem? Instead of announcing investigations which are then seen to take place, making statements to the press to allay fears and calling on the hospitals, medical suppliers and hospital staff to be accountable for their actions, the authorities have been strangely silent.

Private hospitals are regulated by the Department of Health in the House of Assembly and have to comply with certain standards. Have these hospitals in which the babies died been asked to revise procedures, prove that it cannot happen again or show their infection figures? If not, why not? And if they have, why is the public not told?

The Medicines Control Council, which regulates the safety of medicines, has said it is not responsible for problems that may have existed at Sabex. This was stated before any public inquiries. The council said the problem was a “dispensing” one and implicated the Pharmacy Council which regulates the activities of pharmacists. One scapegoat has been found (and exonerated in the judgment) — an assistant with dirty shirt sleeves.

Should the MEC not now be asked to ensure that in future it will take responsibility when drip bags are contaminated?

The magistrate would not hear evidence about babies who died in apparently similar circumstances at a hospital in GaRankuwa. Since there is now officially no answer to parents’ questions on how their babies died, should this avenue be pursued?

Finally, if this were to happen in a country like the United States, the chances are that all the players in the tragedy would have acted in the same way, baring two.

The legal system, with punitive fines and aggressive lawyers among other factors, would have enhanced a feeling among the public that its interests were being taken care of.

The other factor would have been the public itself and its voluntary organisations. A sense of consumer rights, with the institutions to back this up, would have ensured that the players — hospitals, doctors, authorities, drug manufacturers and so on — behaved very differently, making it unlikely that the tragedy could happen again.

Can the South African public, after this unjust, be sure of that?
Economy set for major boost

Chemical industry to spend R15bn

The petrochemical industry is set to spend up to R15bn in capital expansion projects within the next five years. The huge-spend, analysts say, will provide a much-needed boost, particularly to the engineering industry which is facing a tough period as activity on the Mossgas project winds down.

It will also have a positive effect on the economy in general. Analysts add that with most engineering companies having scaled down their businesses in line with the scarcity of major projects in the past, these petrochemical projects might have to be spread longer than planned. Some further investment by the engineering sector will also be unavoidable.

Topping the list of the big spenders will be Sasol and Engen. A close third will be a joint venture between Sentrachem and Engen for the construction of a naphtha cracker plant close to Mossgas — if it gets off the ground.

Over the next four years Sasol alone will require funding of about R8bn, which includes the repayment of the Rs 2.5bn capitalised debt in respect of the acquisition of the remaining 50% stake in Sasol 3 from the state last year.

Among Sasol's major investment projects are the R500m expansion of the wax and paraffin facilities and the ammonia synthesis plant at Sasol 1, the R370m upgrading of the Natrex refinery, R250m for the anode, coke and liquid fuels project, and the R330m acrylic fibre plant in a joint venture with the Industrial Development Corporation (IDC).

Sasol also has seven other projects under consideration, including the R400m fixed fluidised bed reactor system at Secunda. It will also require additional funding for the upgrading of Natrex, Sasol 1 and Sasol 2 to enable them to produce lead-free petrol.

The group has enormous cash generating capacity. Sasol's cash flow totalled R1.8bn in the past financial year. Expenditure by Engen could easily top R4bn within the next four years, depending on whether it follows its rights in Mossgas where it holds 50%.

Engen is currently engaged in a major expansion of its Durban refinery Genref at a total cost of R2.7bn. Phase one, which will increase capacity by 36% at a cost of R570m, is under way and due for commissioning in July.

Feasibility studies are also advanced for the second phase which is likely to add between 40% and 50% to capacity at the end of the first phase. The ultimate aim is to make Genref a 150 000-barrel-a-day refinery. Engen may require an additional R1.3bn if it wants to maintain its 30% interest in Mossgas when the latter is recapitalised in 1993 or early 1994.

Although funding for the expansion of Genref is in place, after last year's R1.1bn rights issue and a combination of local and overseas borrowings, Engen may have another rights issue to pay for additional investment in Mossgas.

Another huge petrochemical project likely to come on stream is the ethylene cracker Sentrachem and Engen are engaged in discussions about a possible joint venture in this project. Sentrachem investigations have identified several options.

Chemical around the Mossgas hub ranging from single-product plants costing about R500m to a full-scale, mixed-feedstock cracker which would cost about R1bn.

J D Anderson, head of research Charles Booth says a naphtha cracker project is not likely to go ahead without government granting other tax concessions or export credits. But another analyst adds that the naphtha cracker project could easily be funded through equity, commercial loans and some government assistance.

Other spenders in the petrochemical industry are AECI, which is investing R600m in its Modderfontein plant, Saprref refinery's R450m upgrading and Caltek's R240m investment at its refinery in Cape Town.

The five oil refiners, Saprref, Genref, Caltek, Sasol 2 and Sasol 3, will also have to upgrade at a total cost of R3bn to be able to produce lead-free petrol.

One analyst says the petrochemical sector is one industry which has recently been characterised by big capital expenditure. One reason is that oil refining margins worldwide have improved considerably after a volatile period following the oil price shocks of the 70s and early 80s. Also industry players are becoming convinced that they have to be more export oriented.
Baby on drip, deteriorated in hours.
Mystery buyer for former AECI factory

AECI Chlor-Alkali and Plastics Limited (CAP) has sold a chemical plant at Ballengoch in Natal to Sentruchem's Karbochem division for R60-million.

But Karbochem has at the same time agreed to sell it to a mystery third party.

Karbochem managing director Ben Schoeman declines to name the buyer, but it could be a ferrochrome producer.

If this is so, the plant built to produce mainly calcium carbide will have to be converted to make ferrochrome.

Chinese

Earlier investigations by Karbochem about converting its Newcastle calcium carbide factory to ferrochrome production suggests that the Ballengoch furnaces could also be used for this purpose.

Karbochem's Newcastle furnace is being committed to carbide production. The investigations into producing ferrochrome included discussions with a potential Chinese partner.

Production of calcium carbide - the basic raw material in polysyrene synthetic rubber - at Newcastle has been reduced about 18 months ago when natural rubber prices fell. Production of polysyrene synthetic rubber was stopped.

Karbochem's synthetic rubber plant was established amid controversy in the mid-1960s at great cost as one of South Africa’s last “strategic” industries.

The Ballengoch plant is used to make calcium carbide, desulphurizing carbide and acetylene carbon black. Some of its output is sold to Karbochem's synthetic rubber plant.

AECI has for years produced calcium carbide at both Ballengoch and its Coalplex PVC plant at Sasolburg.

But enhanced production at Coalplex has reduced AECI's need for support tonnages from Ballengoch.

Managing director Ted Maybery says AECI is more interested in producing carbide as a primary feedstock for PVC than selling it as a commodity.

Although there will be some redundancies in the short term, AECI believes that the move is the best option for the long-term employment in the region.

All agreements between AECI and its customers for the supply of carbide, acetylene carbon black and desulphuriser carbide will be transferred to Karbochem, which will also acquire all the relevant technology and process know-how from AECI.

Karbochem will provide a source of back-up carbide for Coalplex.
Mans rapidly got worse after going on Sabax drip, says doctor

Seven months after the first death of a baby from Michelle's disease, the manufacturer of the drips allegedly responsible for the infection told doctors the product was blameless.

Tellingly, this week at the inquest into the deaths of 15 babies in January and September 1976, Johannesburg pathologists Dr. Jack Klassen said he had inspected Sabax drips used in one fatal case, and had concluded the drips were blameless.

"I had notification of my suspicions, and I was told to stop using the drips because we were apparently assured by Sabax that they were clean."

But when Dr. Klassen died, there was no more doubt in my mind. We continued our investigations, and we continued using the drips because we were not altered by Sabax that they were clean." 

Farmer gets top IFP job

By Roy Badger

INULA, South Africa, has appointed well-known Natal farmer and jockey, Mr. Archie Jacobs, as its new chief executive.

The IFP is to acquire a 50% interest in the government's rural telephone network.

"In 1977, the government's rural telephone network was privatised, and I am confident that we will be able to manage this network as efficiently as possible." 

Deaths continued despite assurances

Professor Alan Reihberg, head of the new IFP hospital in Pretoria, said that Tuesday that all 15 babies have been certiﬁed as being dead.

While there were strong assurances by the IFP that all infants were dead, Professor Reihberg said that even if the rates of infection were not as high as the IFP claimed, "it is certain that there have been serious lapses in the care of babies." 

The deaths of the babies have caused a great deal of pain and suffering for the families, he said.

Growth

Professor Reihberg said that the IFP hospital would be the first to achieve this level of success.

A report compiled by the IFP in conjunction with the laboratory where the infant was tested for the disease, indicated that the disease had spread from the IFP hospital. Professor Reihberg said that this was a "wealth of information for growth in the future."

Professor Alan Reihberg of Pretoria University's department of medical microbiology, verified that a laboratory in Johannesburg, has tested and declared the disease to be a "wealth of information for growth in the future."

"We are very proud of the work we have done," said Professor Reihberg.

Dr. Jacobs, who has been in charge of the IFP hospital, said that the IFP hospital was the first to achieve success in this field.

"I am very proud of the work we have done," said Dr. Jacobs.

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"We are very proud of the work we have done," said Dr. Jacobs.
FOR the six months ended September 1991 Ozz increased income before tax by 28% and taxed profit by 23%. Not many listed companies have been able to achieve such an improvement in present conditions. Turnover rose by only 2% and working profit by 5%. The answer to how Ozz accomplished this lies in the fall in interest charges which were down by 44%.

Debt-equity ratio is now 19.4%, with interest cover of six times. This compares with gearing of no less than 139% in September 1989 immediately after the takeover of Lucem.

Ozz chairman Gary Zalberg says the debt reduction came from favourable cash-flow and attentive asset management and cost control.

Cost control is important in recession. The engineering division includes the mines among its customers and they have had to take radical steps to reduce costs.

Ozz has given attention to innovative products and to their longevity. Price increases have been modest, but Ozz has increased profit margins to some extent.

Ozz was largely responsible for the development of Bruma and owns 50% of the Fisherman’s Village there. In spite of a general oversupply of shops and offices, letting at Bruma has held up exceptionally well, with a waiting list of tenants. It has the advantage of novelty and variety with an unusual visual effect. Bruma was developed at a low capital cost.

In all its activities Ozz gives the impression of exploiting niche markets.

It has the stamp of individuality, probably reflecting the thinking of Mr Zalberg.

Management forecasts that growth in the second half of the year to March 1992 will be slower.

If profits for the second half are 20% higher, earnings for the year would be 5c and a dividend of 21.5c could be paid.

At the current price of 330c, this would give a yield of 6.5% and a p/e of 5.7.

The share is well worth looking at.

ENGEN has an advantage over world oil producers because of lower transport costs to Africa south of the equator. Margins for countries on the Indian Ocean are more stable than in North America.

It is partly for this reason that Engen is expanding its capacity.

As a result of the establishment of Sasol 2 and 3 in the 1970s, SA oil producers hedged their surplus capacity. They are now bringing it back on stream and making plant more efficient. This will lead to increased output at a lower cost.

For Engen, this process is Phase 1 of the expansion programme. The cost is estimated at R670-million. Output will rise by 30%. The new production will supply the Trek service stations, which bought fuel from Sasol.

Phase 1 is expected to be completed by about the last quarter of 1992.

Phase 2 will expand production capacity by 100% from present pre-phase 1 levels. It is due to be completed in 1995.

To fund this Engen made a rights issue of 49 for 100, to raise R1.1-billion. The cash is earning interest and will be drawn on when required for the capital programme.

The new plant should be able to produce at a lower cost than the old.

South Korea, Japan and Singapore have also expanded refining capacity. However, this expansion, though cheaper in terms of capital cost, adds less value than what Engen is installing.

Because it takes three years to bring a refinery to production, Engen is well placed to take advantage of expanding markets.

Growth in SA demand is more consistent than it is for many commodities. When the economy is doing well, the increase in volume terms is about 6% a year. But present growth is down to about 3%.

However, all surplus production can be exported.

For the year to August 1991, exports were only 4% of sales, but that was more than double the previous year.

The partial lifting of sanctions has opened up African markets to Engen. The rand has also been more flexible, although small, should increase.

High oil prices give virtually no advantage because any profits earned are paper profits on inventories. They will not be distributed or included in earnings.

In fact, high oil prices could be harmful because inventory profits are taxable and stocks must be replaced at higher prices. Engen will be SA’s first producer of unleaded petrol.

Engen should be one of the most consistent shares for growth in the next few years in spite of the risks attached to a commodity producer.

A HEAD START for Engen

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Engen should be one of the most consistent shares for growth in the next few years in spite of the risks attached to a commodity producer.
Karbochem to sell plant

Karbochem, a division of Sentrachem, said it bought the Ballengonich factory for R50m from AECI Chlor-Alkali and Plastics Limited (CAP). However, AECI put the price at about R60m.

The plant will be closed down to rationalise carbide production by transferring production to its Newcastle factory. Schoeman said Karbochem made the acquisition to extend its product range and convert some of the facilities at its Newcastle complex. These facilities were mothballed when the group stopped isoprene rubber production in 1980 because of a fall in the price of natural rubber.

Enhanced carbide production at AECI's Complex PVC plant in Sasolburg had reduced the need for Ballengonich.
Sabax told about drips, nurse testifies

By Philip Zoio

A sister at the Garden City Clinic told a Johannesburg inquest on the death of 13 babies in 1990 that she was asked whether she was "crazy" when she suggested to three Sabax employees that their drips may have been responsible for a series of infections.

She said she told the employees in early May, after four babies had been infected in the clinic's neo-natal unit, that she thought contaminants may have been introduced into Sabax drips during their manufacture.

Earlier, Dr Errol Gottlich told the court how baby Brandon Stapelberg became suddenly ill and died a septicaemic death on August 20, only hours after receiving intravenous fluids on a K-cocktail drip.

He said that because he suspected the intravenous fluid could have caused the infection, he arranged for Sabax to collect the samples from bags attached to the two drips feeding the baby.

The samples, one of K-cocktail fluid and the other of part saline solution, were removed the following day.

Dr Gottlich told the court that a Sabax employee, probably Ian Rosekilly, told him by telephone that Sabax had received only the saline sample, and that it had tested negative for bacterial growth.

Clive Cohen, representing Sabax, said that because Dr Gottlich had not recorded the batch number of the K-cocktail solution, no further investigations took place.

Dr Gottlich believed that the change of intravenous fluid to K-cocktail at noon on August 18 was the only possible explanation for the speed of development of baby Stapelberg's fatal klebsiella pneumonia infection.

The infant was born on August 17 and transferred to the Garden City Clinic after collapsing with respiratory distress. The child was incubated, and "showed gradual but steady improvement", to the extent that he was to be taken off oxygen and started on oral feeds on the morning of August 20.

Questioned by Peter Soller, counsel for 10 of the parents, Dr Gottlich said he had expected the baby to survive.

Under cross-examination, he admitted that the child had shown symptoms that could indicate infection as one of a range of causes.

The inquest was adjourned from 10.15 am to 2 pm yesterday to allow Mr Soller to prepare a notice of review for the Rand Supreme Court, which is expected to be submitted today.

Mr Soller wants the Supreme Court to determine whether all the paediatricians who treated the 13 babies should be called to testify.

Earlier, he submitted an affidavit by Cheryl Pritchard, the mother of one of the babies, who said she had the support of most of the parents in saying that each paediatrician should be called to testify.

The hearing continues.
A PROFESSOR in microbiology told the inquest into the
deaths of 13 babies at Johannesburg private clinics in 1989
that she would have felt uncomfortable to totally rely on
Sabax's system of quality control.
She would only be comfortable if the system was
accompanied by physical evidence that their drips were
sterile.
Professor Margaretha Isaacson of the Institute of Medi-
cal Research said she believed that end product sterility
testing should have been conducted on the drips.
She also felt that the sterility of additives, supplied to
Sabax by other manufacturers, should have been verified
through spot-checking.
Organisms were later found "still growing very hap-
pily" on one of the additives, Calcium Gluconate, during
a test in January last year, she said.
Issacson, who at Sabax's request presented a report on
the company's admixture unit, said the company's system
of process validation was still the favoured method of
quality control even though it contained an inevitable risk
of human error.
She had found no evidence of wilful negligence by any
Sabax employee but a technician, Mr Alan Davies, had
been less painstaking than the others and had not un-
proved his performance significantly with practice.
Mr Peter Soller, counsel for 10 of the parents, read out
results of employee performance validations from May
1989 which stated that Davies and fellow technician Ms
Cynthia Wilson had repeatedly failed in aspects of bacte-
rial hygiene maintenance. - Sowetan Correspondent
NEWS IN BRIEF

Zenex Oil is fined

ZENEX Oil has become the first company to be found guilty of polluting an SA harbour under tougher new legislation and fined Rs 900 (£13)

The company was recently found guilty in the Durban Regional Court of spilling diesel in March last year which found its way into the harbour, said a Water Affairs Department statement.
Baby deaths: court asked to subpoena two Medunsa doctors

By Philip Zulu

An attorney yesterday submitted an affidavit requesting a Johannesburg inquest court to subpoena two doctors from Medunsa Hospital, where at least 11 infants died of bacterial infections in two mini-epidemics in May/June and August/September 1990.

Peter Soller has asked magistrate T.I. le Grange to call Dr Geoff Ellis and Dr Ian Haye to testify at the inquest of 13 babies who were fatally infected in three Johannesburg private clinics in 1989.

Mr Soller, appearing for parents of 10 of the 13 babies, stated that blood cultures found the 11 infants who died at Medunsa Hospital in Ga-Rankuwa had been infected by klebsiella oxytoca.

Laboratory tests indicated that Sabax drips may have been implicated in at least some of these deaths, Mr Soller stated.

Sabax quality assurance manager Keith Allen said Sabax’s tests in early June on 67 units of drip solution, taken from various batches, had shown no contamination.

Satisfied

Arthur Barnett, corporate planner for Sabax’s owner, Adcock-Ingram, said Sabax had never carried out tests to determine whether its K-cocktail drip solution could be sterilised after the admixing process.

Mr Barnett said the studies had not been done because Sabax was satisfied their method of quality control complied with international standards.

In his affidavit, Mr Barnett said certain admixed products could not be sterilised because the chemical make-up of the additives could be changed if they were exposed to heat.

Mr Barnett denied that the statement referred specifically to the K-cocktail solution.

Counsel for the Morningside Clinic, B. Burnman (SC), told Mr Barnett that Sabax had informed two professors that end sterilisation by heat would have adversely affected the final K-cocktail solution.

The inquest continues...
Pick me up for heavy topers

THE opening of Madaus Pharmaceuticals’ R6-million headquarters and packaging plant at Midrand is good news for hard drinkers.

Last year German-based Madaus introduced Legalon, the only registered anti-hepatoxic product in South Africa to help in the treatment of alcohol-induced liver disease.

Madaus also promises relief to people suffering from age and stress through medicines developed from natural substances. They can be taken for a long time without side effects.

By IAN ROBINSON

Madaus started its SA operations in April 1977 as a 50/50 venture with Premier Group. In spite of divestment pressure, Madaus bought out its SA partner in 1988.

Johannes Werner Madaus, chairman of the supervisory board of Madaus AG in Cologne, says the high level of the medical profession is a major factor in the company’s commitment to SA.

Besides serving clinicians in private practice, Madaus supplies medicines through the tender system to provincial hospitals.

It sponsors black dental and medical students from rural areas and promotes liver and cancer research.
DOCTORS who believe that 11 babies who died this week in the deaths of 13 other infants.

Now, in an application made on Friday, the Rand Supreme Court is being asked to order Johannesburg's regional magistrate, Tj Le Grange to allow the doctors from the Medical University of South Africa (Medsa) in Pretoria to give evidence.

In an affidavit handed in during the inquest, Mr Peter Soller, attorney for some of the 13 sets of parents, said it was his duty to present certain facts relating to tests done by the Medusa doctors.

Earlier he told the court that circumstantial evidence surrounding the deaths of the Garankuwa babies were similar to the deaths of the 13 babies who died in top Johannesburg clinics.

He said it was necessary to call the three Medusa doctors — Professor Heather Crewe-Brown, pathologist Dr Geoff Ellis and Dr Ian Eayes — to give "highly relevant evidence" of the results of tests carried out on Sabax drips which proved to be contaminated.

Before Mr Le Grange could make a ruling on whether to allow the evidence, Mr Clive Cohen, SC, for Sabax, objected, saying the evidence was not relevant and could not take the inquest much further.

Mr Le Grange later rejected the request to hear the three doctors.

In his affidavit Mr Soller said that during May or June 1993, 28 babies died after an outbreak of infection at the Garankuwa Hospital north of Pretoria.

An investigation by Professor Crewe-Brown found that in each case klebsiella oxytoca was present in the infants' blood cultures.

Identical

The container of a nutritional fluid fed to the babies intravenously was also found to be contaminated with klebsiella oxytoca.

Mr Soller said Professor Crewe-Brown informed Sabax that the drip containers were suspected, but the company replied that the source of the infection was not defined.

In August and September another outbreak of infection occurred at the Garankuwa Hospital, where 11 babies died — and five more died in October and November 1993.

Four out of five Sabax bags were tested and were confirmed positive for klebsiella oxytoca.

Mrs Pritchard said that Sabax had previously been made aware of the facts and that the company decided to shut down its drip-manufacturing unit and recall all its products.

Reliance

It was alleged in court this week that for five months Sabax was aware of the possibility that its drips were contaminated, but chose to remain silent despite the deaths of eight babies.

It was only after nine months — and at least 13 infant deaths — that the company decided to shut down its drip-manufacturing unit and recall all its products.

The court heard that this was only done when Sabax had been able to confirm that certain drips were contaminated with the deadly klebsiella bacteria.

From May to October 1993, it continued to market its new-style drips — K cocktail and Non K Cocktail — and failed to advise medical institutions to change to a similar drip which it manufactured.

Further complaints that the drips might be contaminated were made to Sabax by the Johannesburg Clinic, Johannesburg Hospital, Park Lane Clinic and Garden City Clinic.

Recall

It was also heard this week that Sabax did not carry out end-to-end testing of its admixture products at any stage because it did not deem it necessary.

Professor Margaret Isaacson of the SA Institute of Medical Research told the court that too much reliance was placed on Sabax to carry out an independent investigation of its facilities after October 1990, when the admixture unit had been shut down.

She said that, while she was generally impressed with the high standards at Sabax, she found numerous problems that needed to be addressed.
Sabax to blame - babies' lawyer

Soweto Correspondent

Sabax should be found culpable, on the circumstantial evidence, for the deaths of infants who contracted fatal infections in three private clinics in 1990, according to Mr Peter Soller, attorney for 10 of the parents.

But Sabax counsel Mr Clive Cohen argued at the Johannesburg inquest into the deaths of 13 babies that Sabax had not been negligent and that it could not be found that their drips were the only possible cause of the infections.

Soller said "Sabax was negligent in failing to react to the first suggestions on May 2, 1990 of contamination of admixture unit drips.

"Though they were the only people who knew their admixture solutions were not end-product sterilised, they did not alert clinics of the fears of contamination."

"The clinics were not given the opportunity to decide whether to switch to compatible sterilised products."

Cohen said all the babies were very sick on admission where they could have contracted their infections.

He said Sabax had produced their drips according to internationally acceptable standards and had not breached any legal rule in their preparation of admixtures.

Soweto 28/11/92
Baby-deaths inquest: finding due today

By Philip Zelo S T o r t . 28/1192.

Sabax should be found culpable, on the totality of circumstantial evidence, for the deaths of infants who contracted fatal infections in three private clinics in 1989, according to the attorney for 10 of the parents, Peter Soller.

But Sabax counsel Clive Cohen SC yesterday argued at the Johannesburg inquest into the deaths of 13 babies that there was sufficient evidence for a finding that Sabax was not negligent and that no act or omission of the firm was causally connected to any death under investigation.

A finding is expected today.

"Sabax was negligent"

Mr Soller addressed the court in respect of only one of the babies, Jacqueline Webb, who died in Johannesburg Hospital on September 29.

He said Sabax was negligent and arrogant in failing to react in the first suggestion on May 2, 1989, of contamination of admixture unit drips.

Though they were the only people who knew admixture solution were not end-product sterilized, they did not alert clients to the fears of contamination. The clinics were not given the opportunity to decide whether to switch to competitive sterilized products.

He submitted in his argument that Sabax deliberately misled the clinics for commercial reasons and because the firm did not want anyone to find out there were problems with their product.

Sabax, he said, also wilfully led Professor Margaret Cumming and others at Randburg to a false understanding that end sterilization of K-cocktail (an admixed fluid) was not practical, knowing that no studies had been done to determine this.

"Sabax went to great lengths"

Mr Cohen said.

In their preparation of admixture drips, Sabax had complied with internationally acceptable standards and had not breached any legal rule.

He said the admixture unit's systems of quality control, process validation, had been sanctioned by all the experts who examined procedures at the admixture unit. "All of these experts excepted Sabax from any hint of negligence in their admixture procedures," he said.

Sabax had gone to great lengths to establish or to find the cause of contamination. He argued that contaminants were more likely to have been introduced by additives than by failure of aseptic technique. The submission was supported by the evidence of reports of three experts, Mr Cohen said.

Moreover, all the batches found contaminated after September contained Calcium Gluconate supplied from a single batch of the additive.

It was very possible the babies had suffered similar infections that they had each contracted before receiving the implicated drip solutions. All the babies were very sick on admission to the neo-natal units, where the risk of infection always existed.

Mr Cohen argued that Heinrich Hamel, who died in Park Lane Clinic on September 29, showed signs of possible infection before the night of September 28. The night before, Sabax had given the baby K-cocktail that night, Joergen Weldon, had shown no serious signs of infection — including fever attacks, circulatory problems and jaundice — before she was fed on K-cocktail the night before her death.

The congruence in both cases between the contaminants found in the drip solutions and the bacteria found in the blood cultures, was insufficient to indicate that infection was contracted from the Sabax drips.
No one liable for deaths of 11 babies

SA Press Association

A JUDICIAL inquiry yesterday ruled that no one could be held responsible for the deaths through infection of 11 babies at three hospitals in Johannesburg in 1990.

The presiding officier, Mr T Le Grange, also found that contaminated intravenous drips supplied by Sabax company could not, on a balance of probabilities, be linked to the deaths of the babies.

A finding could not be made on liability in the deaths of two other babies.

Precautions

Le Grange found there had been no negligence on the part of staff at the intensive care units of the hospitals and that he was satisfied that all reasonable precautions had been taken.

He also found that Sabax had complied with international standards on the prevention of infection.

The source of the infection which had killed the babies could not be determined beyond doubt, he said.
ROYCHEM FM 31/1/92 (183)

Undemanding target

As with sister company Royal Foods, assessment of the first annual report as a listed company is complicated by significant structural changes and a change of year-end. Conclusions depend largely on the method used to deal with these distortions — straight annualisation of 18-month results suggests a patchy performance but, if (as the company has done) emphasis is placed on the past six months, incorporating the business of Ferro, a more favourable picture emerges. Fortunately, the latter seems the more accurate, not least because Ferro brought with it a greater value-added dimension, reflected in the fact that a trading margin of 9.8% in the past six months is significantly higher than 8.6% in the previous 12 months. There was a corresponding fall-through in materially better profit ratios. For instance, annualised gross return on total assets based on the past six months, at 12%, is almost double the 7.3% indicated by annualising the 18-month results. Similarly, the respective ROEs were 16% based on the past six months and 8.5% for the full period.

Given the distortions inherent in either method, one should not read too much into these numbers. Even so, there still seems to be room for improvement which, in the normal course of events, should occur as the huts and pieces of the group bed down together.

Meanwhile, on the most favourable calculation of an 18% gross return on capital employed (net of interest-free liabilities), management is probably wise to keep debt low. At August 31 the only debt of consequence was R20m redeemable prefs issued by a subsidiary, costing about 15% a year.

While the Royal group as a whole is often seen to be debt-averse, in this instance at least any such aversity is not just a quirk — it recognises that present profit ratios do not justify the additional risk inherent in gearing further than the existing 21%.

Combined interest/leasing cover (including pref dividends) is only 4.8 times — comfortably above the benchmark of four for which analysts normally look, but low in relation to the very conservative balance sheet.

As there is no apparent reason for gearing to rise, this is hardly a problem. More important, earnings-wise, as that chairman Vivian Imerman seems satisfied with performance since the acquisition of Ferro, and is still confident that the group will earn the 34.4c forecast at the time of the listing for the 12 months to end-February.

Given that Roychem already had 16.2c under its belt from March-August, the target does not look demanding, there should still be some upside left for the full six months of the 1992 financial year which could, therefore, see EPS of around 38c.

If so, the dividend would probably be 13c, yielding 4.7% at the current 27c share price. This is only 1.5c above the rights price on the listing a little under a year ago, but...
Despite starting the financial year without the benefit of the annual dividend, the company has managed to increase its profits for the first time in a couple of years. Performance was below par in 1990, with production of 90% of the previous year's output. A $150,000 abnormal expense item and a major write-off of non-current assets within the financial year, among other reasons, contributed to the decrease in profit from 35% to 20% in the previous year. In addition, profit margins fell, and net debt increased.

Shareholders were paid a dividend equal to the previous year's dividend. Management claims it did not fully disclose the loss of goodwill arising from the cost of stock options in the annual report. The company's policy of improved control and increased selling efforts, however, remain unchanged.

Executive Chairman: D. Legge.

Activités

Chairman Gerda Legge plans growth in 1992, aiming for increased production through the present rental premises. The company has taken on the financial sponsorship of a new project, with a new building under construction. The project will be allowed to proceed with a loan from a major shareholder. The current share price at 8c. 2c down on 12-month high, is seen to justify a down rating.

LEPPIN HOLDINGS

Trial by fire FM 3.1.1992

[Diagram and figures are present but not legible due to the nature of the image.]

Final Audits

Cost

[Figures and details are present but not legible due to the nature of the image.]

Final Accounts

[Figures and details are present but not legible due to the nature of the image.]
Paprika booster

LOGICHEM Process has won a R5-million contract to design, erect and commission African Oil's first oleo resin extraction plant.

The Thabazimbi-based plant will produce colouring for the South African and international food markets.

It will add value to regional paprika crops which have mostly been exported for processing in Europe.

After the plant is commissioned in the last week of April, 20 tons of raw paprika will be processed daily. Projected turnover for the first year is R25-million.

African Oil's major competitor in exports is market leader Spamy But management believes the SA plant has competitive advantages. These include its low building cost and its location in the centre of SA's paprika region, a factor which will eliminate the degeneration to which harvested paprika is prone.

Negotiations for the construction of two similar plants in neighbouring countries are nearly complete.
Drugs probe men quit

Over death threats

By DE WET POTGIETER

Drugs have been involved in a number of deaths, including two of the men who quit their jobs at the pharmaceutical company. The company is now under investigation for alleged corruption and fraud.

Three members of a task force investigating the drug industry have resigned in the past two weeks, sparking concerns about the effectiveness of the task force.

The resignations have come after several high-profile corruption cases in the industry. Some of the most recent cases include the death of a senior executive who fell from a balcony during a protest against corruption.

The three members who resigned are part of a task force established by the government to investigate allegations of corruption in the pharmaceutical industry. The task force has been criticized for its slow progress and lack of results.

The resignations have raised concerns about the task force's ability to effectively investigate corruption and make recommendations for reform.

Meanwhile, a number of high-profile figures have been arrested in recent months, including a former top executive at a major drug company.

The task force is expected to release its final report in the coming weeks.
SA firms vie for gas field contracts

Fuel deal with Mozambique in the pipeline

THE Mozambican government is within weeks of agreement with one or more SA synthetic fuel and chemical firms on a multibillion-rand venture to exploit and market products from its large Pande gas fields, industry sources say.

It is envisaged that Petronet, Transnet's pipeline subsidiary, will build a Rube pipeline to carry gas to the Reef. It is believed that a parallel line will be built to carry refined fuel from SA to Mozambique.

Sasol, Engen and AECI are in the running to establish a plant to convert the gas into petrochemicals, with Sasol believed to have an edge over its rivals.

Petronet MD Eric Crowley confirmed yesterday that his company had been involved in discussions with the Mozambican authorities and the World Bank, which was expected to participate in the funding.

He added that the discussions had centred on the possibility of Petronet constructing and operating an approximately 900km gas pipeline between Mozambique's Inhambane province and the Reef. About 85% of the line would be in Mozambique.

He said discussions were still at a tentative stage and that they outcome hinged on the decision of the Mozambican authorities and the World Bank. Industry analysts say scepticism also hinges on Mozambique's security situation and Maputo's ability to guarantee that Renamo will not sabotage a pipeline as it has the power line linking SA and Cahora Bassa.

Petronet operates SA's only commercial fuel pipeline network connecting major business centres with the oil refineries at the coast. About 85% of the refineries' product is carried by Petronet's system.

Sasol spokesman Jan Brynau confirmed his company was involved in discussions with Mozambique but was reluctant to elaborate yesterday as talks were at a sensitive stage.

The Pande gas fields have been explored sporadically over the past few decades, with most recent work being done by Soviet drillers. They, however, failed to complete the job.

A feasibility study, which has been running on and off for 10 years, has been completed for Engineering Management Services (EMS), a local engineering project manager.

EMS MD Steve Hrabar said yesterday World Bank financing would probably be forthcoming only if private companies invested in the project. Mozambique itself does not have the resources to finance the project.

Unofficial estimates quoted by Engineering Week put Pande's annual gas potential at 1-billion m³. This would make it significantly larger than SA's own offshore reserves off Mossel Bay.
Sasol's candle wax too sticky

By JULIE WALKER

A STICKY wax problem has given rise to an even stickier problem for Sasol South Africa — a large market for candles — uses both domestic and imported candle wax.

Sasol has supplied candle-makers for 35 years. Last year it developed a wax aimed at preventing candles from bending and sticking together in hot weather.

Buffalo Candles' Pietersburg factory bought the new medium wax, which had been commercialised on a small scale. Buffalo has tested it for six months, involving the use of thicker wicks. But some batches of the new wax have resulted in excess dripping and the wick's pulling and burning on one side only. As a result, it burns too quickly.

Shell

A major retailer returned the candles made from new wax to Buffalo. Sasol has reverted to supplying the old wax to candle-makers until the problems have been ironed out.

Sasol says the problem is receiving the attention of the group's wax technologists.

Last August Sasol bought Price's Candles from Shell for R60-million. It intends to double wax production to 120,000 tons a year as part of a R280-million capital expansion programme to convert Sasol from a fuels complex to a chemical facility.
Chemserve improves margins

Finance Staff

Anglo American subsidiary Chemical Services (Chemserve) achieved real earnings growth of two percent in financial 1991 on the back of a restructure of underperforming divisions.

Attributable earnings improved by 17 percent to R26.7 million which translates to an equivalent rise in earnings per share to 430c (183).

A final dividend of 87c a share was declared bringing the total for the year to 140c.

Chemserve's turnover was up by seven percent to R478 million although the volume of manufactured goods sold decreased by about three percent.
THE PRICE of medicines in South Africa has become more expensive than anywhere else in the world and is rocketing out of control.

The situation has become so serious that a forum on the high cost of medicines in the private sector will be held by the Department of National Health and Population Development in Pretoria on February 28.

The president of the Natal Coastal Branch of the Medical Association of Natal, Dr Mark Schreuder, said yesterday:

“A large proportion of the population can simply no longer afford private health care or the cost of medicines.”

Various aspects of and possible solutions to the problem will be discussed at the conference, which has been called by the Minister of Health, Dr Ruti Venter.

The executive director of the South African Association of Retail Pharmacists, Mr Dave Pleaner, confirmed that all the relevant bodies had been asked for their input.

“The Minister has invited comment on what steps can be taken to implement various factors which will help cut the cost of medicine.”

According to Pleaner, Venter had identified various points which would be discussed and which could - if implemented - contribute “a great deal to reducing the cost of medical services as well as medicine.”

Among them:

- The ability of a pharmacist to substitute medicine with cheaper generics.
- A scheme whereby there was a maximum medical aid price for certain drugs.
- A levy by a member of a medical aid scheme to make the patient aware of the cost of medicine.
- A single exit price from the manufacturers.

Pharmacists would then not have to buy drugs at a higher price and would not be forced to load the end price.

“Old-fashioned counter-prescribing,” which meant that the pharmacist could prescribe for illnesses that should eventually clear up, such as influenza.

Medical aid schemes would pay the pharmacy bill instead of the full consultation, and

The whole question of why some multi-national drugs are more expensive in South Africa than in another country - Sowetan Correspondent.
Chemserve sees its fine-tuning succeed

JABULANI SICHAKHANE

RATIONALISATION benefits and fine-tuning of operations helped speciality chemicals group Chemical Services (Chemserve) increase its earnings by 17% to 430c for the year to December.

Dividends rose by the same percentage to 148c a share.

MD Peter Francois said the group could still squeeze out further internal growth by improving ratios. This would help Chemserve show a real increase in earnings in the financial 1992, even without an improvement in the economy.

Certain group operations, although not missing losses, were still not performing to expectations. These could be fine-tuned during the review period, volumes in the manufacturing division fell 3%, indicating that the group managed to restrict the volume decline during the second half to only 2% from 4% at the interim.

Sales volumes in the traded goods increased in all areas except the soda ash division. This was attributed to changes in the structure of the division, which previously sold and bought soda ash from US-based Anssac. The division now only earns commission as the SA agent for Soda Ash Botswana.

Although this had meant lower revenues for the soda ash division, Chemserve was taking a long-term view that Soda Ash Botswana would become the biggest local supplier of soda ash.

However, Francois said, Chemserve maintained a good relationship with Anssac. Chemserve might still buy soda ash from Anssac to bridge the shortfall in the local market. Soda Ash Botswana would produce 180,000 tons this year. Local demand was expected to be 300,000 tons.

Financial director Jaxac Vught noted that trading in the second half was virtually identical to that of the first half, indicating tough economic conditions. Chemserve's trade during the second half of the year was traditionally better than the first half.

Exports improved slightly to 4% (3% previously) of group turnover. With changes in the political situation, Chemserve hoped for further improvements on this front. An 8% turnover increase to R475m, net trading income rose 11% to R59,8m. Operating margins were slightly higher at 12.5% (12.1%).

Vught attributed the improvement in margins purely to a turnaround in the Stenbask division, which was merged during the year with a competitive division of Henkel into 30:70 joint venture Trochall.

In January Chemserve merged its metal treatment chemicals division with that of competitor Henkel.

Improved cash flows in the second half saw interest bearing debt fall to R41,7m (R45,3m). Gearing dropped from 53% the previous year to 48% at end-December. It stood at 57% at the interim stage.

Vught said gearing measured on a monthly basis averaged between 49% and 60% in the second half, against 60% to 70% during the first half.

Gearing could decline to 30% or less by end-June, he said. The group had no plans for major capital expenditure, and further tightening of working capital management was expected.

Financing costs, which jumped 37% at the interim stage, were down 8% in the second half. This helped limit finance charges to R10m for the full year, an increase of 17% on the previous year.

The effective tax rate fell from 48.9% to 45.1%. This was attributed mainly to a 2% reduction in the company's tax rate and a higher proportion of exempt income.

The tax charge was virtually unchanged at R22,5m (R22,4m). As a result, attributable income rose 17% to R20,7m.
Engen to replace Mobil at the pumps

From April this year, fuel and energy group Engen will start to phase out the Mobil brand name from its service stations and petroleum products. It will be replaced by Engen. Engen marketing CEO John Roberts said yesterday the group, Gencor's energy arm, had to give up the Mobil name in terms of the 1989 deal when it took over Mobil SA, the local subsidiary of the US oil giant.

Engen had to replace the Mobil name by 1994 but a preliminary pilot scheme would begin in April to test the Engen name on a few service stations in SA's main cities.

Roberts said depending on the success of the scheme a full campaign would be launched after six months.

He said adopting a new brand name would give Engen a chance to improve its share of the markets Mobil had served. Several other names had been discussed, but Engen had been the final choice.

Although there were risks associated with changing brand names, he believed customers would accept Engen.
The worthy results of Chemical Services are the first to come out of the AECI stable and could turn out to be the best news from the group for financial 1991. Though relatively small, Chemsure's bulk and specialty chemical activities have long been one of AECI's better performers. The balance sheet has been strengthened considerably, with short-term debt down 20% to R30m and gearing down 10 percentage points on the year to 43%. That is a significant drop considering gearing stood at 57% in June. This puts Chemsure in a good position to seek further acquisitions, something MD Peter Francois says the group may well do in the coming year if it can find operations big enough to contribute to the bottom line. Its most recent deal was with Henkel SA, following the May merger between Chemsure Stenball and a division of Henkel to form the 50:50 joint venture Trohakl. Last month, Chemsure Metal Sciences formed a similar joint venture with a Henkel division to exploit operations in the metal processing chemicals field, which Francois says will not have an immediate effect on business but will ultimately improve margins and offer access to Henkel technology.

The group plans to increase its international activities, which at present do not make a meaningful contribution. Francois says the long-term aim is to increase this sector to 20% of group earnings over the next 10 years.

Comparisons are more meaningful this year than last. In the 1990 year, results from Akulu-Marchon and SA Paper Chemicals were brought in to the income statement for the first time. Francois says Akulu-Marchon has performed especially well during the year, with SA Paper Chemicals "holding its own."

With trading results from two subsidiaries now being brought to account for the second year, the rate of increase in the group margin is down on financial 1990 but remains comfortable, considering the economic climate. Chemsure's diversity and good management of working capital has again helped the group to increase its profit, indicating 1989's flat growth was only a temporary wobble.

The share has enjoyed a rerating. It is currently trading at R40.50, compared with R25 a year ago. Unfortunately, Chemsure does not provide a divisional breakdown of results, making it difficult to fathom just where the group makes its money. Despite this, the share is certainly worth following if scrip can be obtained.

Shaun Harrer
You will still be No 1 — but with Engen not Mobil

Staff Report

A HOUSEHOLD name disappears from the South African roadside this year when Mobil petrol and oil becomes Engen in an R88 million change of identity.

"With the acquisition of Mobil by Gencor in 1989, it is part of a natural progression that the Mobil name changes to suit the company's new circumstances, business environment and ownership," said an Engen marketing division spokesman.

Engen spokesman Mr Kevin Kevany said the logo would be seen at selected service stations around the country from about June. "Motorists' response would be tested and their reaction considered before the final launch two months later."

"Enough research has gone into this project for us to be confident that it will work. But if it does not, we will start again," he said.

Engen also owns the Trek and Sonap brands and operates the Genref refinery in Durban.
"Mercury madness' at chemical plant

Workers at a UK-owned firm which imports toxic waste are said to have "gone mad" from exposure to mercury fumes, reports EDDIE KOCH

Among theutch workers is Eric Milhote (25), who was allegedly told to resign after throwing symptoms of chronic poisoning. He is one of the few cases of mercury contamination in the country.

Milhote is said to have been told to leave early and now has symptoms of mercury poisoning. He is one of the few cases of mercury contamination in the country.

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"I am feeling terrible now, I have been told to leave because I am seeing things," he said.

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Engen tackles a range of social programmes

A MAJOR player in the local fuel and energy industry has committed itself to a wide-ranging social responsibility programme.

Engen subsidiary Engen is involved in programmes ranging from education to environmental care and conservation.

The group is the holding company for Mobil, the Genref refinery and Trek Petroleum. It also has a 30% interest in and is manager of Mossgas and 85% of Snap.

It employs about 3,000 people and last year operating income before tax and interest was R375m—a 17.3% increase on the previous year.

Fulfilment

The focus of its initiatives is to determine and fulfill its role in the process of transition in SA.

It operates with groups such as the Consultative Business Movement, comprising companies aiming to influence economic and development policies and mediating in violence, and works with a partnership comprising the departments of Education & Culture, Education & Training and nine schools, and aims to improve school management.

It supports research, for example, into behavioral habits among residents of black townships and into the science of cognitive development.

It also finances and manages numerous projects of its own.

Project ReGenerate, a programme being run by Genref in Durban, aims to conserve and open up the six ecosystems surrounding the refinery.

These comprise wetlands, rocky shore, sandy beach, coastal forest, dune forest and one of the last remaining grasslands in Natal.

The project is being run in conjunction with the Natal Parks Board, the CSIR and the Wildlife Society, and costs just over R1m.

This action programme is supported by a pollution prevention policy at the refinery, which is being upgraded and expanded at a cost of R2bn.

On completion of the first phase, its capacity will increase by 30%, while the air, water and noise pollution produced by the plant will be brought below existing levels.

In another project, Engen last year financed the publication of the final volume of Street Law, which covered the field of family law.

Widened

In the education field, the group embarked on a programme for pupils studying science and maths. Initially, this was an employee programme, but it soon widened its scope to allow for community participation.

The programme is complemented by a winter school for matriculants during the June holidays, which is attended by over 400 pupils annually.

The Energas Foundation—formerly the Mobil Foundation—is involved in over 150 projects involving an annual R10m in the areas of education, community development and entrepreneurial activities.

In the field of social health care, the group has financed several clinics in Natal and supports a scheme for producing health programmes which will be shared with medical models that could be replicated in other areas.

The aim of this scheme is to empower communities to take responsibility alongside the health authorities for local projects, with an emphasis on primary health care.

Development in sport is also not neglected.

In 1990, the group launched the Mobil Power Plus Summer Series, a series of athletics meetings.

Part of this is the Mobil Link to a Star system, which links top athletes to national charities on a points system.

The charities receive donations at the end of the series according to the points their athletes have won.

Last year also saw the launch of the Development Squad, which sponsors 10 promising local athletes and gives them opportunities to compete against professionals during the Mobil Power Plus Summer Series.
Statement by Sabax

The inquest proceedings into the deaths of 13 babies were concluded on Tuesday 28 January 1992 in the Johannesburg Magistrate’s Court, when the findings were announced by the Regional Magistrate, Mr. T. Le Grange.

Prior to, during, and subsequent to the inquest proceedings, SABAX has been subjected to a damaging trial by the media.

The Magistrate recognised this fact in his summing up in stating that: “...the public is entitled to be informed, not of the opinion of people based on speculation, but of the true facts. Inaccurate, sensational and selective reporting is a disservice to the public.”

The highly emotional nature of this inquest has lent itself to biased reporting, some of which has been defamatory to SABAX.

To protect the Company’s good reputation and image, developed over 43 years of supplying critical care products to the medical profession in South Africa, we wish to place on record the following findings made by the Magistrate, assisted by two expert assessors — Dr. G. J. Coetzee, Regional Director of the S.A. Institute of Medical Research in the Western Cape, and Dr. S. P. E. Naude, a specialist paediatrician at the University of Pretoria and attached to the H.F. Verwoerd Hospital and the Kalafong Hospital.

1. In all cases no causal link was established between any SABAX product and the baby deaths.

2. The Magistrate stated: “As far as reports in the media may have suggested suspicion surrounding the deaths, a cover-up or an unnecessary delay in bringing the case to court, we wish to point out that there is no evidence of a cover-up. We were placed in possession of all the relevant documents by SABAX and the Clinics.”

3. In all cases, the court found that the babies were seriously ill, either from birth or, in any event, prior to receiving the SABAX admixture. It was for this reason that all babies were being treated in intensive care units.

4. The court found that SABAX had adhered to internationally accepted standard operating procedures in the operation of its admixture unit.

We also wish to place on record the following:

1. Affidavits by the paediatricians who had attended these babies were submitted in evidence. Certain of the paediatricians were called by the court to give further evidence. During the course of the hearing, the magistrate invited anyone who had not appeared as a witness at the hearing and who had additional relevant information, to submit it to the court in affidavit form, but no-one did.

2. SABAX did not call any expert witnesses to testify on their behalf during the proceedings. The expert witnesses were called by the court and all were independent witnesses.

3. The inquest proceedings took place at an in-depth, detailed public hearing which lasted for over two weeks. More than 2 000 pages of documentary evidence were placed before the court and this evidence as well as all the witnesses who were called were subjected to examination by 5 legal teams, as well as the state, and the court, which included 2 highly qualified assessors.

SABAX expresses sincere sympathy to the parents whose babies were the subject of this inquest, especially for having to relive their anguish during these proceedings.

SABAX would like to assure healthcare professionals and the public of their ongoing commitment to product quality and patient safety.
Afrox untroubled by recessionary climate

A marked decline in industrial activity and intensified competition failed to inhibit Afrox's performance in the past year.

In the annual report, chairman and MD Peter Joubert says the group is sustained by the great diversity of customers for gases and the ability to stimulate demand for gases by introducing new applications.

Mr Joubert says the group will continue to give high priority to cost containment, productivity and industrial relations, while remaining flexible enough to react swiftly to any upturn.

Afrox is a leading provider of over 120 industrial, specialist and medical gases, and a major manufacturer and supplier of electrical and gas-welding equipment and consumables.

It is a major operator in the private healthcare field.

Gases and welding contributed 70,8 percent to group profit after additional depreciation and before interest and tax.

Healthcare (excluding associated companies) accounted for 19,5 percent and other businesses for the remaining 5,7 percent.

Capital expenditure in the current year will be similar to 1991's R125 million.

In the year to September, group turnover climbed 16 percent from R903,8 million to exceed R1 billion. Operating profit swelled 28 percent from R180 million to R231,7 million.

The increase is attributable to good performances in the gases and healthcare divisions.

Cost control, productivity improvement and attention to value engineering also contributed.

After investment income increased 22 percent from R4,4 million to R5,7 million and profits from associated companies grew 28 percent from R2,3 million to R3,6 million, profit before interest advanced 20 percent from R187,2 million to R226 million.

A three percent rise in interest expense from R30,7 million to R31,7 million prompted a 25 percent rise in pre-tax profit from R155,5 million to R185,3 million.

A decline in the effective tax rate from 48,1 percent to 46,3 percent pushed taxed profit to R168,9 million (previous year R90,2 million).

After deducting additional depreciation to reflect the current cost of assets and outside shareholders' interest, attributable profit advanced 29 percent from R94,8 million to R123,4 million.

Earnings per share (before additional depreciation) increased 26 percent from 29,9c to 35c.

The dividend for the year was 17c a share (15c).

The balance sheet discloses a marked improvement in working capital, a decrease in interest-bearing debt from R177,3 million to R111,7 million and gearing down from 38,9 percent to 34,4 percent.

Net asset value appreciated 10 percent over the year from R19,94 a share to R20,56.

Afrox, priced at R90, is trading on a P/E ratio of 36,6 and provides a dividend yield of 1,3 percent.

COMMENT: The share price has been in an upward trend since early 1992.

Although there could be some correction in the price in the immediate future, the favourable trend is intact and further price rises can be expected.
Wayne's profits dip 10% (183)

The impact of reduced demand in the mining, motor and agricultural sectors hit Wayne Manufacturing profits for the six months to December.

The group said yesterday that attributable profits were down by 10 per cent at R2.9 million compared with the previous period's R3.3 million.

Earnings per share were down by 9.2 per cent at 4.2c (5.4c) while an unchanged interim of 1.7c was declared.

One of the main reasons for the drop in profits was the closure of a factory which led to relocation costs for employees - Sapa
Drug industry may get code
KATHRYN STRACHAN
THE National Wholesale Drug Association (NWDA) has proposed a code of conduct to monitor the industry in an effort to bring a halt to drug theft, estimated at R700m a year.

The code of conduct is also intended to monitor pharmaceutical wholesalers to stop mishandling of scheduled drugs.

The medicines, most of them prescription drugs of schedule 3 and upwards, are disappearing in massive numbers from within the pharmaceutical industry and from hospitals. The drugs are then sold on legitimate markets.

It has not been established how drugs re-enter the legal market. Earlier this month members of a task force investigating the black market reportedly received death threats.

NWDA president Lex Tannenbaum said wholesalers often did not store the medicines correctly and, when exposed to high temperatures and moisture, some became inactive or even poisonous.

With the sudden increase in pharmaceutical wholesalers, Tannenbaum said it was necessary to widen membership and introduce a code of practice to "bring order to an industry that has been rapidly spinning out of control."

PAC supports leader's stance on commission

THE PAC yesterday came out in support of its president's refusal to appear before the Goldstone Commission, branding it a product of an illegitimate order because of its appointment by President PW de Klerk.

The organisation's secretary-general, Benny Alexander, was responding to Mr Justice Goldstone's threat that if PAC president Clarence Makwetu did not appear before the commission to answer allegations of attacks on police by its military wing Apla, the judge would "enforce" him to appear.

Attitude

The threat was contained in a letter from Mr Justice Goldstone delivered to PAC headquarters in Johannesberg on February 13.

Makwetu was given 14 days in which to respond.

On the day of the deadline, Alexander made it clear his organisation would not tolerate state interference with Makwetu's refusal to appear before the commission.

Speaking Apla's actions did not constitute public violence, Alexander defiantly said the PAC and Makwetu were not answerable to the commission.

"The commission states that it wishes to probe Makwetu's attitude," said Alexander.

"The commission is not entitled to probe attitudes. The PAC and its president (Makwetu) are not answerable to the commission nor to any state structure for their attitude on matters of our liberation. Moreover, the terms of reference of the commission do not allow it to probe attitudes."

Pointing to the widespread violence since the signing of the national peace accord in September last year, the PAC secretary-general charged that Apla activities did not constitute public violence or intimidation.

"The actions of all PAC structures are related to the historical necessity to destroy white domination and replace it with justice and democracy."

An even more defiant publicity secretary Waters Toboti warned of chaos if the state took action against Makwetu.

"A challenge to Makwetu is a challenge to all of us involved in the Azanian struggle."

"There would be hell if he were to be arrested and jailed."

"The people would surely free him with their bare hands," said Toboti.
Engen prepares a new face

The change in brand name from Mobil to Engen will involve a massive advertising and marketing campaign spanning nearly three years.

The "rebranding and remapping" of the entire Mobil network, involving hundreds of service stations, follows last week's confirmation that fuel and energy group Engen will phase out the Mobil name from its service stations and petroleum products by 1994, in terms of a 1989 deal when Genor took over Mobil SA.

It is believed that 14 test sites will be completed by May - in the PWV, Cape Town and Durban areas.

The remapping follows similar name and identity changes by other companies because of disinvestment.

General Motors successfully changed its name to Delta and IBM dropped its "B" to form 1BM. BP recently set about an image change in its entire international network, by means of a massive campaign to upgrade its service stations.

The Mobil changeover could be seen as a combination of BP's change of image and the Delta and IBM name changes. It will involve finding new strategies to promote a product which had built up a caring image over the years through its slogan, "with Mobil you are number one."

It is not clear if Mobil's agency, D'Arcy, Masius Benton & Bowles, will be handling the change.

Mobil PR manager Gareth Griffiths said changeover was still in its first stages. What had been decided was that Pentagraph would handle the corporate identity aspect of the massive project.

Griffiths said it was a difficult job to change a brand name and Engen had been studying the task ever since Mobil was sold to Genor in 1989.

The change would be phased in between now and 1994 after the plan had been tried and tested in the marketplace.

Griffiths said it was premature to assess what the marketing and advertising budgets would be, and some of the money currently spent on Mobil would be allocated to the change. It can be assumed that millions will be spent on signage alone.
AECI makes vigorous comeback

By Derek Tommey

Chemical giant AECI should please its shareholders with the strong recovery in profits in the second half of last year. Although the recession intensified in this period, earnings in the six months to December at 88c a share were almost treble the first half's 28c a share.

These earnings were also 8c better than the 81c earnings in the second half of 1990.

This is a remarkable turnaround from the first half when net trading income was down 38 percent and earnings a share down 56 percent.

However, this sharp improvement in results was not sufficient to bring the full year's earnings into line with those of 1990.

At 121c a share, 1991 earnings were down 21.4 percent on 1990's 154c.

But the recovery was sufficient to allow the company to restore part of the cut it made in the interim dividend, which had been reduced by 40 percent from 56c to 18c a share.

The final dividend is 40c, which is a reduction of 30 percent on last year's 57c.

Total dividends for 1991 are 58c, down 35 percent on the 87c paid in 1990.

The second-half recovery clearly presents AECI with a strong springboard for a further advance in profits in the current financial year.

But chairman Mike Sander, in commenting on the expected 1992 results, says only that provided there is no further deterioration in the South African and world economies, AECI's profits will be better than those of 1991.

But he does not have to point out that AECI's success in bad times should ensure a further marked improvement in performance in good times.

Mr Sander says that the first effects of an improvement in the world economy would be a rise in the price of many of the commodities made by AECI.

These prices are currently depressed and one of the group's problems is that these products are being dumped in South Africa.
Recession takes its toll on AECI

TRADING conditions for chemical group AECI remained difficult during the second half of 1991, resulting in a 21.4% decline in bottom-line earnings to R21c a share from R25c the previous year.

Net trading profit dropped 19% to R402m from R509m. Net attributable income amounted to R187m, sharply lower than the previous year's R233m.

Turnover increased only 5% on 1990 to R2,920m. The dividend was cut to 40c a share, leaving a 50c total for the year compared with the 87c paid in 1990.

However, dividend cover was increased from 1.8 times to 3.1 times.

Group MD Pieter Sander said volume sales to the gold mining industry were substantially down, coal mining had held up reasonably but platinum mining was "woolly". Construction was weak and the automotive industry softened towards the year-end.

The agricultural sector was marginally better, but this was reversed by the current drought, Sander said. He attributed a better second half to improved operational efficiencies and restriction of fixed costs increases to below inflation, aided by productivity improvements.

At interim, earnings dropped 56% These improved 10% during the second half. He added that recurrent failures of compressors which had restricted production.

To Page 2

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AECI

at the VCM plant at Cosmal in South Africa were resolved, while the ammonia plant at Modderfontein did well after its overhaul.

Local sales were up 3% and exports increased 15% to R601m.

Sander said with the group now having a foothold in the overseas markets, export volumes were expected to improve further.

With overseas customers now familiar with AECI products, prices received should improve without spikin in world commodity prices.

Higher export prices would have a beneficial effect on AECI's trading margins.

Because of a higher investment in working capital and capital expenditure, which totalled R370m during the year, net borrowings rose 30% to R415m.

Financing costs were up R3m to R419m, resulting in pre-tax income dropping 34% to R247m (R477m).

However, this was slightly offset by a lower effective tax rate of 30%, resulting in the tax charge dropping from R166m to R77m.

The drop in the effective tax rate is due to higher asset write-offs, the reduction in the company tax rate and lower profits.

From Page 1

Sander said he was looking for improved performance in financial 1992.

This would come internally, mainly from improved efficiencies. Also, since AECI's profits for the first half of financial 1991 were sharply down, a slight improvement in the first half of 1992 would look dramatic.

He said plant problems experienced in the first half of 1991 should not be repeated.

During the year the group realised land holdings which were in excess of group current or future needs, resulting in a revaluation amounting to R601m over book value.

This amount was included in group assets. After the realisation, gearing dropped to 57% from 62% before realisation. It stood at 64%.

Financial director Neil Axelson said by realising these holdings AECI was attempting to put into the balance sheet land holdings which were surplus to group needs at the value which could be realised. Surplus land holdings would be sold over the next 10 years and were expected to net the group between R50m and R100m. Annually Axelson added that based on the re-valued cost of land, AECI's debt capacity was higher than on a historical cost.
Thor asked to end pollution

CAPE TOWN — Thor Chemicals SA had been asked to stop producing mercury effluent to end pollution of the Msikaba River in the Natal Midlands, Water Affairs and Forestry Minister Gen Magnus Malan said yesterday.

The company had complied with departmental instructions to end the pollution, he said in reply to a question by Mike Tarr (DP, Pietermaritzburg North).

Thor Chemicals SA (Pty) Ltd had also been asked to obtain the services of a recognised consultant to determine the cause of the pollution and advise on measures to prevent a recurrence, he said in reply to another question by Wessel Nel (DP, Mooi River).

Trade and Industry Minister Derek Keys said two permits allowing the import of mercury-bearing substances had been issued to the company.

Replying to a question by Bob Harwell (DP, Pietermaritzburg South), Keys said the Department of Trade and Industry could not confirm if the permits had been used.

Malan said it had been decided not to take legal steps against the company because of its positive response to departmental instructions. "I wish to stress, however, that should the situation deteriorate in future, legal steps can still be taken."

It was being monitored constantly and, so far, the concentration of mercury downstream of the factory was well within the accepted standards for drinking water. The water was "safe for human consumption and other domestic uses."

The request to end production of mercurial effluent had obviated the need for evaporation dams.

Thor Chemicals SA had lined all evaporation dams for mercury effluent disposal, improved housekeeping to prevent ground and surface water contamination and closed off the leach pad, previously a major cause of pollution.

Contaminated process wash and raw water held in the containment area were now being force-evaporated through a steam process, he said.

The company had also been authorised to irrigate mercury effluent under strict conditions. These included pre-treatment to a mercury limit, well within the general standard and control of the irrigation to prevent any more groundwater pollution.

— Sapa
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whitewash? Clean-up or...?
Better second half

After three half-years in which AECI’s earnings have declined, the second half of the year to end-December was a turning point. Second-half earnings were up by a tenth, to R8c, on the same period in 1990.

In the first half of the year, there were recurring problems with compressors at Coalplex and the ammonia plant at Modderfontein was overhauled. In contrast, there were no significant shutdowns in the second half. The operating margin shot up from just 5.4% in the six months to June, to 9.6% in the second half.

But, significantly, AECI is reluctant to say (as it did a year ago) that the chemical market has reached the bottom. MD Mike Sander attributes the improved margin to higher production rates, tighter control of fixed costs and better productivity — rather than to any recovery in the market. He says certain markets which remained strong in the recession, such as plastics for the packaging industry, took a tumble in the second half. And the recent dry weather does not augur well for AECI’s fertiliser sales during this year.

The pressure on the group is evident at trading level. Local turnover for the full year is well down, it rose only 3%, implying overall volumes were down by about a tenth even though prices were soft. The operating margin has fallen from 9.9% to 7.6%.

But despite worldwide overcapacity in most chemicals, AECI has increased its export sales from R434m to R502m. Executive director Mike Smith, who heads up marketing, says exports have come from almost the whole spectrum of group products, especially synthetic fibres, PVC, polyethylene, speciality chemicals and fertilisers.

These exports have made a cash contribution to operations, which have low variable costs, but they have provided slim margins. As a rule, AECI exports to countries which do not make the product on offer. That reduces the risk that an anti-dumping duty will be slapped on it. Its own pleas for anti-dumping duties, especially on PVC, have so far been met with deaf ears.

Pre-tax profit was down by a third, to R243m, but thanks to a reduction in the effective tax rate from 40% to 30%, and a 12% increase in equity-accounted earnings and dividend income, attributable earnings fell by 21%. Financial director Neale Axelson attributes the reduced tax rate to export incentives, a lower deferred tax provision after the cut in the company tax rate as well as lower profits.

AECI was unable, and indeed unwilling, to maintain last year’s dividend. The dividend was cut by a third, and the cover raised from 1.8 to 2.1. The market might react badly to this cut in the short term, but more serious analysts believe a capital-intensive group such as AECI should have a cover of at least three times, to build up capital needed for future replacement of plant.

For the first time the preliminary report provides some balance sheet information. It is skimpily, presumably because the annual report is just a few weeks away. It does disclose that AECI’s surplus properties have been revalued, adding R326m to the equity base. These properties have been transferred to a wholly owned property company with a view to disposal for commercial and industrial use. Sander adds wryly that AECI is not going into the (more glamorous and lucrative) property business, but is stucking to the difficult business of making chemicals.

Axelson argues that the revaluation will help the market get a truer picture of the value of AECI’s assets and of its borrowing capacity. After revaluation, gearing is 47% compared with 57% in December 1990, but 58% if the revaluation is excluded. On stated equity, NAV per share has increased from R8.87 to R12.87.

At R9.30, which is close to its lowest for the year, AECI trades at a discount to NAV of more than a quarter. It sits on a p/e of 7.7 and a dividend yield of 6.2%. The results were ahead of market expectations, which predicted EPS of between 95c and 100c. Despite the dividend cut, the price should rebound.

Flattening out

Packaging held up well until the middle of 1991, because of the continued real growth in demand for fast-moving consumer goods and beverages in particular.

But growth in beer sales, for example, has slowed from 10% to almost nothing since March 1991. This has had an immediate impact on Consol, the leading bottle maker, and contributed to its slower earnings growth of only 5%.

Group M
d Paet Neechling explains that if there is no real growth, the demand for returnable bottles drives up as the existing pool of bottles is sufficient. But demand has fallen across the range of Consol’s glass, corrugated and tyre products. As turnover was up 4%, volume sales were down by about 10%. Plastic packaging, though, is still increasing volumes. The 1.51 returnable plastic soft drink bottle was introduced and there was continued demand for in-mould labelled products.

Operating profit from packaging was static at R88m, but the rubber division’s profit was down by 17%, to R49m. Margins have been tight in tyre sales because of cheap imports from overseas. Neechling says he is sad to see how the market has degenerated. He argues that tyres which come on to the SA market should conform to quality standards comparable with those in the European Community. The tyre division’s contribution should improve in the second half as government has agreed to reintroduce quantitative controls to ensure that imports do not exceed 1988 levels.

Imports led to a severe fall in sales of glass tableware and operating losses resulted in this division. Consol was unable to get anti-dumping duties from government. It laid off 240 people in the Pretoria glass tableware operation and a further 180 across the group.

Domestic rather than foreign competition cut the profitability of the corrugated division. A year before, Consol had gained market share from Namplax, which suffered from a prolonged strike. Not only is Namplax fighting to regain market share but former
SYNTHETIC FIBRES FRI 21/2/92

A new plant for Sasol

Last year, Sasol said it would build a plant at Secunda to make the chemicals for acrylic fibre. This week, Sasol outlined the second

BUSINESS & TECHNOLOGY Fri 21/2/92

part of its strategy to move boldly into the synthetic-fibres industry when it announced plans to build a R320m acrylic-fibre plant in Durban, in an equal partnership with the Industrial Development Corp.

The plan would provide the last piece for Sasol in a vertically integrated synthetic fibre operation that proceeds from the mining of coal to the finished product.

Sasol has bought a redundant acrylic-fibre plant now operating at Calais, France, and will dismantle and re-erect it on a 10-hectare site in Durban, according to Sasol GM Jan Fourie. The plant, purchased from Courtaulds UK, will be relocated by Genrec and Spie Batignoles of France——an effort that will require the transport of some 18 000 t of equipment.

Sasol expects the plant to be completed in Durban by March 1993, with full production planned for July 1993. Courtaulds will license the Neochrome and Courtelle brand names to Sasol. Fourie declines to say how many jobs the plant would create.

Export potential

The choice of Durban was obvious. Sasol intends to export a significant proportion of the output; the target markets include Pakistan and the Pacific Rim. And 40% of the local demand market comes from the Durban area, with another 50% in the Port Elizabeth and East London areas.

The project will be financed largely with equity, augmented by export credits and commercial loans by banks and the IDC. Sasol says there will be no soft loans or subsidies.

Fourie says the 20 000 t annual local market for acrylic fibre is supplied entirely by imports, so the initial annual output of 36 000 t would easily provide a surplus for export.

Sasol plans to increase the output eventually to 50 000 t a year and believes its product will have several cost advantages over overseas competitors——allowing it to make money in an over-supplied world market where Courtaulds UK couldn't. These include the savings in buying a second-hand plant and SA's low electricity rates and moderate labour costs.

In two years, when Sasol completes its plant at Secunda to manufacture acrylonitrile, the chemical precursor of acrylic fibre, the company also will save money on the cost of inputs.

Sasol estimates that in its first year of production, the Durban plant will reduce SA's import bill by R180m and earn R50m in exports. There is now no tariff protection for acrylic fibre and Fourie says Sasol has no intention of asking for protection.

Acrylic fibre is used for a variety of purposes, such as jerseys, blankets and low-cost carpeting and upholstery, including upholstery for low-priced cars. SA Nylon Spinners MD Peter Boxall says there is little competition between nylon and acrylic fibre, so he does not expect the new plant to have a significant impact on his group's business.
AECI sees upturn after lean years

AECI chief executive Mike Sander is more optimistic about the group than he has been for the past two years.

"We always feel the front end of an economic downturn before other industries. The first effect is lower sales because buyers use up stocks," he says.

Mr Sander does not expect 1992 to be a miracle turnaround year, but there are signs that supply pipelines are nearly empty. The chemical group should be among the first to feel the benefits of an economic upturn.

Two factors played important parts in its year to December 1991.

One was the planned shutdown of the ammonia plant for maintenance. The second was the Coalplex plant at Sasolburg.

"In order to expand capacity at Coalplex we overhauled the plant in 1988-89 and de-bottlenecked the production sequence.

"But this introduced a problem which was impossible to diagnose. Now, we have an early-warning system which anticipates problems and averted rapid plant shut-downs."

The second problem at Coalplex last year stemmed from the gas compressors, without which the whole plant grinds to a standstill.

This problem has also been ironed out.

A combination of these meant sharply lower interim earnings for AECI last year. But profit in the second six months was double that of the first because of improved efficiency and cost control.

The year's turnover was 5% up to R5.39-billion. Mr Sander says export sales rose by 27% to R502-million - about a tenth of sales - on top of real growth the previous year. Products from across the range were sold abroad, but explosives do not travel well.

AECI realised a few years ago that there would be opportunities to export as well as stiff competition from imports. Generally speaking, there is global overcapacity in almost every bulk chemical and commodity except caustic soda.

AECI makes enough caustic soda for SA demand, but production also yields chlorine. Derivatives, such as CFCs, are stuck with a bad-for-the-environment stigma at present.

Mr Sander is aware of the problems in arrival at an equitable import pricing structure. He says it is AECI's aim that every part of the business stands on its own and not require abnormal protection.

But it is a tough order.

The reduction of operating costs has been high on Mr Sander's priority list in the past year. There has been some success.

AECI finds it necessary to continue to apply for protection to prevent imports of products at unfair prices as defined by GATT.

Depreciation of the rand might be good for AECI in the near term, but Mr Sander is more concerned about the effect it has on the country as a whole.

"The price of capital equipment would become unaffordable."

AECI has revalued property not required for its own use to the tune of R526-million above book value.

Some land is in desirable sites, such as Somerset West and Milnerton AECI intends to sell property to the benefit of shareholders.

In spite of the 21% decline in earnings to 12c a share and a third off the dividend to 8c, AECI's share price was bid at 95c on Friday. Management expects a small improvement this year and so does the stock market.
Tribunal calls for probe into Thor Chemicals

AMSTERDAM

The Second International Water Tribunal in Amsterdam on Friday called for an independent investigation into the British-owned Thor Chemicals mercury reprocessing plant at Cato Ridge in Natal.

The scientists jury of world experts said Thor Chemicals had been "misleading and evasive" in response to charges that it had caused severe mercury contamination that endangered the local environment and population.

The jury, whose verdict has no legal power but carries worldwide moral influence, said mercury was a particularly dangerous substance and double-standards had to stop Thor should apply the same standards in SA that it did in Britain.

The signed verdict, which will be submitted to the UN's Earth Summit in Brazil in June, said Thor Chemicals had been given timely notice of the Amsterdam hearing.

But Thor had declined to attend to reply to the charges, brought by Earthlife Africa even though it had submitted a lengthy written denial of the charges.

The jury said it recognised the possibility that Thor had caused water pollution that impaired the health of the local population but Earthlife Africa had not been able to adequately substantiate its allegations.

It said it was vital that populations who thought they were at risk should have the right to information, especially given the limited access to information in SA and because of the hazardous nature of the substance.

The Earthlife Africa delegation of Chris Albertyn, Tim Houghton and Brendan Wolf-Piggott, all from Maritzburg, said the emphasis of their case had been that secrecy by Thor and government had prevented them from obtaining detailed information.

They said they were delighted with the verdict.

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First National Corporation
Grincor will proceed with share on the basis of 40% thereby raising approach.

Grindrod Holdings Ltd FirstCorp has underwritten the rights offer will rank be offered to Grincor at 1992

Application has been made paid) letters of allocation offer is conditional upon concerning the salient...
Noristan and its 73 per cent-owned subsidiary, Norpilen, faced severe financial problems. The company reported a drop in earnings of 18.2 per cent on an annual basis, but income rose on a quarterly basis. The company's share price fell to 1.20 Swiss francs, indicating a significant drop in value.

In the face of these challenges, Norpilen decided to restructure its operations. A final dividend of 1 RFL was declared.
Coates in the black

STRINGENT cost controls at Coates Brothers, the SA subsidiary of the UK-owned printing ink group, helped it offset the recession.

Turnover grew to R156m in 1991 (1990: R146m) which converted into a rise in operating income of R17,7m (R15,6m). The directors said the widened trading margin, up to 11,1% from 10,6%, resulted from "stringent controls on costs".

Pre-tax income rose to R17,6m (R15,6m) and attributable income was R9,4m (R7,9m).

The directors would not comment on the results yesterday. However, analysts believe the turnover increase was achieved through higher prices rather than any improvement in volumes. Thus, they say, added to the improvement achieved through cost cutting.

A dividend of 72c a share was declared on earnings a share of 27,5c. In 1990 the group paid a dividend of 61c a share on earnings of 22,6c a share.
AECI given A 1 rating

Finance Staff

Republic Ratings, which assesses the ability of major companies to meet their financial commitments, has turned its attention to AECI's recent R50 million commercial paper issue — the first of its kind in SA.

Director Dave King says he has given the issue an A1 rating, the second highest available and equal to that on AECI's general unsecured short-term issues.

He considers AECI's capacity to repay the principal and interest over the short-term is strong, primarily due to its long track record and the benefits arising from economies of scale in the chemical industry, as well as its powerful parentage.

It does not, however, receive the highest rating of A1+ owing to difficult trading conditions and the depressed state of its key customer industries.

AECI's debt burden and repayment periods are also rising, while the asset base is ageing and the climate for investment in large capital projects is poor.

Mr King says the corporate paper market is likely to take off strongly now that it has been freed from the restraints of the Deposit-Taking Institutions Act (DTI).
CHEMICAL giant AECI yesterday received an A1 rating for its recent R100m commercial paper issue. Difficult trading conditions in the industry and the depressed state of key customer industries weighed against the rating, which was not the highest, a statement released yesterday by Republic Ratings said.

Other factors working against a higher rating were rising debt burdens and repayment period, an ageing asset base and a poor climate for investment in large capital projects.

However, AECI's capacity to repay the principal and interest over the short-term was considered to be very strong, mainly because of its long track record, economies of scale benefits and strong parentage.

Republic Ratings director Dave Kung said the agency would rate each corporate paper issue when it came to the market. He expected the corporate paper market to take off strongly following the legislated requirements for exemption from the Deposit Taking Institutions Act.

Corporate paper had to be endorsed by a deposit-taking institution but this was likely to be relaxed allowing borrowers to reduce the cost of their funds and diversify their funding bases, he said.
exporters

Wine

on SA

Pressure

WEEKEND FOCUS 3
SOUTH Africa is not behind the rest of the world in producing quality wines, but will have to put everything into getting back into very competitive overseas markets.

With the local market looking grim — attributed to the recession and price increases, the industry is focusing on building its image in existing markets overseas and opening up new avenues.

"We have the varieties, the knowhow and the moocuity," says Stellenbosch Farmers’ Winery’s group production manager Franke Buysse.

"We’ve been held back through circumstances It’s been difficult—like boxing with one hand behind your back.

"The industry is on the threshold of major expansion. There are a lot of markets opening up and it’s a challenge.

"Also, there’s a lot of curiosity about South African wines. There is great interest in New World wines like those from California, Australia, Chile and New Zealand. They’ve been very innovative with things like Chardonnay, Sauvignon and Chenin.

"Now the overseas markets are looking at South Africa. Their memory of South African wines is very good and it is known to be good value for money.”

He rejected a contention by the British Wine Association that South African wines were overpriced on overseas markets.

"There might be some at the top end of the market which are overpriced but traditionally South African wines are known for value.

"Mr. Buysse said it was important that the industry work as one to maintain the image and quality of South African wines abroad.

"One can’t just export anything. There are fly-by-night operators who could ruin our reputation. If someone buys a bad bottle they won’t say ‘I won’t buy from that estate again.’ They’ll say ‘I won’t buy South African wine again.’

"Mr. Buysse said there were rumblings in the industry about working together.

"The fruit industry does it as well. On the local markets it’s a free-for-all but for overseas they all work together on quality control and a unified marketing strategy.

"South Africa’s wine industry has grown and diversified to the point where we were something for all palates and pockets.”

"We will have to spend money on establishing trademarks and sell products overseas. It’s a tremendous challenge to get into a very competitive market.

"On the local front things don’t look so good.

"A proliferation of labels and varieties has confused consumers and retailers confused.

"Beer — with six major brands — holds 42 percent of liquor sales in South Africa and wine marketing agents are nervous about putting vast amounts of money into promoting counterfeit wine brands in an overpriced market.

"The local market is fairly stagnant and that has to do with recent price increases,” Mr. Buysse.

"We haven’t made the breakthrough into the black market for what we hoped for.

"Things are changing, though, and I believe we can make a product of the ‘wveet’ wine that will be acceptable on the black market. We did it with apples (cider). Why not grapes?”

"The tremendous proliferation of labels was enough to scare off potential wine-drinkers and retailers could not hope to stock all available wines.

"There are too many labels. Everyone wants to do their own thing. It’s the shotgun approach,” he said.

"I believe smaller estates should go for one or two labels and make them synonymous with the estate.

"The market needs rationalization, but not through legislation.

"I don’t foresee a crisis but I do see hard times ahead because of the state of the economy.”

Mr. Boon said the higher-priced wine industry was stagnating because wine-lovers buying in that category tended to downgrade in times of economic hardship.

"The bottom had all but fallen out of cheaper, lower-price sales as consumers turned to still cheaper alternatives, like beer.

"The top end of the wine market had seen a dramatic increase in consumption, with significant losses in style and quality in both red and white wines.

"This makes it difficult to make headway with individual brands,” he said.

Mr. Rolly McMillan, marketing manager of wool Baxters, said producers had become more adventurous, experimenting with greater variety of wines, which caused problems in marketing specific labels and trademarks.

"Companies were spending less on advertising because returns were non-existent.

"There was consensus that, as wine drinkers became more discerning, market forces would weed out brands of lesser quality.

"Mr. Wootten said the wine industry would have to focus on good quality products for the overseas market at it was to compete in a much more sophisticated and competitive arena.

"Gilbey’s parent company, Interna- tional Distillers and Vintners, had a strong international distribution and marketing network which could be tapped, and the company was involved in an exciting exchange programme with French and Californian wine makers.

"Mr. Wootten and Mr. McMillan said they believed the industry should focus on a narrow selection of wines which were exclusive to South Africa in nature to market overseas.

"Mr. Race, chief marketing executive at the KWW and chairman of the Cape wine exporters’ association, said there had been a surge of interest overseas.

"The KWW had given the association its million to market South African wines in Britain, where sales have always been highest.

"The KWW is obviously the largest wine exporter and, by helping independent producers to export, it would mean we are helping the opposition.

"But every wine producer in the country is a shareholder in the KWW, so every bottle exported is to the benefit of everyone,” he said.

"With a greater variety of wine being exported, he expected the KWW’s market share to grow.

"Mr. Reifel said the ‘novelty factor’ would ensure interest in South African wines for at least two to three years as people familiarized themselves with the product.

"There is tremendous potential now. With the help of the KWW we had a taste of 10 wines in London for the trade trade and Press and had an exceptional turnout.”

"The United States, France, Italy, Australia, New Zealand and Scandinavian countries still had market access for South African products and breaking into these markets would be tough.

"The KWW’s export volumes for nature wines went up 49 percent last year and he saw no reason why independent producers could not see the same results.

"He saw white wines being the natural spearhead into the overseas market, because red vintage wines were “a bit young still.”

"We tend to be compared with Australia and New Zealand and they have got very good white wines,” he said.

"We have work to do, because of our heritage. We must look critically at some areas and particularly at making sure we give consumers what they want, not what we want to make.”

The exporters’ association was launching a generic campaign to promote South African wines with a stand at the London Wine Trade Fair in May, where there would be attended tastings and a printed guide to the South African wine.

"The growers’ market in Britain had the largest share of wine sales to 30 to 35 South African wines were now listed with them.

"Mr. Reifel said new horizons overseas were a “blinding” for the industry, while the local market was under extreme pressure.

"There is light at the end of the tunnel.”
Sentrachem lifts chrome operations

Derek Tomney 2/3/92

Sentrachem, one of SA’s leading chemical manufacturers, is planning to build a R100 million chrome chemicals plant at its Karbochem works at Newcastle and become the world’s lowest-cost producer of these chemicals. The plant will produce sodium dichromate, chromic acid and chrome tanning salts for the export market, using local raw materials.

The production of the chemicals will be carried out in association with a yet-to-be-named overseas partner.

Technologies used at the plant will ensure that Sentrachem is the world’s leading low-cost producer and able to meet the most stringent international environmental standards.

“By using the facilities and the extensive existing infrastructure at Newcastle, the capital cost of the venture has been kept at about R100 million,” says Glen Carter, chairman of Sentrachem’s Karbochem division.

The plant will initially produce 35 000 tons of sodium dichromate a year, but this figure will be raised to 70 000 tons over the next five years.

The availability of cheap chrome and energy and the novel technology to be employed will reduce other chemical inputs and give the plant an extremely competitive advantage.

About 60 percent of the production will be exported, says Mr Carter.

“The project will increase the profitability of Sentrachem’s Newcastle site. “It is also in line with the group’s plans to expand its operations in the field of local raw material beneficiation,” he says.
Macmed bids to join main board

CAPE TOWN — DCM-listed medical products supplier, Macmed Health Care, is to apply soon for a transfer of its listing to the pharmaceutical and medical sector of the JSE’s main board by May 3/3/92.

Group secretary Alan Hiscock said yesterday the move would improve the perception of Macmed and assist it in its attempts to win more agencies from foreign pharmaceutical companies.

During the 17 months to end-December Macmed increased its after-tax profit and earnings a share to R1.5m and 5.1c respectively. A final dividend of 0.5c was declared, for a total of 2c.

Macmed’s financial year was changed last year from end-July to end-December so there are no figures with which to compare the extended period’s results.

Overdraft

Hiscock said the results were good, though admittedly they came off an extremely low base. He expected a 20-25% earnings increase this year. The performance reflected the benefits of the rationalisation and the emphasis on Macmed’s core business, about 60% of which is derived from the sole agency with US pharmaceutical firm Kendall.

The product range was extended and tender and private hospital contracts were pursued aggressively.

Hiscock said strict emphasis was given to cash management which enabled Macmed to move out of its overdraft and saw gearing plunge to 10.2% (1990 57.8%).

An extraordinary profit of R379 000 was realised from the rationalisations and a special 0.5c dividend declared. One million new shares at 20c a share were issued.
Call for public mercury probe

DURBAN — The bitter war of words between the environmental watchdog body Earthlife Africa and the Thor chemical company ended with a brief truce yesterday — both organisations demanding the government set up a full judicial commission of inquiry into the Cato Ridge mercury pollution row.

At a news conference in Maritzburg, Earthlife said there was still too little information available about the issue — and thus could be solved only by having a public inquiry.

The organisation also accused the Water Affairs Department of withholding the results of continuing tests on the water quality of the Mngweweni Stream.

Challenging the department to release the test results, Earthlife said “We can only assume the evidence is too damning of both Thor and Thor’s activities.”

Thor MD Steve van der Vyver and a spokesman for the Water Affairs Department in Pretoria could not be reached for comment yesterday. Van der Vyver has already called for a judicial commission of inquiry into the row.

The Thor Chemicals case heard recently in Amsterdam brings sharply into focus the need for urgent legislation giving South Africans the right to information.

Earthlife said its Right to Know campaign launched last year has already won the support of a number of organisations, including the Chemical Workers’ Industrial Union, the SA Rivers Association, the Merewether Ratepayers’ Association and the recently formed Environmental Lawyers Association.

“Environmental activists throughout the country have come up against the impenetrable walls of officialdom whenever they seek to investigate cases of illegal dumping, air pollution, water pollution, herbicides and pesticides damage and animal abuse,” the spokesman said.

“We need legislation not to prevent us from knowing what’s going on but legislation like the US’s Freedom of Information Act that will give us the right to know.”

“In SA for political reasons we have an overall attitude of government in secrecy which has spun off into all sorts of government departments.”

Group Limited

December 1991

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Court’s power is disputed

SA’s magistrates’ courts were not empowered to try cases involving offences committed abroad, the Johannesburg Regional Court heard yesterday.

Arguing in a case involving billions of rands in fake promissory notes, Advocate Johan Rousseau said the Magistrate’s Court Act did not confer any powers on magistrates to try cases involving offences committed abroad.

Rousseau was appearing for Ben Armstrong, who together with Gordon Webb, is charged with fraud involving R3.7bn in fake promissory notes. The notes, which gave the United Bank of SA and the SA Reserve Bank as debtors, were allegedly cashed at the Union Bank of Switzerland.

Ruling on whether the court has jurisdiction to try the case will be given today.
Price-cutter enters fertiliser market

THE fertiliser war is heating up again with the establishment of a company in Richards Bay to import raw materials for blending.

Zulfert enters the market at a bad time. Sales last year were only 1,8 million tons worth about R12 billion. Production capacity is about twice the amount and sales this year are expected to fall further.

Zulfert believes it can cut prices by about 25% and still be profitable. This could spark another price war in the industry.

Zulfert will operate from a R9 million storage and blending plant at Richards Bay harbour.

It plans to sell about 150 000 tons of fertiliser this year, worth R120 million, building up to about 250 000 tons worth R300 million next year.

Adnan Polguet, co-founder of Zulfert, with

By DON ROBERTSON

Liebenberg, says the first shipment of raw materials has arrived from America. The company is negotiating with suppliers in Europe. Raw materials are bought through Penta Trading in the Netherlands. Penta has invested R3.2 million in the storage and blending facility.

By the end of April, the factory will be linked to bulk carriers through the Portnet conveyor system.

Zulfert's entry to the market is similar to Agriland's in May 1989. Agriland took over the lease of the granulating plant at Richards Bay.

Agriland offered abnormal discounts. The three other major producers - AECC's Kynoch, Sasol Fertiliser and Onama - were forced to follow suit.

Agriland managing director Rayne Greeff, who planned to sell 600 000 tons of fertiliser a year, said at the time that farmers would benefit to the extent of about R42 million that year.

Two months later, Agriland was forced to close, largely because of a lack of finance.

The granulating plant was eventually taken over from Indian Ocean Fertilizer by AECC and its subsidiaries, AECC Operational Services and Kynoch.

This prompted the Competition Board to investigate the deal, allegedly because it would increase AECC's concentration in the industry.

The board found there was no evidence of this.

Urea

It did, however, "suspect" that price collusion took place in the industry, although it could not find evidence to prove the charge.

Zulfert will import urea, mono-ammonium phosphate, diammonium phosphate, limestone ammonium nitrate and muriate of potash.

The fertiliser will be marketed through Sentral Wes, Noord Wes and Natalie Landbou co-operatives. It will be supplied as raw material or in blends.

Mr Polguet says his company hopes to take 10% of the market.

The factory is fully automated and operates with a staff of 22 a shift. The plant can handle any form of bulk chemicals and this could provide a means for expansion.

The company is also investigating exports to other sub-Saharan countries and the Indian Ocean islands.
COUNCIL APPROVES PLAN CRITICS CALL AN ECOLOGICAL NIGHTMARE

Undersea pipeline for toxic chemicals

THE Cape Town City Council has given the go-ahead to a chemical company to build an undersea pipeline to convey highly toxic chemicals from Table Bay to Paarden Eiland—despite objections that the scheme could become an ecological nightmare.

The council gave notice last year that it intended entering into a contract with Witney Chemicals, a Durban-based company which wants to convey the chemicals styrene monomer and vinyl acetate to the Total storage tanks in Paarden Eiland.

City Council spokesman Mr Ted Doman said the council had now agreed to the contract and would sign once Portnet and Comex, both of whom were also affected by the proposal, gave the go-ahead.

Mr Doman acknowledged that several objections to the scheme had been lodged with the council and that the council's cleansing department had expressed concern at the toxic nature of the two chemicals involved.

Styrene, which can ignite spontaneously, is given the highest possible hazard rating by several international authorities.

At least part of the objections lodged with the council are based on environmental concerns that the chemicals involved are highly hazardous, the pipe could break resulting in spillage into the sea and vapours could be emitted at the storage tanks.

According to sources, the council's Waste Department has expressed concern about several aspects of the scheme, including the toxicity of the chemicals and the need for planning in the eventuality of a fire at the storage depot or a need to evacuate people from the surrounding area.

One party objecting to the scheme is the chemical company, Sentrachem.

Sentrachem wrote to the council saying the proposal was a threat to public safety, arguing that it was unsafe to transport hazardous chemicals via a lengthy pipeline under the sea to a tank site close to residential areas.

Sentrachem's managing director, Mr Glynn Carter, said the company did not want to debate the matter in public since it was involved in the industry. However, the company felt the scheme should be evaluated by an independent body.

"The Cape is not known as the Cape of Storms for nothing. If a pipe bursts, 90 tons of styrene could be dumped into the sea. We think the scheme is an ecological hazard," Mr Carter said.

Rivalry

Mr Mark Witney, managing director of Witney Chemicals, disputed this, saying the public had nothing to fear as the pipeline would have inbuilt safety measures and once above ground, the chemicals would not emit "significant vapours."

A spill would mean a bad smell but you would have to ingest the chemicals to be badly affected," he said.

Mr Witney said a similar line was operating in Durban and claimed objections were based less on environmental concern than trade rivalry. A rival group wanted to build a storage depot in the docks, he said.

"This would be as much of an environmental threat. We are providing a less expensive, more viable option which will keep our customers able to compete," Cape Town's port captain, Mr W G Shewell, said.

Modern pipelines were built to safeguard against disaster and white vapour discharge did occur in the docks it was "minimal."

However, he felt chemicals and fuel should be stored within the docks, not in areas where there was dense population or likely to be residential development, as was the case with Paarden Eiland.

"We need to think of the future when we site storage facilities," Mr Shewell said.

Standards

Dr Bob McDaniel, a spokesman for the environmental group, Earthlife Africa, said the organisation needed to investigate the proposal before providing a detailed response, but they would like to be assured that adequate measures were being taken to safeguard the public and the workers involved.

The proximity of the harbour to the city centre made this vital.

"Present handling in the harbour leaves much to be desired. The creation of a potentially explosive situation in the harbour or elsewhere needs careful investigation and comprehensive safeguards including compliance with international standards," Mr McDaniel said.
Chemical Services sees prospects for growth

CHEMICAL manufacturer Chemical Services has projected a real growth in earnings for the current trading year although trading conditions were expected to remain tight, chairman Mike Sander said in his 1991 annual review.

Sander's prediction of real growth in earnings follows the 17% rise in attributable income to R26.7m posted for the 1991 financial year to end-December.

Although Chemical Services achieved modest real growth in earnings for financial 1991, Sander said sales volumes were 3% down on the previous year. He added that the 7% increase in sales revenue was achieved by strengthening the operating margin which rose to 12.5% compared with the previous year's 12.1%.

Chemical Services, through its various operating subsidiaries, manufactures and supplies a broad range of chemical products for local industry.

Despite the widely expected recovery in the economy this year, Sander felt 1992 would prove to be another difficult year, shadowed by the uncertainty of developments in eastern Europe and the performance of many OECD economies. "The company has nevertheless budgeted for a further advance in earnings in real terms. It also remains well positioned for acquisitions and will continue to evaluate appropriate opportunities."

Sander also welcomed the lifting of most trade sanctions against SA, and therefore greater access to technology, but noted that the short-term benefits would nevertheless be modest.

Commenting on Chemical Services' past performance, Sander said 1991 had been a year of consolidation for the group. He added that a number of operations had been rationalised or merged in joint ventures to focus business efficiency and therefore group profitability.

As a result, Sanders said that the Guar product division of Chemserve Steinhall was merged with a division of Henkel SA in a joint venture now trading as Trohall. Chemserve Metal Sciences also formed a joint operation in the speciality chemicals held with a division of Henkel SA, while the starch derivative business of Chemserve Steinhall was transferred to group subsidiary SA Paper Chemicals.

Overall, Sander felt the group was well positioned to benefit from an improved trading environment and added that he was particularly pleased with the group's 32% return on shareholders' funds achieved in financial 1991.
Western Cape development

THE AECI Pension Fund and RMS Syfrets believe the development of a R150m shopping centre at the intersection of the N2 and the main road linking The Strand, Somerset West and Stellenbosch will be successful.

However, property industry spokesmen have expressed concern at the large number of retail developments coming on line, though they acknowledge the opportunities in niche markets.

The pension fund announced recently it would develop the centre. RMS Syfrets will act as development managers and leasing co-ordinators for the first phase of 36 000m² lettable space.

The centre will be anchored by a major food chain and two fashion stores, and will offer a 1 000-seat cinema complex and 99 shops, with trading expected to begin in September 1993.

AECI Pension Fund recently bought the site from AECI in a deal that includes an option to buy more land for expansion. Development rights were approved by the Western Cape Regional Services Council in December.

"The centre will be successful as it will be designed with the tenants' needs in mind, and the catchment area includes The Strand, Somerset West, Stellenbosch, Gordon's Bay and the coastal region as far as Hermanus," said RMS Syfrets MD Patrick Flanagan.

Environmental impact studies had been undertaken by Parker and Associates.
Chemico process gives new life to old oil

MARCIA KLEIN

ENGEX subsidiary Chemco has developed a process to re-refine used oil and to convert it into a clean, raw material. Yesterday the company announced what it claims to be a breakthrough in the technology of recovering petroleum products.

Engel CE and MD Rob Angel said that the new process, developed by Chemco in cooperation with international experts, "has wide implications regarding environmental conservation and air pollution." Through the new process, used oil feedstock is re-refined into a clean, corrosion-free and contaminant-free product which is sent for final distillation in the refinery. This means that air pollution and the need for approved waste disposal units are eliminated, and the product can be safely used as a raw materials in other manufacturing industries.

A Chemco spokesman said used oil was not environment-friendly and had to be disposed of through various waste disposal agencies. Now, about 60% of the used tonnage a day would be re-refinable, while the remainder would be burnt or disposed of — both causing little environmental impact.

He said to the best of his knowledge, Chemco was the first processing plant to re-refine used oil, which is then blended with other products for re-use.
A PLAN to store hazardous chemicals in Cape Town Harbour — an alternative to a scheme to convey them to Paarden Eiland by pipeline — has also come under fire from critics this week.

The pipeline plan, by Witney Chemicals reported in Cape Metro last week — involves building a pipeline to convey styrene monomer and vinyl acetate.

It has been described as "environmentally hazardous" although the company's managing director, Mr Mark Witney, this week denied critics' claims that part of the pipeline would run under water.

He said it would run along the coast about 100 metres from the sea and asked "The Sunday Times to clarify that when he said a section would run "below sea level" he meant on land below sea level.

"The alternative plan, to build a tank farm on reclaimed land in Cape Town Harbour, has been proposed by Portnet and Richards Bay Bank Storage (RBBS), who have formed a joint company to develop the tank farm, which they say is "perfectly safe."

"It is true that the company's spokesman, Mr Bob McDaniels, who criticised the pipeline scheme last week, said this week that there was also potential for major problems with the harbour scheme.

"Storing corrosive, explosive or inflammatory substances close to the harbour is pushing one's luck," he said.

"While Cape Town harbour is a working port it is also right next to the city centre and contains the Waterfront entertainment complex.

He questioned whether it was advisable to convey and store a toxic chemical like styrene in Cape Town at all.

Mr McDaniels said there was a risk of spillage in both plans when chemicals were offloaded in the harbour.

"At least with the present system of trucking styrene, an accident would mean a truckload, not less, spill."

He said the pipeline was "probably the lesser of two evils" since it was better to risk an accident in Paarden Eiland, an industrial area, than the docks, which were next to the city centre.

Portnet and RBBS this week confirmed their plans to build the tank farm.

Mr John Vogt, managing director of RBBS, said the company had been consulted as a partner by Portnet after Portnet had called for submissions to develop the site last year.

A joint company had been formed.

"Our primary concern is to provide a safe and effective tank farm to serve the needs of Western Cape industries. This company is not a user or producer of chemicals, but a professional tank farm operator." he said.

He said the site was isolated from high-density areas, had access from both land and sea and had unlimited water for tank cooling and firefighting.

"In the unlikely event of a problem, the terminal is so remote as to ensure that no effect could be felt in the city or tourist areas." The design would be done by a company of international repute and would follow standards set by Portnet, the SABS and American codes.

Cape Town's port manager, Mr Hadi Basso, said it could be built this year.

Plan to store hazardous
chemicals in harbour

Rival

The storage site, the tanks and piping procedures would comply with accepted safety standards, he said.

Although styrene — which can ignite spontaneously — is given the highest possible hazard rating by several international authorities, he said Portnet constantly handled chemicals and did not anticipate any problems.

He said Portnet was not opposed in principle to conveying chemicals by pipeline and was awaiting details of the rival scheme by Witney Chemicals.

According to Mr Witney, styrene would be pumped through hoses from ships in the docks to the wharf where it would enter the pipeline, which would run through the harbour before following the Caltex pipeline between the seafront and Marine Drive in Paarden Eiland.

It would then cross under the road to the total storage farms.
AECI gears up to take on foreign competition

HIGH capital costs, man-power productivity and the tax regime will limit the number of new AECI projects in the next year or two because the chemical corporation has focused its operations on becoming internationally competitive, said AECI chairman Gavin Reilly in his annual review.

Reilly said the group was focusing on bringing unit cost of production down to that of leading international producers even though the cost of competitive technology would place a heavy burden on current income.

In spite of efforts spanning a decade, achievement of internationally competitive unit costs of production remained problematic in businesses where process technology was inappropriate, he said.

Reilly said AECI had been insulated from the variability of world market and international prices until about 1988 by import controls and contractual supplier agreements in the domestic market, due to government's concern about self-sufficiency at the time.

Once tax laws were appropriately amended, AECI's focus on international competitiveness and technology would prove rewarding, he said.

AECI forecast a moderate improvement in earnings this year provided that economic recovery was not forestalled by adverse political conditions or the drought.

Reduced

Earnings a share fell to 121c from 154c in the financial year to December 1991.

Reilly described the performance as disappointing in view of the expectation last year that earnings would at least be maintained.

He attributed losses to the recession "Seldom have so many markets for the chemical industry been so weak at the same time."

Dividends were reduced from 87c a share in 1990 to 58c in 1991. AECI planned to continue increasing dividend cover for capital investment.

Earnings a share in the second half of 1991 was almost three times that achieved in the first half.

Reilly attributed this to production difficulties and maintenance, costs in the first six months, when seasonal markets were lower, and to good production performance, cost containment and export penetration in the second six months when domestic markets showed further declines.

AECI's exports increased from R434m in 1990 to R608m in 1991.
Chemical giant AECI expects a modest improvement in profits this year, provided the local recovery is not unduly forestalled by political developments and the drought, says chairman Gavin Reilly.

More encouragingly, he expects profits to rise strongly when the worldwide economic recovery begins.

Mr Reilly says the intensity and pervasive breadth of the recession in primary manufacturing industry worldwide had a major and unexpected influence on the group in 1991.

"Seldom have so many markets for the chemical industry been so weak at the same time."

But the encouraging performance in the second half of 1991, when earnings were 10 percent higher than a year earlier, holds promise of better times.

He says it gives rise to optimism that the scale of recovery in earnings will be substantial when a sustained improvement in conditions takes hold abroad and at home.

Earnings a share in the second half of last year were almost three times those of the first half.

However, earnings for the full year at 13½c were down from 1990's 15½c. The dividend was reduced from 8½c to 5½c.

Mr Reilly says the group had become more internationally competitive in recent years.
Whether any social pensions payable to members of the Black population group were cancelled recently owing to concern relating to information contained in their identity documents, if so, what are the relevant details?

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING

Yes In the Transvaal 383 and in Natal 2131 pension allowances were suspended. No suspensions occurred in the Orange Free State and Cape Province. Previously pensioners qualified for the payment of a pension on the strength of their age which they provided on their application for the old identity documents (passbooks). After the new identity documents, in which the date of birth is reflected in the identity number were issued to the Black population group, it was established that the dates of birth of the beneficiaries in the old passbooks and the new identity documents differ and consequently payment of pension benefits had to be suspended due to the fact that some pensioners have not reached the age to qualify for a pension. However, those affected were referred to the Department of Home Affairs for reconsideration of their ages and if it should appear that these persons qualify for a pension payment thereof will be remitted immedi-ately.

Mr R V CARLISLE Mr Chairman, arising from the reply of the hon the Minister, as he aware that there have been—and I cannot say whether the pension payments in question have been held over or not—similar investigations in the Queens-town area and possibly elsewhere too? If not, could he look into this and see why it is happening because people are suffering as a result of it?

The MINISTER Mr Chairman, if the cases referred to by the hon member were not dealt with and catered for in the answers that I have given, we shall certainly look into the matter.

Mr R M BURROWS Mr Chairman, further arising from the reply of the hon the Minister, may I ask whether all 20 000 cases in the Transvaal and 3 000 in Natal—ever if the numbers were—were automatically referred to the Department of Home Affairs to reassess the

Medicines and Related Substances Control Amendment Act

Mr M J ELLIS asked the Minister of National Health whether the Medicines and Related Substances Control Amendment Act, No 94 of 1991, has come into effect, if so, when, if not, why not and (b) when is it anticipated that it will come into effect.

The regulations are promulgated on the recommendation of the Council.

Certain group of holiday touring companies

Mr A J LEON asked the Minister for Administration and Tourism whether, with reference to recent incidents in which groups of South African tourists were allegedly left stranded in Egypt and Greece, he intends investigating the affairs of a certain group of holiday touring companies, the name of which has been furnished to the Minister’s Department for the purposes of his reply, if not, why not, if so, (a) what form will the investigation take and (b) what is the name of the group in question.

The MINISTER OF LAW AND ORDER

(1) No members of the South African Police have been charged with criminal offences. The case docket has been referred to the Attorney-General for his decision. His decision is not yet known.

(2) While awaiting the Attorney-General’s decision, no members of the South African Police have been suspended in this regard.

Person assaulted: Eldsfordt

Mr P H P GASTROW asked the Minister of Law and Order whether, with reference to a person whose name has been furnished to the South African Police for the purpose of the Minister’s reply, the identity of the suspect who allegedly assaulted this person before his death near Eldsfordt on or about 25 December 1991 is known to the Police, if so, what is the name of the deceased.

(2) whether the above suspects have been arrested and charged with criminal offences, if not, why not, if so, (a) when were they arrested and charged, (b) what were they charged with and (c) when did they appear in court?

Necklace Pinetown

Mr P H P GASTROW asked the Minister of Law and Order whether any members of the South African Police have been charged with criminal offences in connection with the alleged necklessing near Pinetown on or about 13 January 1992 of a certain person, whose name has been furnished to the Police for the purpose of the Minister’s reply, if not, why not, if so, (a) what were the charges, (b) how many members of the Police Force were charged, (c) on what dates did these members appear in court and (d) what is the name of the person in question.
cal’s corporate vice-president for Europe, says countries around the world are trying desperately to contain soaring health care costs, but to date, no regulatory system has worked. Rogers was in SA last week on a brief visit to inspect Upjohn’s Isando plant, which is being renovated but, for now, not expanded.

Says London-based Rogers: “Methods geared at regulating the supply and demand of health care in Europe and parts of North America — for example, closing hospitals and having long waiting lists for minor surgery — have been particularly unsuccessful.”

Expressing support for many of the recent proposals made by Health Minister Rina Venter to deregulate the medical and pharmaceutical industries, Rogers says there is an international trend towards having patients in the private sector accept a greater responsibility for their medical bills. This trend is likely to see the advent in SA of health maintenance organisations, which have cut medical costs by as much as 40% in some countries.

In this regard, Venter’s proposed amendments to the Medical Schemes Act pave the way for medical schemes to provide health services — run hospitals and employ doctors and other practitioners. With this move, doctors’ absolute discretion in providing health care would end.

The high cost of medicine locally has come under the spotlight in recent weeks. Government says medicine prices are higher here than in most Western countries and that medicines make up 26% of the benefits paid out to members of medical schemes. Rogers, whose company is the 10th largest pharmaceutical firm in the US, with more than US$3bn in sales last year, says that internationally, this figure is around 10%.

He is of the opinion that many things could be done to reduce the cost of medicine in SA. “Government could re-schedule certain drugs from prescription medicines to pharmacy-only medicines, provided they are safe for public use and can be safely used for long periods without referring back to doctors regularly.” He says this was successfully done in the US with the pain-killer ibuprofen.

Pharmaceutical companies have long opposed the widespread use of generic-substitute medicines — unsuccessfully in the US and, so far, more successfully here — but Rogers says generic substitutes should be allowed, provided they meet the same standards as their branded and more expensive equivalents. He, nevertheless, stresses the importance of strict controls in the manufacturing and distribution process to guard against counterfeit medicine. He stresses that doctors should have the final say in prescribing branded or generic medicines.

It’s long been argued that deregulating the pharmaceutical industry in SA is meaningless without allowing pharmacists to work for non-pharmacists. The idea is that retail stores, such as Pick ’n Pay and Clics, could open their own pharmacies and use their buying power to discount medicines.

This happened in the US in the Seventies and prices came down drastically. Once again, Rogers says he’s not opposed to this in SA, as long as controls can keep counterfeit medicine off the market and ensure the wide availability of medicine.
Govern slammed on medicines

THE Pharmaceutical Manufacturers' Association accused government of manipulation at a forum held in February on the high cost of medicines to press home a perception that the cost of medicine in SA was the highest in the world.

"We reject this manipulation outright and also challenge the government to provide information proving its claim about the cost of medicine," said John Toersen, executive director of the association.

And the Department of Health has hit back, saying the pharmaceutical companies represented by the association are motivated by self-interest, rather than by a need to control soaring costs.

"The forum is an exercise in profit maximisation," said the department.

The forum" is the National Health forum held in February to discuss the high cost of medicines.

The forum has been accused of being a tool for profit maximisation by the pharmaceutical industry.

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Future emphasis lies on products with added value

INDUSTRIAL gas company Liquid Air opened in Johannesburg in 1948 with a staff of four.

Today it employs over 300 people from SA, France, the UK, Switzerland, Canada and the Netherlands.

Liquid Air is involved in producing and selling gases operating a network of three plants, 12 filling stations, 13 agencies and nearby 100 distributors, it covers a substantial geographic area, and is well represented in the PWV region, says MD Jacques Parente.

Its gases are sold in either bulk form - tonnage or in cylinders - to the chemical industries, the healthcare sector, food and agriculture and metal processing industries.

Increase

Parente says the company has "shown a steady increase in the annual volumes of gases sold since 1983, whether we're talking nitrogen, oxygen, argon or carbon dioxide."

Although the SA company is small in comparison to its French parent L'Air Liquide, it has been in the forefront of some significant new developments.

Parente says Liquid Air has developed a method of using oxygen processor in a gold leaching process. "This is an advance on the previously used methods, resulting in lower operating costs and achieving a significant reduction in pollution" he says.

Liquid Air has also developed a full approach for cooldown of reactors in refineries, and contracts have been agreed with the major mines and oil producers.

Parente says one of the company's goals is to develop advanced applications based on the group's advanced technology.

Towards the end, the company recently launched its new "Crystal" product range, which represents a new high quality product and service, Parente says.

He says Liquid Air's policy for the future is to be very selective in developing the volume of its business and to improve profitability by placing strong emphasis on the sale of products and processes which have a higher added value.

In line with its policy, the company has identified certain priorities for its future.

These include the development of service, quality and safety. Parente says this will involve "service from every point of view, including method and reliability of supply, flexibility in meeting customer demands, technical assistance and complete safety in the use of our products."

Internally, the emphasis will be placed on two projects:

Firstly, Liquid Air will focus on the introduction of a "zero defect" quality standard programme coupled with the intensive training of personnel.

Emphasis

Secondly, it will strive for excellence by lightening the company's structure and placing more emphasis on independence and initiative, Parente says.

"Another priority is to continue to concentrate on Liquid Air's core business, which is industrial gases in contrast to heavy industry, the beverage and medical sectors which have both been demanding and growing industries," he says.

This spread of interests has seen the company grow steadily over the years, he says, with growth coming from the demand for Liquid Air's products, its innovation and its new applications.

However, to Liquid Air, having a spread of interests does not mean uncontrolled diversification. Parente says on the contrary, the company keeps both feet firmly on the ground.
Process boosts gold recovery

As the cost of gold extraction becomes higher and higher, process efficiency has become a key factor in profit maintenance.

The more gold that is dissolved, the better the recovery, says Liquid Air market development manager Christian Muller.

The company’s AuLoxal gold leaching product provides a technique for increased gold dissolution by boosting the dissolved oxygen concentration in leach solutions.

Müller says the AuLoxal process depends on far more than simply pumping oxygen into a cyanide pulp and it gets the best possible contact between oxygen and gold. This results in higher gold recoveries, lower cyanide consumption, shorter leach times, less plant maintenance and slower carbon contamination.

He says Anglovaal, Rand Mines and Southgo have already made use of Liquid air’s service and AuLoxal technology and a number of permanent AuLoxal installations are in profitable operation.

A liquid oxygen tank for gold leaching, where Liquid Air uses oxygen to process ore.
Providing back-up is part of the package

Liquid Air is not only a gas company but a gas service company, says conventional markets manager Philippe van der Have.

The company sees itself as offering both its service and its technological know-how, sharing technology acting as a consultant and adding value through its new developments.

In this light, it is not surprising that one of its two major divisions, known as conventional markets, is aimed at ensuring existing clients and markets are served well.

The division is involved in the provision of gas in cylinder (gas) or in bulk form to the medical and welding and cutting market or distributed directly or through its distributor network.

This division is also in charge of cylinder strategy and leading the launch of a new cylinder concept, Crystal.

Sales and transport is one of Liquid Air’s strong distribution networks which serve most of SA and its plants, filling stations and many distributors are provided with back-up and are involved in any new technology and applications.
The oxy-combustion rotary furnace, which is used to melt cast iron, was developed as a result of a partnership between L'Air Liquide and Italian manufacturer Sogepi. The furnace requires minimal maintenance, has low dust emissions and lower noise levels and is cheaper than its rival furnaces.

**Special role for medical services**

The supply of gases to the medical sector is a special part of Liquid Air's business.

"We have a special service for our medical customers," says conventional markets manager Philippe van der Heve, as the prompt supply of quality gas could be a matter of life and death.

The company supplies hospitals with gases in liquid and cylinder form. The gases are mainly medical oxygen, medical carbon dioxide, nitrous oxide, medical air and Nitrox.

This is a significant part of the company's business, supplying both private and state hospitals.

The supply of gases to this sector is seen as an important growth area in line with the call for increased health care in SA. The rapid growth in the medical sector and the many new hospitals which are opening up,

Because of the growth in this sector and the subsequent increase in demand for gas products, Liquid Air has built a new 50 kg anhydrous nitrous oxide plant in Germiston, which will be used largely for medical applications.

National marketing manager Bruce Bexton says the new facility will make Liquid Air self-sufficient in the production of the gas and enable it to meet demand in the growing market.
Liquid Air

Mapping the future of convenience foods

A range of gas packaging mixtures, introduced to the market by Liquid Air, not only boost shelf life, and eye appeal but also the quality of value added foods.

Food market development engineer Dipak Madhav says that following international trends, Liquid Air decided the time was right to introduce modified atmosphere packaging (Map) to the local market, where value added and convenience foods have taken off over the past few years.

Map is the term used for packaging food in atmospheres other than air, to protect and preserve products and to extend their shelf life. Control of the atmosphere in which the food is packaged is achieved by using hygienic mixtures of mainly nitrogen and carbon dioxide.

Liquid Air's method ensures that oxidation of foodstuffs is prevented and the growth of micro-organisms inhibited. Unlike generic gases, each cylinder is dedicated to gas packaging with chrome valves for additional hygiene assurances.

Madhav says demand for this type of packaging is on the increase due to changing trends in food manufacturing and in customer preference, and longer shelf life and less spoilage leads to more convenience for the producer, retailer and consumer.

Optimise

He says suppliers using Map's Algal range can optimise production and distribution, and can manage stock more efficiently. Cost will be reduced through larger and less frequent deliveries.

"On the one hand, there is rapid growth in convenience foods and on the other, consumption is demanding products with less additives, some of which are now banned," he says.

One of the target markets for gas packaging is "the sophisticated consumer who expects not only high quality food but also enhanced appearance", he says, and Map can meet both those demands.

In many cases, Map reduces or eradicates the need for preservatives and gas packaging also allows optimisation of presentation. "Unlike the traditional and sometimes messy vacuum packs, cold meats and other delicatessen items can be loosely packed in attractive yet practical units," Madhav says.

But Map is not restricted to the top end of the market, and it can be used together with the "mother bag" concept instead of traditional portion packaging techniques.

He says the need for overwrapping or backroom packing at local supermarkets can be eliminated as foodstuffs are packed at a central point. Pre-wrapped portioned products, like meat cuts or chicken pieces, can be packaged in overwrapped trays and placed in a large "mother bag" with gas and vapour barrier properties.

A vacuum will remove the air from inside the bag, and a gas mixture will be introduced. Madhav says that traditionally coffee, milk powders and peanuts have been packed under gas, but the Algal range is "at a point where there is a mixture for every application".

Modified

Madhav says it is now possible to place fish, vegetables, dairy and delicatessen products, wine, beer, fruit juice, bakery products, potato chips, pizzas, pre-cooked foods and even oil in a modified atmosphere pack.

The fresh butchery packs which have recently become available in some supermarkets are also packed under gas.
Benefits of links with strong parent company

LIQUID Air is a subsidiary of the international group L’Air Liquide, which has a large share of the world’s gas market.

The group has 21% of the $10bn a year international industry, compared with BOC’s 17%, and Union Carbide’s 13%.

L’Air MD Jacques Parente says the benefits of being a subsidiary of the world’s major gas company, employing about 20,000 people in 60 countries, are considerable.

The parent company, which was established in 1902 by Paul Delorme, is listed on the Paris stock exchange and is an investment throughout Africa.

Apart from the production and supply of more popular industrial and medical gases, L’Air Liquide has been involved in space projects for 15 years, and is strong in the electronic industry, where it supplies the electronic high-quality gases through its facilities in France and Japan.

Its strategy is to constantly develop service and quality, to concentrate on its core business (industrial gases), to develop new applications in growing sectors and to make people its top priority.

With major research centres worldwide spending over R1m each day on research and development, new concepts and technology are passed on to the subsidiaries around the world.

Between 1976 and 1981, L’Air Liquide installed the world’s largest oxygen plant, comprising 13 units, on Saudi Arabia.

Together with Sappi, L’Air Liquide developed the Sopoxal pulp bleaching process, "and now occupies a leading position in the field of paper pulp delignification through the use of oxygen or ozone", says Parente.

It recently concluded an agreement with Sasol for a Krypton/Xenon project, a crude product of rare gases to be purified in Europe.

In SA, L’Air Liquide operates in the food, steel, engineering, construction and beverage industries. It also operates in the medical sector and is involved in environmental applications.

Local

Parente says all of these areas of its business have had and continue to enjoy a strong international backing up in terms of new technological applications.

Although its links with France have always been strong and will remain so, Parente says it is the group’s policy to try and have more local people managing subsidiaries.

The aim is to promote local people and to give them the opportunity of training overseas, in order to equip them to handle high-level positions.

The mix of local and expatriate employees contributes to the transfer of new ideas as well as a good exchange of information.

A major thrust of the group is its philosophy of being fully integrated in those countries in which it operates.

Parente says the group is considering increasing its presence in SA through new projects and new investment possibilities. The scale of such a new investment will be largely dependent on the number and size of new projects in SA.

Although the SA part of the global organisation is small in relation to the total group, it is performing well in terms of sales, profitability and return on assets and the company has, up to now, managed to develop the resources necessary to carry out its innovative policies.

L’Air Liquide is one of the major gas companies in SA. "Comparing with BOC and subsidiary Afrox, we look like the challenge. But being in this position means the company has to be flexible, mobile, aggressive and creative," says Parente.

"As the challenger, we have to be differentiated, and we achieve this by being close to the customer and through our reliability and the high quality of our product."

"In SA we are well positioned in terms of customer perception. This has encouraged us to further improve our quality of service through 'zero defect' quality training programme for all the employees."
Manro falls far short of forecast

MARCIA KLEIN

DESPITE forecasts of substantial profit growth in 1991, chemicals manufacturer Manro Chemical Holdings has reported a 15% drop in attributable earnings from R4,7m to R3,9m in the year to end-December.

Directors said the anticipated profit growth was not achieved mainly because of a significant profit downturn in the Bevaloid division and an initial trading loss at Aquasol, a joint venture started in April.

Turnover grew 8% from R88,3m to R91,1m, reflecting a marginal rise in domestic sales and a 15% increase in export sales. Directors said “the continuing depression in the textile, paint and paper industries and a marked downturn in mining activity resulted in lower volume sales to these sectors.”

Operating income dropped 24% to R7,2m from R9,5m, interest charges rose 45% to R3m, resulting in a 45% drop in net income before tax to R4,2m. A dividend of 26,3c was declared.

A substantial reduction in taxation, due to utilisation of tax losses and tax-exempt export incentives, contained the earnings decline to 18% from 11,6c to 9,5c per share.

A 13% lower dividend of 3,25c (3,75c) a share was declared.

Directors said operating profit would improve during 1992.

CMC’s Nigel goes the way of gold mining’s independents

THIS week’s decision by Consolidated Mining Corporation (CMC) to close its Nigel gold mine marks the latest in a long series of setbacks for the independent mining sector.

Mining at Nigel, one of SA’s oldest gold mines, first started in 1956. It was closed in 1981 and reopened in 1981, and then taken over by mining entrepreneurs Roy Flowerday and Glenn Lang.

Nigel’s demise follows that of independent producers Osprey, Eersteling, Rand Leases, Wit Nigel and Sab Nigel, all in the past 16 months.

Analysts said yesterday that Nigel was typical of mines worked out by old mining companies but revived by entrepreneurs in the ’80s.

They praised money on the JSE in the mid-’80s boom with ease, but the mines proved be no more than holes in the ground, workable only at high cost and with rising gold prices.

CMC finance director Henrie Butendag said yesterday that under CMC’s control, Nigel had always been a marginal operation. Rising working costs and weak gold prices had made the mine’s future as a large operation untenable.

Butendag said CMC now had no option but to liquidate the company, but was confident that a compromise would be worked out between the company, its creditors and shareholders through which gold mining could continue.

Although production at the Nigel mine was suspended last year and the company had only three months of surface reserves left, he said mining on the Droogebult section could be economic on its own in the future.

In the ’80s Nigel became the foundation for Lang’s South East Rand Gold Holding (Southgo) which later formed the gold division of CMC.

Flexibility

The company’s longer term future was apparently secured in 1990 when it acquired mining title and mineral ore reserves from Gold Fields’ Vlakfontein mine.

Lang, who resigned as Southgo MD last year, said as recently as July 1990 that Nigel had enough ore reserves “to keep our mills full for the next 15 years and plenty of flexibility to mine underground.”

Problems at Nigel, which broke even at the end of last year after falling R1,3m into the red in 1991, were highlighted by its auditors’ qualified report of its 1991 financial statements.
by 30.8% to R21.7m, while that of the process chemicals division rose by 20% to R28.9m.

Executive director Lex van Vught says the slowdown on the distribution/agency side is temporary and brought about mainly by the transition from being the local soda ash distributor for US-based Ansam -- which meant holding stock -- to the agency for parent AECI's Soda Ash Botswana, with sales on commission only.

"The change has liberated cash considerably," Van Vught says. It may be starting to show already, with gross cash flow up 14% to R35m after dipping in the 1988-1989 financial year -- the only bump in performance Chemserve has shown since the early Eighties.

That was caused largely by setbacks in Stomhall, a subsidiary which depends on the mining industry and which was badly affected when gold and platinum mining activities were cut back. Stomhall was merged in a joint venture last year with a division of Henkel SA to form Trohall. This hampered turnover but, Van Vught says, the business is back on track.

Two other structural changes were made to the group. These, chairman Mike Sander says, were designed to improve performance or to adapt to market conditions. Chemserve Trading merged with AECI's Spectrum Chemicals to form Crest Chemicals and, at the beginning of 1992, Chemserve Metal Sciences formed a joint venture with another division of Henkel SA.

While most of the group is well buffered against recession, the soda ash business is most exposed to local and international markets and is suffering from a glut on world markets. In an upturn, however, it could quickly become a larger contributor while the steadier earners, coming off an already high base, are not expected to show such strong increases.

Van Vught says, however, that Chemserve wants to continue growing rapidly and one way is to keep on the acquisition trail. The purchase of Axol-Marchon and SA Paper Chemicals in 1990 for R24m -- a year when Chemserve's debt doubled to R50.7m and gearing reached 65% -- is showing pleasing results. Van Vught says cash generated by these operations has been used to reduce short-term debt from R38m in 1990 to last year's R30m. At year-end, debt equity stood at a manageable 41%.

There may be further acquisitions this year, but Van Vught says there is nothing definite. Another way of expanding the business when the upturn comes is by increasing exports. Van Vught says more effort and resources are being focused on overseas markets, though exports are not expected to rise sharply in the short term.

At R43, Chemserve still looks a little underpriced, despite a 60% increase in the price over the past year. Part of the problem is limited tradeability. One way to improve marketability would be to issue shares for an acquisition and offer them to a broader investment public. Van Vught says Chemserve would consider this if it could find the right acquisition.

The share is worth following if scrap can be found.

-- Shawn Harris
PLASTALL

Sounder footing

Activities: Makes plastic products, including bags, sheeting and furniture
Controls: Donato 86%
Chairman: W.A.R. Wenteler
Capital structure: 14.4m ords Market capitalisation R7.2m
Share market: Price 50c Yields 8.4% on dividend, 21.8% on earnings, p/e ratio, 4.6, cover, 2.6 12-month high, 50c, low, 30c Trading volume last quarter, 5 000 shares.

Year to Sept 30 '88 '89 '90 '91
ST debt (Rm) 1.0 1.4 6.2 6.2
LT debt (Rm) 1.8 1.3 1.6 1.3
Debt/equity ratio 0.35 0.17 0.06 0.44
Shareholders' interest 0.37 0.45 0.38 0.42
Int & leasing cover 2.5 4.3 — 1.9
Return on cap (%) 13.9 16.8 — 11.1
Turnover (Rm) 46 52 65 64
Pre-tax profit (Rm) 5.0 4.3 — 3.3
Pre-tax margin (%) 6.7 8.3 — 6.2
Earnings (c) 13.6 22.0 (9.3) 10.9
Dividends (c) — — — 4.2
Net worth (c) 56 80 81 87

After a bleak 1990 financial year, when the company slipped into the red, Plastall appears to be back on a sounder footing. It bounced back from last year's attributable loss of R1.3m, with earnings of R1.5m or 10.9c a share.

An earnings turnaround began in late 1990, driven by benefits from mergers, the Gundle acquisition and product improvements. These benefits became more marked in 1991, as shown by the fact that management was able to squeeze a profit out of a static asset base and lower sales. Improved efficiencies were reflected in the 5.7% drop in operating costs over the year.

The tax charge last year was R85 000, and will remain low for the next year or two, as there was a tax loss at year-end of R5.8m.

While the balance sheet is looking healthier, the interest and leasing cover remains uncomfortably low. On the other hand, borrowings are primarily short-term and provided present trends are maintained, an easing of rates should help earnings.

It's hoped that gains from the capital programme carried out over the past two years are only starting to unfold. Further improvements are expected now that the automation of its branch network has been completed.

The annual report is exceptionally uninformative about developments in the operating subsidiaries. Chairman Bob Wenteler does say that each of the operating units is now financially accountable and subject to tighter management.

He adds that the full potential of the group has yet to be realised, as short-term factors such as destructive competition in certain markets, labour unrest in the Plastall Gundle operation and continuing high interest rates have severely affected attributable earnings.

He is confident that real earnings growth will be achieved in future but there seems little point in expecting a rosy performance this year.

At 50c, on a 4.6 earnings multiple, the share is already well above from the 12-month low. It is worth watching.
T & N doubles taxed profit

By Derek Tommey

T&N Holdings, which manufactures chemicals and plastics, automotive components and industrial products, doubled its taxed profit in the year ended December from R8.1 million to R16.2 million.

Earnings a share also doubled, rising from 35c to 70c, and the final dividend has been increased by 65 percent from 10c to 16.5c a share, making a total payment of 24c for the year, an increase of 73.9 percent on last year's 13.8c.

Turnover rose 3.0 percent to R265.7 million while trading profit increased 21.1 percent to R30.6 million.

Earnings were helped by a pension contribution holiday for the second year running which added R4.3 million (R4.5 million) to earnings and an effective 12.9 percent (19.8 percent) rate of taxation.

The chairman, Mr CFN Hope, says that trading in 1992 is expected to remain difficult.
Starting off slowly

Only AECl and Iscor have raised money via commercial paper since issuers of these instruments were exempted from the requirements of the Deposit-Taking Institutions Act in January. The slow start is not unexpected because commercial paper markets are traditionally sluggish before a Budget.

The referendum made prospective issuers more cautious, says Sarel Oberholster, head of treasury operations at Discount House of SA, which handled the AECl issue, and Commercial paper markets are usually slow to start, says Tom Makinson, of the

Association of Corporate Treasurers, who notes that the present situation is not unlike that in the UK when commercial paper was introduced. There were onerous restrictions that later fell away.

In SA, the market will continue to be inhibited, as long as commercial paper requires a bank endorsement. The requirement, a concession to banks, is intended to be a temporary measure.

Meanwhile, Makinson says, the endorsement requirement removes the incentive to choose commercial paper above other sources of funds. "The cost of the endorsement is warranted only where credit-enhancement is needed."

As it stands, corporate paper is little different from a nonliquid BA, says Robin Marsh, of Deloitte Price Waterhouse. "So commercial paper will be in demand only to the extent that there is a demand for nonliquid BAs."

But AECl group treasurer Chris Inman says commercial paper issues have some advantages over BAs: they are less costly — 0.25% commission is charged by banks for endorsement on each commercial paper issue as opposed to 0.5% on nonliquid BAs — and interest rates may float. "It is a cost-effective means of diversifying our sources of finance."

The new securitisation market is also facing impediments. Securitisation — the sale of parcels of assets as negotiable securities — was also given the go-ahead in January. But securitisation issues can be effected only by deposit-takers.

Another problem is that credit risk cover is difficult to obtain locally. Says Marsden: "UK insurers recently experienced losses in the securitised general mortgage markets, and their local affiliates are now avoiding this type of business."

A further problem is the complexity of securitisation issues and lack of knowledge about them.
Poisoned men face slow death

THOR CHEMICALS says it is "mystified" by the outbreak of mercury poisoning among its workers.

But Dr Mark Colvin, of Natal University's Industrial Health Unit, firmly believes the company is to blame.

Mercury poisoning — for which there is no cure — can lead to a lingering death. This is the fate that faces two of three employees at Thor's Cato Ridge plant who are being treated for mercury poisoning in Durban hospitals.

Mr Peter Cele is in a semi-comatose state. His hands have been tied to the bed in Westworth Hospital and he reacts only to painful stimuli. He has no control over normal bodily functions. He lies on his back in the bed, his eyes staring wildy and his legs splayed, hooked up to intravenous tubes through which flow the sustenance and medication he needs.

A few kilometres away, at King Edward VIII Hospital, Mr Engelbert Ngesobo lies close to death, according to Dr Colvin. The condition of both men has deteriorated rapidly since they were admitted to hospital three weeks ago.

CLOSE TO COMA ... Peter Cele

The third victim, Mr Albert Dlamini, was admitted to St Augustine's Hospital when he developed problems with his legs. After heavy treatment involving many painful injections he seems to have stabilised.

Dr Colvin said: "Mr Ngesobo is probably going to die soon. There is very little chance of workers suffering from mercury poisoning recovering. The damage is irreversible."

The first symptoms the men experienced were feelings of numbness in their hands and feet.

"Mr Dlamini, who is still lucid, said he was working at the plant until a week ago. He said he complained that he was having difficulty walking but was told to carry on working."

These men are not the first victims of mercury poisoning at the plant. Last December, Dr Colvin's unit traced nine former employees and found that five of them had suffered ill effects from exposure to mercury, a potent brain toxin.

Dr Colvin claimed that Thor did not take proper health precautions. But Thor managing director Steve van der Vyver says his company is "mystified" because the men's condition is not consistent with levels of mercury in their urine, tested weekly by Thor in accordance with recommended international standards.

But according to Dr Colvin, Thor's 1991 company records show that more than 67 percent of the current workforce exceeded the test limits. "The average level was four times the World Health Organisation's limit of 50 parts of mercury per billion in urine," he said.

Mr Van der Vyver said his plant used a scale of 250 ppb and claimed "many other" factories did the same.
Millions of tons of toxic waste have been imported into South Africa since 1986 — when the government decision to accept the waste was made. The materials have been used in various industrial processes. Since 1983, the operation has been conducted in conjunction with the Environmental Affairs and Tourism Department. The waste has been imported from countries such as the United States, Canada, and other industrialized nations. The waste is processed in South Africa and then exported back to the source countries. The operation has been under the scrutiny of the Environmental Affairs and Tourism Department. The waste is considered to be a problem for the environment and human health.
Royal group subsidiaries fare better than expected

OPERATING subsidiaries of the Royal group of companies performed well in the six months to end-February, enabling the food and chemical group to boost its earnings.

Royal Corporation (Roycorp), Royhold, recently listed Royal Foods (Royfood) and Roychem reported results marginally higher than expected. All matched their dividend forecasts made in March 1991 on the listing of Roychem and Royfood.

Comparisons with the previous period are "largely futile", executive chairman Vivian Imerman said, as the financial year-end was changed from February to end-August, and the group's acquisitions of Sapco and Ferro saw restructuring into operating divisions Royfood and Roychem, which were separately listed. Also, seasonal factors affect most of Royfood's operations.

Nevertheless, Roycorp increased its earnings by 64.3% from R10.6m to R25.2m a share compared with R16.4c in the same period last year before Sapco and Ferro were acquired.

Attributable earnings grew by 62.9% from R10.6m to R17.1m, and turnover increased from R118.9m to R120.7m.

The reported earnings represent an annual average compound growth rate of 43.3% a year over the past five years. Earnings calculated for the 12 months to end-February were R35.9c, marginally above the R34.4c a share predicted in the group's annual report. A dividend of 7.6c (7.9c) a share was declared.

The 65%-held Royfood had performed well, Imerman said, and earnings of 18.3c a share for the six months to end-August were R127.9m, attributable earnings were R18.6m, and an interim dividend of 5.5c a share was declared.

Imerman said the Lecol acquisition would not have a material effect on earnings in the current year. But the completion of Royal Beechnut's new, distribution centre, together with factory alterations for the Manhattan sweets and Lecol divisons and progress at the biscuit manufacturing plant, placed it well for an upturn.

At Sapco, the season's pack was almost complete and it would slightly exceed forecasts. Planned shipments would be achieved despite economic slowdown in Europe.

Roychem, which is 58% held, reported earnings of 18.4c a share for the six months to end-February, and 34.8c a share for the 12 months to end-February, after forecasting earnings at a marginally lower 34.5c a share.

Turnover was R95.3m and attributable earnings R8.9m, and Roychem declared an interim dividend of 6c a share.

Roychem division Hoipro had held market share in tough conditions, while Ferro was gaining market share some of its divisions, Imerman said. The plastic division was experiencing pressure on margins, but Laser was performing well.

Imerman said margins in all the companies had improved, especially at Royfood where the introduction of Sapco has had a marked effect.

He said the balance sheet of all four companies was strong, especially in view of the fact that borrowings reflect seasonal factors.

There could be a modest improvement in the economy in the second half of the year, Imerman said, and both the food and the chemical divisions were in a post-sup to take advantage of a return to more normal inventory levels and consumer off-take levels in their markets.
ANC welcomes shutdown of Thor Chemicals

THE ANC yesterday welcomed the closing down of Thor Chemicals, the Cato Ridge chemical waste import company, pending a public investigation of health and safety standards at the plant.

Three workers at the Natal plant — Peter Cole, Eugelbert Ngcobo and Albert Dlamini — are being treated in Durban hospitals for what appears to be organic mercury poisoning.

Their conditions continued to worsen yesterday, according to Dr Mark Colvin of the University of Natal's industrial health unit.

Colvin said the three men were receiving the best possible treatment and were receiving drugs which removed mercury from the body.

In a statement the ANC said the investigation should include expertise from the World Health Organisation and the trade union movement.

All workers, past and present, should be given a thorough medical examination, the ANC said.

Colvin said Prof A C Davies from the National Council of Occupational Health would arrive in Durban today to begin an independent investigation into Thor Chemicals and apparent mercury poisoning of the three workers.

A Thor Chemicals spokesman said the outcome of the investigation would be passed on to the Department of Manpower, which is conducting a separate investigation. — Sapa.
Expansion at SA refineries

SA Oil refineries were expected to spend more than R1bn on expansion projects by the end of 1993, said CE of Engen's Genref refining arm Errol Martin.

He told a conference on capital expenditure prospects that petroleum companies were operating close to maximum capacity in SA despite an underperforming economy.

"The imposition of sanctions during the 1980s inhibited the multi-nationals from increasing capacity" instead, the industry resorted to enhancement programmes, like better process control, which were now at or near completion.

Engen is SA's first integrated energy company, with activities ranging from oil and gas drilling to petrol pump sales. As part of Ganscor, it incorporates Mobil's former SA operations.

Faced with a gradual return in domestic demand for liquid fuel from 2% now to at least the 6% annual growth averaged in the 1980s, oil companies' only alternative to expansion was the costly importation of refined products. Martin said Engen believed that relaxed sanctions would allow SA to replace more distant sources as the preferred supplier of oil products to countries in the region. — Sapa-Reuters.
ANC seeks ban on toxic waste import

The ANC has called for a ban on the importation of toxic waste following the hospitalisation of three Durban workers.

Peter Cele, Engelbert Ngcobo and Albert Dlamini, workers at Thor Chemicals in Cato Ridge in Natal, are being treated in Durban hospitals. They are thought to be suffering from mercury poisoning.

Their condition continued to worsen yesterday, according to Dr Mark Colvin of the University of Natal's industrial health unit.

Dr Colvin said Mr Ngcobo was still in intensive care at Durban's King Edward VIII Hospital. Mr Cele's condition remained bad and Mr Dlamini's speech was deteriorating and he was experiencing increased difficulty standing or walking.

The Department of Manpower has announced a public inquiry into the alleged poisoning.

In a statement issued in Johannesburg yesterday, the ANC said "tons of toxic waste, too dangerous to process abroad, has been imported by Thor Chemicals with Government approval" — Staff Reporter
'Yes' vote 'paves the way for Engen in Africa'

LAST month's 'yes' vote in the referendum had paved the way for oil and fuel producer Engen to become the dominant player in the sub-Saharan region, said MD Rob Angel.

Angel said the vote would enable Engen, the Gencor group's energy arm, to achieve its potential in Africa, and had improved chances that the UN oil embargo on SA would be lifted by the end of the year.

Speaking at a news conference in Johannesburg yesterday, he said Engen had necessarily been secretive about its activities in Africa, but this was decreasingly the case today.

Engen had a formal presence in 15 African countries outside of Southern Africa (SA, Botswana, Lesotho, Namibia and Swaziland). Angel said the group was selling a wide range of its products — from fuel to lubricants — in these countries.

The limit on exports to the sub-continent and Indian Ocean islands was not the size of the market but Engen's refining capacity.

The 30% increase in Engen's refining capacity, which would come on stream in late July with the completion of the phase 1 Genref expansion programme, would immediately be taken up by refining for subsidiary Trek and meeting export demand.

In the six months to end-February, the group had sold more fuel and oil products on the continent than it had in the whole of financial 1991, when exports stood at 300-million litres.

5% of total sales volumes
Exports now accounted for about 10% of sales, which in the interim stood at R3.2bn.

Angel said Engen officials returned last week from a visit to the Congo, where the country's oil industry authorities had invited the group to explore for oil and restructure its downstream infrastructure. Engen was involved in a joint drilling programme with BP in the Congo.

He said Engen had started drilling a second oil exploration well in Gabon, six weeks after the completion of a first well, from which results had been encouraging.

Engen was holding with other overseas partners, including Chevron, for two offshore oil exploration licences in Namibia. Exploration off the SA coast in the Bredasdorp Basin was continuing at a slower pace.

There were no likely large oilfields in the basin and Engen was waiting for new technology to become available to maximise the potential exploitation of small pockets of oil which could be drilled economically.

He said West Africa was the area of greatest potential for oil discoveries. Engen was involved in three countries in the region, and in another five in East and Central Africa.
Engen headed for record earnings

MATTHEW CURTIN

OIL and fuel producer Engen is heading towards a year of record earnings growth after attributable profit surged nearly 70% in the six months ended February 1992.

Engen, the Genor group's energy arm, declared a 19% higher interim dividend of 50c, against 42c a share in 1991. Attributable earnings rose 68,9% to R205m from R122m in 1991. This translated into a 21% jump in earnings a share, to 154c from 111c given the greater number of shares in issue after Engen's 1991 rights issue.

MD Rob Angel said yesterday although refining margins were lower so far this year than last, they were unlikely to fall further and Engen's "second half-year's results should match those of the first".

At a news conference in Johannesburg, Angel said interim earnings included R20m unexpected from the group's inventory reserve, set up to counter the vicissitudes of the commodities cycle on Engen's earnings. The reserve stood at R64m at year-end 1991, containing much of the windfall profits the group earned on good refining margins during the Gulf war.

In the interim, a R67m boost from interest earnings on its R1,1bn rights issue last year, on top of better wholesale margins and fuel prices, dramatically improved the effect of only modest sales growth on the group's bottom line. Turnover rose only 4% to R3,2bn from R3,0bn in 1991, but operating income increased more than 15% to R190m from R165m.

Engen paid only R2m more tax in the period - R35m against R33m in the interim 1991 - despite its improved profits because of its large capital spending programme and the investment of surplus rights issue cash mostly in preference shares. The group's effective tax rate fell to 19,5% from 20,3%, and Angel said the group would probably add R40m to its R90m tax reserve by year-end.

Angel said sales were far from "sparkling" in the period with a 5% increase in the amount of fuel products sold and a greater share of the petrol market, which rose 5% in total. Diesel sales fell, reflecting the slump in industry and agriculture. Export sales soared more than 300% albeit off a low base, and now made up 10% of total sales.

Engel said by running 15% more crude oil through Engen's refinery the group offset lower refining margins.

Engen spent R240m in the interim mostly on the phase 1 expansion programme of the Genor refinery, which was on schedule and ready to boost refining capacity by 30% when it came on stream in late July. The upgrading of Genor would also improve yields of higher value oil products, reduce working costs and provide better environmental controls. He said the feasibility study for the phase 2 expansion, which would lift capacity by another 40%, was at an advanced stage.

Angel added that Engen had created a new chemicals division, including Mobu's speciality products division, but would not comment on speculation that the group had bought chemical company Aktol, formerly owned by US oil-giant Exxon.

Engen

From Page 1

Engen headed for record earnings

From Page 1

Engen headed for record earnings

From Page 1

Engen headed for record earnings

From Page 1

Engen headed for record earnings

From Page 1
Engen foresees swift end to the oil embargo

By Derek Tommy

The Yes vote in last month's referendum could result in cheaper petrol, says Robert Angel, MD of Engen, South Africa's major oil company. He believes the Yes vote will lead to a speedy lifting of the UN embargo on oil sales and so to lower import prices for crude oil.

He was speaking at a presentation yesterday of Engen's profits for the six months to February.

Although Engen did not have an easy time, operating income increased. Helped by a steep rise in investment income from last year's rights issue, Engen has been able to report a 69 percent rise in attributable earnings.

However, a 40 percent rise in the number of shares in issue restricted the increase in earnings to 20.6 percent.

The interim dividend has been raised by 10.1 percent.

The interim profit statement shows that turnover for the six months rose only 4.4 percent to R3.2 billion.

But, helped by two petrol price increases of 2c a litre in wholesale margins last year, operating income rose 15.2 percent to R199 million.

Net financing income from the cash raised by the rights issue brought in another R67 million (year ago, R5 million) and contributed to pre-tax earnings raising R97 million to R277 million.

Because the investment income was tax-free, tax took only R59 million — an increase of only R2 million on last year.

This resulted in taxed income of R207 million (R122 million last year).

Earnings were 13.4c (11.1c) a share. The interim dividend has been raised from 42c to 50c a share.

Domestic sales showed only a marginal increase, but exports to other African countries rose threefold, though off a low base.

Mr Angel said exports were beginning to assume considerable importance, but that margins were low.

He said Engen was forgoing ahead with its expansion programme aimed at increasing revenue and profit.

The rebuild of the lube oil blend plant at Island View in Durban and the new grease plant at Chambord were completed in February and both projects were within budget.

Phase 1 of the refinery expansion aimed at increasing production by 30 percent was progressing well and remained on budget, he said.

The refinery at Durban would be shut for several weeks from mid-June and production should resume in late July.

Mr Angel said the 30 percent increase in production would be absorbed the day it came on stream.

A feasibility study for the Phase 2 expansion of the refinery, providing for a further 30 percent increase in production, was at an advanced stage.

Some R70 million had been provided for detailed engineering studies and for placing orders for long-delivery equipment items.

Mr Angel said the R565 million (R3.3 billion) Alba oil development in the North Sea, in which Engen had a two percent stake, was on schedule and on budget, with the first oil expected towards the end of 1993.

Pre-development studies and appraisal drilling were in progress on the Britannia (formerly Kilda) gas condensate field, also in the North Sea.

He said the programme schedule had been accelerated and should start production in 1997.

Exploration continued in the Bredasdorp Basin in the southern Cape with two exploration and two appraisal wells, and in Gabon with two exploration wells.

- The Mobil name will soon disappear from the South African motoring scene to be replaced by the Engen name.

Mr Angel said this was being done in terms of the agreement made when Engen acquired Mobil's South African activities.
Growth by acquisition is certainly not without risk, but the Royal group still shows no signs of faltering in its rapid expansion.

Though latest interim results for Royal Corp and its operating companies Royal Foods and Roychem are not strictly comparable with the year-ago figures, the earnings forecasts have been comfortably met.

Share prices of Royal Corp and 65%-held Royal Foods have climbed steeply since late 1990. Early this week, the holding company was up from about R50c to R5. It gained another 50c after release of the figures Royal Foods rose from about R50c in mid-1991, shortly after the group was restructured, to R60c ahead of the figures, when it gained 20c.

The market seems less convinced at this stage about the merits of Roychem, held 58% by Royal Corp. After trading at 260c last April, it stands at 240c, having dropped to 200c earlier this month.

With EPS for the six months to end-February at 18,9c, Royal Foods' 12-month EPS rose to 32c, place the share on an earnings multiple of 18 — a demanding rating but not notably out of line with the sector average. In contrast, Roychem, with 12-month EPS of 34,6c after the interim figure of 18,4c, offers an earnings multiple of 6.9 on the historical results.

**Tougher markets**

Royal Corp has produced interim EPS of 25,5c, giving a 12-month figure of 43,9c and an earnings multiple of 12,5 — still below the industrial holding sector average of 14,2.

The chemical activities appear to be facing tougher markets, with pressures on margins. Emphasis appears to be on at least maintaining market share. Directors note that the Holpro-Lovasz Division has held its market in difficult trading, but prospects will depend on how soon economic recovery enhances demand for chemicals in the plastics division, competition is "fierce" and markets thin.

Even allowing for seasonal effects, Royal Foods continues to enjoy substantially better margins than Roychem. The foods produced a trading profit for the six months of just over R25m on turnover of R127m, the chemicals show trading profit of R11,7m on turnover of R93,2m.

Royal Corp financial director Jacques Fraga notes that trading conditions over the past year were generally more difficult than was expected when the group was restructured and the earnings forecasts were set. However, the forecasts were conservative.

He says management believes the group will again have a "fairly good" six months and he notes that demand for fruit exports by Royal Foods has remained firm. The fruit exporter Sapco has nearly completed the season's pack, which will slightly exceed forecasts.

Andrew McNab
Trading margins in the automotive division widened from 8.4% to 10.2%, but in the industrial and mining division the margin buckled from 15.2% to 11.5%, while the loss in the chemicals and plastics division mounted to R5.2m.

In addition to the income from these divisions, there was dividend income of R3.2m (1990 N1) from associates, and R4.8m (1990 N4.5m), credited as an abnormal item, because of a Pension holiday resulting from a surplus on revaluation. Included in dividend income was R2.2m received from the property owning associate company Distec (Pty), which was sold after receipt of the dividend.

Three-quarters of group sales last year were from the components activities. Of the remainder, 8.5% was from industrial and mining and 16% from chemicals and plastics.

Export sales have continued to grow from the small base of R3.4m set in 1987. Last year saw an increase from R29.1m to R42.7m, about a tenth of group sales.

Chairman Colin Hope contends an opportunity has been created for the company by T&N Plc's decision to reorganise into worldwide product groupings. He reckons T&N Holdings will benefit from participation in the group's global technology and marketing network and says local divisions are seeing evidence of successful implementation of the agreements concluded last in 1991 will reduce finance costs in future years. After being excessively geared in the previous two years, T&N ended last year with a much leaner balance sheet. Short-term debt, bank balances and cash rose to R51.5m (R35.8m), bringing the net debt equity ratio down to 0.34.

Interest and leasing cover was still thin at 1.9 times, but this evidently does not fully reflect the year-end debt position. If present trends are maintained, the net finance charge should continue to fall.

It is not clear when a turnaround will be achieved in the loss-making chemicals and plastics division, which is suffering from weaker demand, tight competition, low-cost imports and labour problems.

The tax charge was minimal at R540 000. This will presumably rise over the next few years, though it will probably remain low due to exports and tax losses estimated at R12.4m (R16.2m).

Earnings have doubled and Hope expects benefits from the drive to remain competitive in local and export markets and from T&N Plc's policy on worldwide product groupings. Based on present yields, the share looks worth following. But EPS, which have been erratic over recent years, are still below the 1988 level and Hope warns that trading in 1992 is expected to remain difficult.
Omnia group commissions two new plants

The Omnia group has commissioned two new plants at a cost of R17 million to widen its range of explosives for the mining industry.

The company's subsidiary, Bulk Mining Explosives (BME), is already a major supplier of explosives to the surface mining sector, and this production expansion will now give it access to the underground market as well.

One of the new plants produces porous prilled ammonium nitrate (PPAN), on a site adjacent to Omnia's fertiliser complex at Sasolburg, from where it draws ammonium nitrate as its base feedstock.

PPAN, an essential intermediate in the production of commercial explosives, was previously imported or purchased from competitors.

The other is an ammonium nitrate fuel oil (ANFO) mixing and packaging plant, which has been sited at Phokeng in the heart of the platinum mining area. This plant will manufacture a range of explosive products based on the PPAN produced at Sasolburg.

The technology for the PPAN production process has been licensed from Kaltenbach Turmig of France. A worldwide investigation by Omnia identified this process as the latest and most advanced of its kind.

"We are confident that this technology, and in particular the version we are using, will give us a high-quality product which will be on a par with the best available internationally," says managing director Neville Crosse.

Omnia overcame the initial phasing in of tax and tough trading conditions to lift earnings per share 12 percent to 82c in the year to December 1991.

Pre-tax earnings rose 24 percent to R34.7 million on a turnover which grew by 15 percent to R438 million.

The dividend has been increased by 17 percent to 35c per share.

While this reduces dividend cover marginally from 2.50 to 2.34 times, it is in line with the group's policy of raising the dividend at least by the inflation rate.
Scaw gets oxygen

AFRAX has commissioned a R40-million air separation plant in Germiston to meet the increased needs of Scaw Metals and other industries.

The 200-ton-a-day plant will provide Scaw with oxygen for new steel-making technology.

The company will also draw nitrogen and argon for other industries.
Rand firm in poison probe

THE Department of Water Affairs is investigating allegations that waste-disposal company Wadechem handled toxic material “irresponsibly and dangerously.”

It is said to have pumped a highly toxic phenol and leachate mixture on to farmyards from its disposal facilities at Holfontein near Springs. It is also accused of using cyanide waste containers in a way that could have produced poisonous cyanide residue gases.

The allegations are made in a affidavit by waste-disposal expert Steven Elliot, a former Wadechem employee.

A source in the department says tests are being done to determine whether the Environment Conservation Act has been contravened. So far the tests have been negative, but they are not complete.

He says difficulty is that the alleged contraventions occurred some months ago and dumped toxic material could have since leached away.

Wadechem competitor Waste-tech—a subsidiary of JSE-listed company Fraser Alexander—obtained an order from the Rand Supreme Court last month.

It resulted in the sheriff’s searching officers in Benoni.

This action stemmed from the affidavit by Mr Elliot.

Prices

Mr Elliot says that while he was working at Waste-tech last year he supplied Wadechem with copies of confidential documents from Waste-tech’s files.

The documents contained contract prices and other information about Wadechem’s major customers.

Mr Elliot says he was paid R2 000 for the information by Alistair Gillespie who worked at Wadechem.

Mr Gillespie previously worked at Waste-tech, but left shortly after being demoted.

Mr Elliot says Mr Gillespie undertook to get him a job at Wadechem. Wadechem subsequently offered him a job at a salary of R5 000 a month and a company car. But he told Wadechem that he wanted R7 000 a month. Waste-tech had in the meantime raised his salary to R6 000.

Mr Elliot says, “I realised that if I reduced the position offered, Gillespie was in a position to advance Waste-tech of my services which would endanger my position with Waste-tech and leave me unemployed.”

“IT accepted the position as offered and I left. I had no other choice and resigned from Waste-tech.”

In his new position Mr Elliot and Mr Gillespie had several meetings with Waste-tech customers.

Mr Elliot says, “At each of these meetings Gillespie was in a position to quote competitive disposal prices. He had access to the disposal prices quoted by Waste-tech as I had furnished them to him.”

Shortly after these several Waste-tech customers moved their business to Wadechem. They included Reckitt Household Products, Fry’s Metals, NCP, Glenmore Foods, Carlson Paper, SA Cyanamid and Gymnus Industries.

Their combined business with Waste-tech was worth R10 million a year.

Copies of Waste-tech’s documents relating to these customers were found during the sheriff’s search of the Benoni offices.

Mr Elliot says that on February 6 this year he noticed that a pump had been installed at the Wadechem site.

It was connected to an underground pipe leading to farmyards 600m away. The pipe was connected to a farm irrigation system.

He says highly toxic liquid was being sprayed on the farmyards by this system.

When he complained, he was told to mind his own business.

Mr Elliot then spoke to another waste-disposal company about setting up a company, but this apparently became known to Wadechem.

He was taken from his work to a farmhouse where he was met by several people, including senior executives. He was told to leave the country and that he would be bought an airline ticket to the UK and given some money.

Warning

He was warned that a senior Wadechem executive had connections in Lotto and would have him killed if he returned to SA and involved himself in Wadechem’s business.

Mr Elliot later signed an undertaking that he would not return to SA. It is believed that he is now in the UK.

A spokesman for Wade Rehef, a company associated with Wadechem, says the company’s attorneys have been instructed to oppose the court application by Waste-tech.

He denies the allegations in Waste-tech’s founding application. He is not prepared to debate the matter in the media because the matter is due to come before a court.
Engen eyes on ethylene

Engen is looking at another expansion phase for its refuse in Durban. It would follow the $4.7-billion two-phase capacity expansion project already announced and could be expanded to include an ethylene cracker.

Engen chief executive Rob Angel says the $6.5-billion Phase 1 project will come on stream in August and increase capacity by 30%.

Phase 2, which could cost $2.5-billion and improve capacity by another 30%, is expected to be operational by mid-1999.

Engen may require extra capacity by 1997 to meet its growing markets. So it is looking at Phase 3, which could cost $1.5-billion in today's money.

Mr Angel says: "An important factor will be to reduce the refinery's fuel oil production and increase its output of high-value products."

Engen has commissioned a London consultancy firm to help with the feasibility study for Phase 3.

Part of this study will examine the economics of a joint-venture ethylene cracker in Durban.

The feasibility study for Phase 2 is at an advanced stage and the Engen board has approved $750-million for detailed engineering studies. Orders for long-term deliveries have already been placed.

Mr Angel says Engen has been redirecting its exploration expenditure to West Africa at the expense of the Bredasdorp Basin because these areas offer higher potential.

In the current year, Engen's budget for exploration in the Bredasdorp Basin will be half of last year's.

Upstream

Development of the Alba and Britannia oil and gas fields in the North Sea is making good progress. Engen continues to look at other opportunities in the area.

Engen executives returned from the Congo this week, where both upstream and downstream operations were discussed.

Engen is drilling in Gabon and Congo and exploring opportunities in West and Central Africa.
Foreign prospects and exports add spice

A week ago Engen CE Rob Angel, noting the importance of the referendum result for the group and the oil industry at large, predicted the UN embargo on crude oil would be lifted by the end of the year. This week's announcement by the EC that its oil restrictions against SA will go (see Business) must lend weight to that prediction.

The upshot, said Angel, of UN sanctions being lifted (affecting supplies from the Middle East and more important than the EC restrictions), could lower import prices for crude oil and should result in cheaper prices at the pump. The latter would be up to government but the optimistic view is that with sanctions gone the industry might be deregulated to some extent, possibly leading to a short-term price war as oil companies offer competing prices to service stations.

Angel says Engen has been gearing up for the end of UN oil sanctions. The importance for the group would be the possibility of negotiating with a direct supplier. Angel says Engen has already held discussions on this and lobbied government to let it buy crude directly. If successful, that should take at least a few cents off the price of a barrel, now about US$16.50.

Engen performed strongly in the first half, economically much tougher than the same time last year, when the Gulf War boosted refining margins, but the main reason was profitable use of the proceeds of the rights issue. With turnover growth slackening to 4.4% from the previous year's 22.8% (and hence falling in real terms), operating profit grew by a credible 15.2% (199: 17%).

Improved operating margins were aided by two price increases from government. Angel says overall product sales advanced by about 3%, while industry retail sales grew some 5%, which according to Angel saw Engen increase market share slightly.

Refining margins, however, were down, not expected after inflated war prices but still lower than expected. At an estimated $6-$7 a barrel, the margin is about $2 lower than the first half last year and could drop another $1 in the second half, though Angel believes it is close to bottoming.

The impact was offset by a 15% hike in crude oil running through the Genref refinery in Durban, and earnings were smoothed by a R24m injection from the inventory equalisation reserve, set up largely from the war profits to counter commodity price swings. Falling oil prices eroded another R20m of the fund and if a similar amount is transferred to profits in the second half the fund should reach about R30m by year-end.

But the real boost to pre-tax profit came from interest earned on last year's R1.1bn rights issue, pushing financing income up by a hefty R62m on last year's R3m. An investment of R500m, nearly half the sum raised, in tax-free preference shares slashed the effective tax rate by 31% to 19.5%, resulting in an increase of only R2m on last year to bring the tax line to R50m.

For the full year R40m is earmarked for the tax equalisation reserve, now R97m, but Engen is considering changing the policy of putting aside the difference between its effective and actual tax rate, about 15%.

The feeling seems to be that, instead of locking up funds in the reserve, more should be distributed to shareholders. The policy could be reappraised by year-end.

The share price continues to climb steadily and is only 150c off its recent high of R44.50. With continuing expansion, promising exploration activities, and record half results expected to match the first half, it remains a hugely valued growth stock. The lifting of sanctions and easing of government regulations could make 1993 an exciting year for Engen.

The only activity not worth talking about is Massa. Engen's pursuit of the project until mid-1994 to decide whether to walk away from its 30% equity investment in the project, and that looks a distinct possibility.

Minority shareholders should reject the 1c share offer from Esor Establishment SA but face a tough choice between electing to stay in the company in its new form or trying to block the scheme of arrangement in hope of getting a better offer.

As it stands, the offer is yet another example of minorities being left whistling in the wind while creditors are paid out almost in full and the assets go to new owners at a knock-down price.

The proposal is to consolidate the existing capital from 80m to 10m shares and issue 7.4m new shares to Esor in payment for Esor setting Eersteling's concurrent claims of about R6.5m if minorities approve the scheme but elect to reject the 1c offer and stay in the company their interest will be diluted to 10% of the new equity.

An "expropriation" clause in the circular to members states that at least 10% of shareholders, or holders of at least 25% of the equity, must elect to remain invested or all shares will be forcibly redeemed. There are some 9 000 shareholders.

The circular contains errors concerning compliance with Securities Regulation Panel (SRP) and JSE rules. It states "Neither the offeror, nor any director of the offeror has any direct or indirect registered or beneficial shareholding in Eersteling," and "there are no arrangements with, undertakings by or agreements between the offeror and Eersteling and persons acting in concert with either of them in relation to Eersteling shares."

Those undertakings are not valid under Clause 1.7 spells out that major creditor Standard Merchant Bank (SMB) has offered its R5.1m claims to Esor for 80c in the rand as well as its 26.8% shareholding for a nominal R1. and Esor intends voting those shares in favour of the proposals SMB is the major creditor and largest shareholder, having take-

REFINING PROFITS

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<tr>
<th>Six months to</th>
<th>Feb '91 Aug '91 Feb '92</th>
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<td>Average (Rm)</td>
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<td>Dividends (c)</td>
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Poisoned men weaken

The condition of three former Thor employees admitted to hospital last month with mercury poisoning—which is incurable—has deteriorated rapidly. Mr. Engelbert Ngeobo, 40, is in a coma and his teeth hooked up to a life-support system. Mr. Peter Celie, 21, is also comatose and Mr. Albert Dlamini, 23, is finding it difficult to walk or recognize friends.

A preliminary report on the situation at Thor, released last Friday, recommends that all workers in the company's employ be screened for mercury poisoning as soon as possible. FTIME 12/4/92

Thor has appealed to all former employees to contact the company so they can be screened for symptoms.
State defies own ban on importing toxic waste

By RYAN CRESSWELL

THE government allowed thousands of tons of toxic waste — believed to be responsible for poisoning the Umgeni River in Natal — to be imported to South Africa “as an act of conservation”.

But environmentalists claim the government circumvented its own ban on the import of hazardous waste to allow Thor Chemicals to process toxic waste — which the government classified as “raw materials” — at its Cato Ridge mercury reclamation plant, the world’s largest.

A spokesman for the Department of Environment Affairs said this week that Thor had been given permits to import the waste “so that it could recover mercury for re-use, thereby keeping it within the ‘production cycle’ and out of the ‘waste stream’”.

“This procedure in fact satisfies the very sound environmental conservation principle of optimizing the use of the resource,” he said.

He denied that the decision circumvented the government’s policy decision on toxic waste.

But Earthlife Africa says, the toxic waste imported by Thor has a 30 to 40 percent volume of hazardous compounds.

AMERICAN CYANAMID, which admits sending 70 tons of toxic waste to Thor for recycling, is considered by Greenpeace to be a major polluter, discharging thousands of tons of hazardous waste throughout North America.

The multinational corporation, with headquarters in Wayne, New Jersey, manufactures a range of products, including pharmaceuticals, pigments and pesticides. It is a public-owned company and is one of the largest chemical firms in America.

In 1988, Cyanamid agreed to spend $94 million (R2.44 million) to exhume waste from a Superfund toxic waste dump at its Bridgewater, New Jersey, plant.

From 1929 to 1978 the company dumped a cocktail of poisons — including mercury wastes — directly into 37 pits that surround the Bridgewater site.

Environmentalists also claim Cyanamid’s Louisiana plant is one of the four largest hazardous waste generators in the US. Cyanamid purchases Thor’s mercury catalyst for use in the production of synthetic rubber at Bridgewater. It ships the resulting mercury waste from Global Marine Terminal in Jersey City back to Durban. The waste is then trucked to Thor in Cato Ridge for disposal, as part of a catalyst purchase agreement.

Names of ships carrying the waste include the Catalonia and the Michele.

President George Bush’s administration has not proposed any new laws that would prohibit US waste shipments to South Africa or anywhere else.

US supplier is a major polluter, says Greenpeace

We receive only spent mercury products from our clients,” he said.

However, New Jersey-based American Cyanamid has confirmed that between 1986 and 1989, it shipped 70 tons of toxic waste to Thor for recycling and recovery. Undisclosed amounts of toxic waste are also believed to have been imported from other areas, including Manchester and Hanaford in Britain.

Thor admits it received more than 700 tons of spent mercury catalyst from abroad between 1986 and 1989, and processed another 2,000 tons collected from South African sources during the same period.

In response to questions in Parliament from Mr Haswell, Mr Louw said: “Raw materials are not waste materials. The definition of raw materials does not depend on the origin or the physical or chemical state thereof.”

“Whether it is imported or manufactured locally is also irrelevant. The phrase ‘raw material’ is defined in the acknowledged dictionaries as a substance from which something is or will be manufactured.”

Decision

Asked whether the government still considered mercury-containing wastes collected by Thor to be raw materials, Mr Louw responded: “Yes. Mercury is extracted from the substances concerned for the manufacture of a product and thus, per definition, those substances are raw materials.”

A spokesman for Mr Louw’s department said yesterday the decision to classify the compounds as raw materials “was made by several government departments”, which felt the waste did not infringe the Hazardous Substances Act, administered by the Department of National Health.
AECI planning a R200m lysine plant

AECI is investigating the establishment of a R200m lysine manufacturing plant. Lysine is an amino-acid used in animal feed formulations.

Company spokesman Robbe Vermont said a decision to invest the money over two years would be taken towards the end of the year. More than half the production would be for export.

The plant would produce gross savings of between R12m and R16m a year, according to Customs and Excise.

SA imported 2.2 million kilograms of lysine from January to September 1991 to the value of R15.5m, and 2 million kilograms for R12m over the same period in 1990. Customs and Excise said on Friday in AECI's 1992 annual report released last week, MD Mike Sander said process technology for the conversion of feedstock to lysine was well advanced.

Sander said consideration was also being given to steam cracking of feedstocks from the Mossel Bay synthetic fuels plant to produce chemical feedstocks. However,

\[\text{To Page 2}\]
Noristan seeks to diversify

MICK ELLINGHAM

HEALTHcare group Noristan should not remain too dependent on pharmaceutical activities but must maximise complementary investment areas, says group MD Hugo Snyckers.

A consumer products business unit had been established, said Snyckers in the group annual report, and a modern cosmetic manufacturing plant was nearing completion.

Norsted reported earnings of £4.4m on turnover of £13.8m for the 16 months to December. Noristans financial year-end was changed to end-December from end-June to coincide with the year-end of W & A Investments, which holds 29% of Noristan.

Earnings totalled 147p a share and a final dividend of 20p was declared, making 46p for the 18 months.

Noristan had established a pharmaceutical market-

...
**AECI**

**FM 11/4/92**

**Still no clear sense of direction**

**Activities:** Supplies explosives, chemicals and plastics to a wide range of industries.

**Control:** Apex Holdings 55.4%, Amcu and ICI Plc have joint control

**Chairmen:** G W H Rilly, MD A M Sander.

**Capital structure:** 154.7m ords Market capitalisation R1,488bn

**Share market:** Price R955c. Yields 6.1% on dividend, 12.7% on earnings; p/e ratio, 7.9; cover, 2.1 12-month high, 1500c; low, 875c.

**Trading volume last quarter:** 943,000 shares.

**Year to:** '88 '89 '90 '91
**ST debt (Rm)** 337 286 460 477
**LT debt (Rm)** 336 234 331 470
**Debt equity ratio** 0.57 0.42 0.57 0.47
**Shareholders' interest** 0.42 0.44 0.43 0.50
**Int & leasing cover** 5.4 4.0 3.1 2.3
**Return on cap (%)** 16.6 19.5 13.6 9.8
**Turnover (Rbn)** 4.08 4.76 5.03 5.28
**Pre-tax profit (Rm)** 473 604 499 402
**Pre-tax margin (%)** 11.6 12.7 9.9 7.8
**Earnings (c)** 165 203 154 121
**Dividends (c)** 76 87 87 58
**Net worth (c)** 723 847 691 1256

**AECI continues to flounder, with little clear sense of direction. It is a capital-intensive business that needs to renew its fixed asset base and product range on a regular basis. Instead, it has concentrated on what chairman Gavin Rilly calls "carefully managed investment in well-selected areas".**

These are fairly pecocenial, though spending on fixed assets increased from R255m to R291m. The major item was R54m on increased texturing capacity at SA Nylon Spinners plant at Hammarsdale and R22m on new production capacity for Dulux at Umbogintwini. Though these are hardly bold investments, Rilly says that even at present levels, upgrading capacity is putting a heavy burden on current income.

AECI is waiting for appropriate amendments to tax policy to proceed with larger projects, but many of the business units operate with outmoded technology to compensate for the disadvantages it suffers in capital costs, productivity and tax.

Finance costs increased by 22% to R159m, thanks to an increased investment in both fixed and working capital. The effective rate of tax fell from 39.5% to 29.8%, thanks to higher export allowances.

There is no evidence of a general recovery, especially from the mining and motor sectors. Just over a quarter of its sales went into export markets.

Sales of fertiliser, in which subsidiary Kynoch has the largest market share, rose slightly. AECI MD Mike Sander warns that significant price increases are overdue.

The balance sheet has been strengthened by a revaluation of land, which has led to a R526m increase over book value. Sander notes that the group does not intend to go into property development, but will release tracts of land to independent developers over the next 10 years. AECI expects to realise R30m in cash in the 1992 financial year.

Net borrowings rose from R783m to R945m. Without the proper revaluation, gearing would have increased from 57% at the end of 1990 to 64%, but after revaluation gearing fell to 47%.

The share price has run down, but profitability at least recovered in the second half of the year. An earnings yield of 12.7% and dividend yield of 6.1% compare with 8.7% and 2.9% for Sentrachem, the second largest non-steel chemical company, and 9.4% and 3.9% for the chemical and oil index.

AECI has some recovery potential but should be bought tactically on further weakness.

Stephen Coenon

**TOYOTA FM 11/4/92**

**Keeps going right**

**Activities:** Motor vehicle manufacture

**Control:** Wesco 50%

**CE:** A J J Wessels

**Capital structure:** 40.7m ords Market capitalisation R887m

**Share market:** Price R24,25. Yields 2.0% on dividend, 12.2% on earnings; p/e ratio, 8.2; cover, 0.3 12-month high, 355, low, R115.

**Trading volume last quarter:** 183,000 shares

**Year to December:** '88 '89 '90 '91
**ST debt (Rm)** 24.0 105.6 29.5 34.4
**LT debt (Rm)** 108.5 324.9 49.7 204.8
**Debt equity ratio** 0.24 0.22 0.05 0.26
**Shareholders' interest** 0.60 0.54 0.61 0.56
**Int & leasing cover** 3.8 0.6 n/a n/a
**Return on cap (%)** 23.0 18.2 18.6 14.1
**Turnover (Rbn)** 2.51 2.92 3.12 3.47
**Pre-tax profit (Rm)** 205.5 206.0 251.1 233.3
**Pre-tax margin (%)** 8.0 6.9 7.8 6.7
**Earnings (c)** 219 215 276 297
**Dividends (c)** 86 41 47.5 47.5
**Net worth (c)** 1,314 1,601 2,013 2,258

Relative to conditions elsewhere in the motor industry, Toyota's "everything keeps going right" motto could be said to apply as much to the company as to its product range — at least to the extent that earnings stayed tilted.
Underlying strength

Activities: Makes and markets printing inks, resins and industrial surface coatings
Control: Coates Bros Plc 68.4%
Chairman: W F Beck, MD E F Williams
Capital structure: 3,4m ord. Market capitalisation R96.3m
Share market: Price R27.50 Yields 2.6% on dividend. 10% on earnings, p/e ratio. 10, cover. 3.8 12-month high, R28, low, R14.50
Trading volume last quarter. 13,000 shares.

Year to Dec 31 88 89 90 91
ST debt (Rm) 5.7 4.3 4.2 7.7
LT debt (Rm) 1.0 0.7 0.5 0.5
Debt equity ratio 0.31 0.20 0.08 0.17
Shareholders’ interest 0.43 0.50 0.58 0.63
Int & leasing cover 105 11.8 n/a n/a
Return on cap (%) 20 22 22 24
Turnover (Rm) 94 122 145 159
Pre-ent profit (Rm) 10.1 11.1 16.3 17.8
Pre-ent margin (%) 10.7 9.1 10.6 11.3
Earnings (c) 148 171 233 277
Dividends (c) 42 49 81 72
Net worth (R) 608 730 1,171 1,378

In this tough economy, Coates’ underlying strength shows up in an 18.8% increase in EPS in spite of a mediocre turnover rise of 9.2%. Coates has become synonymous with printing inks, still the largest component of the business. It thus depends on consumers’ financial health because they generate the demand for packaging of the products they buy.

The decline in volume offtake and turnover growth is, says MD Fred Williams, a direct result of the recession. However, the manufacture of resins is now contributing materially to profits.

Williams claims that Coates gained market share as a result of the recently commissioned resin plant, which continues to be enlarged and upgraded. During 1991, the value of plant and machinery rose by R8.7m to R12m because of what Williams calls significant investment in plant.

He says resin sales volumes have been satisfying but adds that profit growth could be influenced by large resin raw material cost increases in the past four months. Cash inflow from operations rose 15% to R19.6m, indicating tight managerial controls at operating level. Two factors nevertheless accounted for a heavy draw-down.

First, the high tax payment of R12.1m (R5.5m) included a previous year’s liability of R5m. Secondly, expenditure on plant, especially in the resin division, jumped to R3.4m, from R200,000 in 1990.

These cash demands, together with increased working capital, were funded from additional bank borrowings and cash on hand. Though additional interest-bearing debt meant an increase in interest paid, it was not of great consequence. A 2.7% decline in the tax rate allowed the 18.8% gain in after-tax income and attributable earnings.

Williams’ forecast for this year is coloured by optimism but tainted by uncertainty. While the economy may be bottoming out, he doubts the benefits of a turnaround will be seen much before year-end. In his chairman’s statement, Bill Beck is cautiously optimistic that the company will achieve real growth, but it is likely to be lower than in recent years.

A year ago, Coates’ share price was R10. It has more than doubled. Over the past four years, EPS have grown at 26% compound. A p/e of 10 is not high for growth like this and

Coates can manifestly control its destiny in difficult times. But it has one drawback. There are only 3.4m shares in RSB and, for good reason, the share is tightly held and does not trade often. Nevertheless, it is a sound stock and should be accumulated for the long term.

Gerald Hulston
Toxic-waste firms lock horns

Man who set rivals against each other flees SA for fear of his life

A BITTER fight between rival waste-disposal companies might end up with the consumer and the environment as winners.

East Rand waste-disposal company Wadechem is adamant that it has not illegally dumped toxic waste, despite last week's report which showed evidence of phenol in a field near its disposal plant.

The tests were done after former Wadechem employee Steve Elliott — who had previously worked for rival Waste-Tech — alleged that he had been threatened with death if he made the company's "illegal" activities public.

Legal battle

He alleged that Wadechem was not running its Holten site properly and had resorted to dumping 1.5 million litres of waste when its plant could not cope with its load.

Elliott's claims have sparked a legal battle between Wadechem and Waste-Tech — and calls from environmentalists to toughen up environmental laws to restrict such behaviour.

The Department of Water Affairs entered the fray this week to wring the matter from Wadechem's alleged pollution practices with the Attorney-General for possible prosecution.

Department assistant director Leon Bredheim said the decision to proceed with prosecution was the culmination of a series of "problems" the department had encountered with Wadechem over a number of months.

However, he said that Wadechem had been "very co-operative" in trying to solve the problems.

Elliott also claimed he had passed on confidential information to Waste-Tech while working for Wadechem, which was then able to undercut its rivals tenders to prospective customers.

However, Wadechem managing director Alexander McLean said this week that his company had been informed by Waste-Tech in an attempt to push its business on a legitimate basis.

Waste-Tech management director had a monopoly in this field, and the opening of our landfill site has made things difficult for us.

Wadechem attorney H C Roeders said the site had never been constructed to accommodate the amount of waste.

"Waste-Tech" traditionally had a monopoly in this field, and the opening of our landfill site has made things difficult for us.

He also claimed it was impossible to dump 1.5 million litres of liquid on to 64 sq m of ground in its natural state containing phenol in quantities.

Wadechem's attorney H C Roeders said the site had never been constructed to accommodate the amount of waste.

"Waste-Tech" traditionally had a monopoly in this field, and the opening of our landfill site has made things difficult for us.

He also claimed it was impossible to dump 1.5 million litres of liquid on to 64 sq m of ground in its natural state containing phenol in quantities.

Waste-Tech was deliberately leaking information to the media in an attempt to boost its company out of the market, he added.

Waste-Tech has denied this.

Technical director Dave Baldwin said: "It's not that we are trying to take out the competition — we are simply trying to get the cooperation to act in a professional manner.

"Our management team believes competition is good for us."

McLean denied that Elliott had been threatened with death and asked why the former employee had not come forward with police.

Elliott, who is now in England, said Wadechem was no threat to get him out of South Africa that he had bought an air ticket.

Patrol surmised

However, he returned.

Wadechem faces a $10 000 fine if it finds guilty under environmental laws, which environmentalists believe to be a patently made and nos deterrent to pollution.

Earthlife Afrika spokesperson Peter Lazarus said South Africa's weak laws needed toughening up to ensure that members were to be prevented from harming the environment.

Venter Marais said it was also possible for a court to order a company to pay up any losses it might have incurred through illegal dumping.

Courts could also order companies to bear the costs of clean-up operations, he said.

Lazarus expressed surprise at this news, claiming that most magistrates in South Africa were not well-equipped with environmental issues and infrequently took such steps.
Emphasis must be on reality and the economy

PMA president Hugo Snyckers called for a lowering of taxation, inflation, interest rates and a reduction in the level of unrest and crime in order to create economic growth.

Speaking at the PMA's seminar on options for health last November, Dr Snyckers said it was useless to isolate a health-care delivery system from the country's economy.

He said businessmen needed reassurance that they would in future be operating in an economy based on private enterprise. This would increase local investment and attract investment from overseas.

"Unless there is economic growth, there will not be sufficient profits or income to tax for state-supplied health care or contribute to medical aid for health care provided within the private sector.

"And let me please remind everybody that out of profit, tax is paid on income and nothing could function unless there is profit," he said.

"It would indeed be wonderful if we could provide free or almost free and limitless, high quality health care to all, but this of course is totally unrealistic and even wealthy countries that have tried to move in that direction have failed."

Speaking about constitutional negotiations he said, "When negotiations begin, the emphasis should be on the requirements of sound economic and political systems for the future South Africa. We should take what is best from constitutional and economic models around the world and adapt those to our circumstances.

"However, one must recognise that expectations have escalated against the background of what remains a relatively poor economic performance.

"The immense challenge of the mobilisation of resources and the delicate matching of priorities and available inputs can only be achieved successfully in a predictable political framework.

"If we allow the constitutional negotiations to be bedeviled by redistribution issues, the risk of failure is likely to be very high. It is better to address the questions of socio-economic upliftment in their own right.

"What I am trying to say is that when we talk about a future cost-effective and obviously equitable and durable health care system, we should not be blinded by the immediate need to do something about current inequities.

"We should first agree on an economically sound system, which must fit into the overall economic scene, and then, separately from that, negotiate on how to overcome the worst inequities in the shorter term."

"If we opt for the alternative we can only be talking of a National Health Scheme, and if we do that we would seem to want to defy international experience stretching over more than 40 years and undergo what at best could be described as a bad experience."

Dr Snyckers said that in some countries, particularly the Eastern Bloc countries, as well as in developing countries, including Africa, the nationalised health care delivery systems had lowered the standard of such services to an unacceptable, indeed an appalling standard.
Health-care costs come under worldwide scrutiny
Acceptance of overseas papers has pros and cons

In 1989 the PMA first recommended to the Medicines Control Council (MCC) that the possibility of the acceptance of overseas registrations be investigated with a view to preventing unnecessary duplication of registration submissions and to obtain cost benefits and savings which would eventually be to the advantage of the patient.

This proposal led to some lively discussions of the advantages and possible disadvantages of acceptance by the MCC of the registration certificates issued in certain overseas countries.

On the one hand there would be cost savings.

On the other it was felt that South Africa should not lose its expertise in the evaluation of applications for the registration of medicines by allowing the MCC to grant registration automatically on the strength of a registration certificate issued by some overseas authority.

It was pointed out, however, that at least some applications would have to be evaluated ab initio by the MCC because these medicines would not be registered in any overseas country.

In 1991 it was disclosed that the MCC would be prepared to review applications for registration presented in the format required in the European Community as interpreted by the MCA in the United Kingdom.

This would obviate the need to reformulate an application already submitted in the UK for submission in South Africa.

This was, the PMA says, a major step towards the rationalisation of registration procedures. It does, however, not entail the automatic acceptance of a registration certificate issued in the United Kingdom.

The PMA believes the globalisation of registration of medicines and the international harmonisation of registration procedures will have distinct advantages.

Adherence to standards agreed upon internationally would ensure that the registration of medicines would be maintained at a high standard.
Tomorrow marks the 25th anniversary of the founding of the Pharmaceutical Manufacturers' Association of South Africa.

A merger of the Ethical Drug Association and the SA Pharmaceutical Manufacturers' Association unified all the interests in pharmaceutical manufacturing in South Africa.

It was necessary in view of the provisions contained within the Medicines and Related Substances Control Act (Act 101 of 1965) and to "promote at all times the highest standards of manufacturing and marketing for the pharmaceutical industry to ensure that products of the highest quality are readily available."

Apart from a short period during which the PMA changed its name to embrace the chemical industry — the name chosen was "Pharmaceutical and Chemical Manufacturers' Association of South Africa" — the PMA has served 53 percent in value turnover of the industry as industry spokesman and industry watchdog.

The Executive Council is representative of manufacturers connected with multinationals and of locally financed organisations. The council meets on a regular basis in Pretoria, with one meeting a year taking place during the parliamentary session in Cape Town.

To assist the Executive Council, there are a number of Expert Committees, responsible for studying policy issues and making recommendations.

The committees also study issues of an administrative nature affecting the daily operations of the ethical prescription industry.

It is appropriate that, in its 25th year, the PMA is embarking on another bold step which will entrench the organisation as the industry leader in every respect.

At the Annual General Meeting tomorrow motions are being put forward to merge the PMA interest with a number of other groups. The changing of the PMA's constitution is important because, in international terms, the association needs to present a strong and unified face as an industry.

The PMA will be divided into various divisions including:
- Pharmaceutical
- Non-prescription medicines and Cosmetics
- Diagnostics
- Medical Devices, and
- Veterinary Medicines

Provision has been made in terms of the new constitution for Associate, subscribing and Honorary members.

The fee structure of the restructured Association will be based on a sliding scale, according to turnover, to enable both small and large companies to join.

It is hoped that this provision will enable smaller companies to participate in organised industry.

It is believed that companies involved in all the divisions will make use of this facility.

A feature of the proposed change over tomorrow is that Dr Hugo Snyckers, the PMA president, and John Toersen, the executive director, were also present at the Constitutional meeting which established the Association on May 12, 1967.

Dr Snyckers, who is the PMA's longest-serving president, was representing his company and Mr Toersen was there in his capacity as executive director of the former South African Pharmaceutical Manufacturers' Association.

Mr Toersen's unbroken service with both the SAPMA and the PMASA began on June 1, 1962 — almost 30 years' service to the pharmaceutical manufacturing industry.
All the members -- from A to W

The following companies are members of the Pharmaceutical Manufacturers' Association (PMA):

Abbott Laboratories
Adcock Ingram Ltd
African Products
Allison Laboratories
Bayer-Miles
Berlumed
Boehringer Ingelheim
Boehringer Mannheim
Bristol-Myers Squibb
Byk.Gulden Pharmaceuticals
Ciba-Gegy
Eli Lilly
Fisons Pharmaceuticals
Glaxo
Hoehst SA
ICI South Africa
IIFSA
Janssen Pharmaceuticals
Ledere Laboratory Division
Logos Pharmaceuticals
Madaus Pharmaceuticals
Merck
Noristan Ltd
Novo-Industrials (Pharmaceuticals)
Parke-Davis division of Warner Lambert
Pfizer Laboratories
Permark International
R & C Pharmaceuticals
Riker Laboratories Africa
Roche Products
Roussel Laboratories
SA Druggists
Sandoz Products
Saphar-Med
Scherag
G D Searle (SA)
Servier Laboratories
SmithKline Beecham Pharmaceuticals
Swisspharm
Boots Pharmaceuticals
Upjohn
Koell SA
Rhone-Poulenc Rorer
SA
Wellcome
PMA aims to serve public and members

The Pharmaceutical Manufacturers Association (PMA) was formed in 1987. It aims:

- To promote the highest standards of manufacturing and marketing as a service to the medical, dental, pharmaceutical and veterinary professions and the public, and to this end, among other things:
- To prepare and maintain codes of ethics to ensure that the manufacturing and marketing practices of the pharmaceutical industry would best serve the public and the medical and allied professions.
- To promote and encourage the interchange of knowledge and ideas for the betterment of the industry and its services.
- To foster and safeguard mutually constructive and satisfactory relations and to promote and protect the business and/or economic interests, privileges and rights of its members provided that it shall not concern itself with the domestic affairs of the individual trading policies of its members.
- To co-operate with legislative committees, governmental departments and agencies, medical, dental, veterinary and pharmaceutical organisations and other bodies in respect of matters affecting the industry and to represent and speak for the industry whenever required.
- To promote among its members a spirit of cooperation.
As the global move to cut health care bills gains momentum, medicine manufacturers are coming under heavy fire.

"In South Africa they have been accused of profiteering and selling the most expensive medicine in the world.

South Africa's health care bill is R14 billion a year, half of which is spent on the private sector (representing only 20 percent of the population). In addition, the medical aid scheme system, which serves about 40 percent of the private sector's health care needs, is in a state of collapse because of oversubsidy and misuse.

Everybody and everything is being blamed—from the Government's outdated fragmentation of services to doctors who over-service to patients who over-service medical services, to over-use of technology and to expensive medicine.

John Toonen is executive director of the Pharmaceutical Manufacturers' Association (PMA), whose members provide the medicines for 85 percent of all prescriptions written in South Africa. He says the accusations are unfair and untrue.

Forum

PMA is trying to provide a forum to sort out an efficient solution to disaster and a threatened collapse of the health care system.

"We believe the only way to devise a health care policy is to make it as cost-effective as possible. That means proper diagnosis, the first time, treatment of the ailment with efficient modern medicines.

"Quite simply we have to keep people out of doctor's waiting rooms, out of hospital beds and return them to the economy as fast as possible.

"That means we should concentrate our spending on cost-effective modern medicines. We should avoid substituting with generic drugs and we should encourage self-medication.

"Without modern medicine our health care system would collapse.

"In 1920 average life expectancy was 54 years. Today people can expect to live to 70. The pioneering drugs of the 20th century have to take the lion's share of the credit.

"Spend on modern medicine saves lives and reduces costs of the overall health system.

"In an American health magazine figures were quoted to show how today's products reduce the need for surgery, physician visits and hospitalisations.

The article quotes a report compiled by the Battelle Medical Technology and Policy Research Centre for the Scheuer-Peugnay Corp. It contains the following statistics:

"Over the past 50 years, it is estimated that medicines alone have helped American society avoid as many as 90 million tuberculosis deaths. Vaccines have helped society avoid close to a million cases of polio.

"In the case of coronary heart disease, it is estimated that with the assistance of new medical therapies, more than 600,000 lives have been saved.

"Pharmacists have helped to prevent nearly 800,000 stroke deaths and as many as six million non-fatal strokes.

"Antibiotics now control most infectious diseases—once the number-one killer of Americans. For example, in 1963, 19,707 died from TB. By 1984 the number of fatalities had declined to 1,729.

"Uterine drugs have reduced both the pain of women and the need for expensive surgery. In 1976, the year before the introduction of the first H2 antagonist drug, medical experts in America reported 359,000 surgical procedures to save the lives of patients with bleeding ulcers.

"By 1984 there was a 49 percent reduction in cases requiring surgery.

"The study also found that over the past half century, American society had, by dramatically curbing TB with the progression of antibiotic therapy, saved 3.2 million more American lives than would have occurred in the absence of antibiotics.
"Save billions" of new medicine, saved as $1 billion in the pharmaceutical sector, are saving the billions of new sales for the pharmaceutical companies, with the medical salesforce in the industry reporting a significant increase in sales.

The PMA, the Pharmaceutical Manufacturers Association, has been accused of being a "guilty" company in several recent cases of price fixing and concealment of research data. The PMA has denied these allegations, stating that they are "unfounded" and that the industry is committed to ethical practices.

In response to these accusations, the PMA has called for a "new era of cooperation" with the medical community to improve the quality and effectiveness of medical care. The PMA has also announced plans to increase its spending on research and development to improve the safety and efficacy of new drugs.

The PMA has also called for greater transparency in the pharmaceutical industry, including more disclosure of clinical trial data and the results of research studies. The PMA believes that these measures will help to build trust with the public and improve the reputation of the industry.

The PMA has also announced plans to work with the government to improve the regulatory framework for the industry, including the development of new regulatory criteria and the implementation of new oversight mechanisms. The PMA believes that these measures will help to ensure the safety and efficacy of new drugs and protect the health of patients.

The PMA has also called for greater cooperation with other industries, including the healthcare providers and the medical community, to improve the quality and effectiveness of medical care. The PMA believes that these measures will help to improve the health of patients and the overall health of the country.

In conclusion, the PMA has committed to a new era of cooperation with the medical community and the government to improve the quality and effectiveness of medical care. The PMA believes that these measures will help to build trust with the public and improve the reputation of the industry.

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In conclusion, the PMA has committed to a new era of cooperation with the medical community and the government to improve the quality and effectiveness of medical care. The PMA believes that these measures will help to build trust with the public and improve the reputation of the industry.
Sentrachem’s seven-year contract to supply SA Breweries with plastic crates worth R348m is on stream with 23,000 new crates being manufactured daily.

Sentrachem MD John Job said yesterday the first phase of the contract required its plastic products manufacturing division, Megapak, to manufacture 610,000 crates capable of holding 12 750ml beer bottles every month for 42 months.

The second phase involved the manufacture of 204,000 crates a month or a total of 8,56-million crates over 42 months.

Job said two technological developments had allowed Sentrachem to proceed profitably with what he considered to be the world’s largest conversion from corrugated cardboard to plastic.

A weight saving of 1.80kg from 2.2kg had been achieved on each crate when compared with previous plastic crates of similar dimension while the crates were being manufactured at twice the speed of previous production processes.

Sentrachem had invested R1.3m for nine new injection moulding machines specifically for the contract and it now took Megapak 30 seconds to manufacture one crate, said Job.

Sentrachem’s plastics division was looking towards low cost housing, returnable packaging, automotive parts and new piping systems for future growth prospects, Job added.

In Europe, recyclable packaging and refillable packaging was gaining market share at the expense of throw away packaging due to environmental pressure, he said.

Furthermore, motor manufacturers were increasingly replacing steel with plastic on components such as bumpers and other body parts, said Job.
Growing proof of Thor plant contamination

AN Inquiry into Thor Chemicals at Cato Ridge in Natal has uncovered ample evidence of widespread contamination of the plant and the surrounding area by mercury and its compounds.

A report on the chemical plant — where two former employees were so severely poisoned by mercury that they are now in comas — has been released by Professor Tony Davies of the Johannesburg-based National Centre for Occupational Health.

"Thor Chemicals must accept full responsibility for the transfer of hazardous processes to the plant over the past decade, both in terms of the environmental impact of the plant and the health consequences for men employed at the plant," he said.

Professor Davies also said that, as a result of an inadequate number of inspectors, the Department of Manpower had been unable to ensure self-regulation processes at Thor in terms of the relevant legislation.

A report showed that levels of mercury in the air at the plant had been consistently outside the maximum allowed, he said.

BY RYAN CRESSWELL

"Absorption (by workers) has been mainly via the respiratory tract, but skin and alimentary absorption should not be discounted," Professor Davies said.

"There is evidence that skin contamination, including burns, are frequent and that contamination of work clothes is common." Casual labourers had been recruited and placed in a "hazardous situation" without adequate formal training.

Exposure to mercury and its compounds was likely to have been high and available personal protective measures had failed to prevent the accumulation of a large "body burden of mercury" in some workers at Thor.

Much of the respiratory protection equipment used until recently had been disposed of.

The report said the fact that no personal sampling had been done by Thor was also a "serious omission," because it made it impossible to estimate the exposure of a worker to mercury anywhere in the plant.

In his summary Professor Davies said "It must be clearly stated that the systemic transfer of a hazardous process from one country to another, the subsequent diversification of process and products, inadequate workplace and biological monitoring, and the lack of an occupational health service have led to an inherently unpredictable situation in which the health of workers has suffered."

He has called for a new commission of inquiry into occupational health, with special attention to the current imbalance in the legislative provisions.

He outlined mine safety moves that Thor should take up before reopening the mercury section of the plant.

Thor chairman Des Cowley said "Thor accepts that some of Professor Davies's recommendations will be of undoubted advantage. Thor is immediately implementing, for example, simultaneous monitoring of blood and urine, medical examinations at the commencement of employment and use of personal dosimeters."

One of the two Thor employees in hospital, Mr Engelbert Nqoko, 40, is in a coma and hooked up to a life-support system. The other, Mr Peter Cde, 21, is comatose and is not reacting to any stimuli.
The astute way to 20% returns

Eugen as a hedge

Fast food

Share Key

After stable cleaning

TN’s exit to prosper

DIAGONAL STRENGTH

By Robin Peller

Do not feel overwhelmed by the current economic climate. While the stock market has been volatile, there are still opportunities for investment. One strategy that has proven successful is diversification. By investing in a variety of assets, such as stocks, bonds, and real estate, you can minimize risk and potentially increase your returns.

Diversification can be achieved through a number of different approaches. One popular method is to use mutual funds or exchange-traded funds (ETFs) that track a wide range of sectors or regions. These funds allow you to invest in a diversified portfolio without having to research individual stocks.

Another approach is to invest in a mix of asset classes. For example, you could invest in a combination of stocks, bonds, and cash equivalents. This diversification can help to balance risk and reward, and can be particularly effective in times of market volatility.

It's important to remember that diversification does not guarantee a profit or protect against loss. However, it can help to reduce the risk of losing money and can increase the potential for earning returns. By considering diversification as part of your investment strategy, you can potentially improve your investment performance.
Pipe broken — oil spill in harbour

Rapid action averts damage

By DIANA STREAK

RAPID action by an oil company and harbour authorities averted major environmental damage in Cape Town harbour after a broken pipeline leaked 90,000 litres of oil on Friday night.

The clean-up continued throughout the weekend. A spokesman for Caltex oil company said that although they were still investigating the extent of the environmental damage it appeared that it would be limited.

Yesterday thick black oil covered a corner of Berth E where scores of workers were battening down the hatches. The water and fuel pumpers were at work. The oil was pumped into tanker ships using special pumps.

At the site of the leak, just inside the main entrance to the V&A Waterfront development — a two-metre-deep hole was the centre of activity as workers dredged oil-soaked soil from a large area into skips for removal.

Fortunate

The accident occurred after a construction company badly damaged the oil pipe which they thought was "dead" — unused — and then covered it again during excavation and levelling work several weeks ago.

The pipe, which is not used regularly, was put into operation for a transfer on Friday night, resulting in a "bit of a gusher", said Caltex spokesman Ivan Banorkhis.

"The port authorities called us, we stopped pumping and managed to contain the oil. Fortunately a strong wind kept the oil in a corner and we used a big floating boom to contain it," he said.

He said less than 50 percent of the 600 barrels of black fuel oil leaked into the water through a sewer and covered about 23 square metres. "We went into the manholes to block the sewers and sandbags where it was still coming in," Mr Banorkhis said.

Biggest

Recovery equipment was used to pump the oil into müdigiefals for future use. A more effective vacuum skimmer was brought from Saldanha to remove the oil from the water.

Mr André Swanepoel, managing director of Waste- man, said his company was called at midday on Friday after a Portnet Action Patrol had spotted the spill of heavy-furnace fuel oil. He said the clean-up in the harbour could take up to a week and that it was the biggest oil spill his company had been involved with.

"The soil at the construction site is full of gooey fuel oil but this will be carted off and replaced with clean soil," Mr Banorkhis said.

Since the spill occurred in a construction area it does not create a nuisance to the public. He said Caltex would have to investigate what action to take against the contractor.
Macmed eyes main board

CAPE TOWN — DCM-listed Macmed Health Care Ltd had applied to the JSE for a main board listing in the pharmaceutical and medical sector, CE Donald McArthur said in its annual report.

"Although the current uncertainty in the health care market, coupled with the prolonged economic recession and changing political climate make forecasting difficult, the company's reorganisation has been completed and we look forward to a year of steady organic growth," McArthur said.

He said the government health care sector continued to suffer from significant cash constraints and Macmed was looking for business in the private health care sector and export markets.

In the 17-month financial period to end-December — Macmed changed its year end — the company achieved earnings of 5,1c a share on a pre-tax and pre-interest income of R2,9m.
Pay system at heart of Genref strike

By FERIAL NAPA JE

THE Genref refinery's refusal to bargain centrally in the petroleum industry and bear the costs of a conversion to a rate-for-the-job wage system fuelled a strike at the Durban plant and its national depots.

When Mobil disinvested in 1989 Gencor bought over the company, renaming the Mobil depots the South African Energy Company (Saecc).

All of the refinery's 300 workers are out on strike and have been joined by 100 workers at a lube oil blend plant and a major distribution depot. Major depots nationally have balloted in favour of strike action. There are about 40 more Saecc depots around the country where ballots are still being taken.

In the meantime, pensioners, engineers, managers and technicians at the plant have rolled up their sleeves and dug in. Although production is down from 1600 to 600 barrels a day and the company's expansion project has come to a standstill, the company says "the temporary team will be able to meet normal customer demands for the foreseeable future".

But the Chemical Workers' Industrial Union (CWIU) believes that the temporary teams are inexperienced and this poses a danger to the community because of the intricate processes involved in refining crude oil to fuel.

"Operators who have been working at the plant for 15 years say the machines throw up surprises daily. It's a timebomb," says CWIU national co-ordinator for the petroleum sector Mohamed Motala.

The company denies that inexperienced replacement workers endanger the community. Genref representative Mark Rodgers points out that the plant has won a top safety award for the past 19 years.

The union is demanding a 14 percent increase plus the conversion to rate for the job which the company says amounts to a 21 percent demand. Genref is offering a 15.7 percent increase.

The company's refusal to pay for conversion from merit-based increases to a rate-for-the-job system is more contentious. This conversion would cost Genref seven percent of its wage bill and the company says this amount is written into its offer.

The company is also refusing to negotiate centrally with other petroleum houses despite "the high degree of co-operation between petroleum bosses", says Motala.
Sentrachem beats poor conditions

Sentrachem held up well against deteriorating market conditions in the six months to end-February.

It succeeded in marginally improving earnings and strengthening its balance sheet.

Earnings increased to 25,7c a share compared with 24,3c a share in the previous interim period.

In spite of a small increase in sales to R1,17bn from R1,14bn, pre-tax earnings rose by 38,9% to R75,4m (R54,3m). This was as a result of a 14% saving in finance costs to R41,1m (R48,1m).

The chemical group’s falling profitability in its 1991 financial year had bottomed out and a number of investments reflecting an export oriented vision of manufacturing were on the drawing boards, MD John Job said yesterday.

Job said demand from the automotive industry, a significant market for several of the group’s operations, continued to decline, as did demand for a number of other products, including potable alcohol, plasticsizers, solvents and resins.

Sentrachem’s agricultural products division performed well and the effects of the drought were offset by a substantial volume of exports through Sanchem.

Exports accounted for less than 10% of turnover, but were expected to increase in future, said Job.

The group’s carbide business had been relocated to the Karbochem Newcastle complex, where the carbide furnace, mothballed when isoprene rubber production was halted in 1990, had been restarted and the plant operated at a profit for the first time since its start-up in the early ‘80s.

Job expected only slightly better results for the remainder of the year because he saw little prospect for real growth in the current economy.

The 40-month, R830m expansion and expenditure programme was completed last year and with its production base in good shape, the group could afford to limit capex, he said. As a result, capex declined to R51,3m from R107,6m.

Reflecting the group’s strategy to improve the utilisation of its asset base and increase productivity, operating income climbed 14,1% to R116,8m from R102,4m.

Increased tax to R36,9m from R26,2m and greater distribution of income to outside shareholders to R10,4m from R4,2m diluted attributable earnings which increased 6,5% to R29,7m from R27,9m.

An unchanged interim dividend of 6c a share was declared.

During the period gearing improved to 0,57 from 0,73.

Job said Sentrachem planned to further improve gearing by year-end, even after paying the unbudgeted R25m for AECI’s carbide business during this period.
MANUFACTURING — CHEMICALS & PRODUCTS

1992

MAY — DEC.
Macmed's main board listing could bring new opportunities

CAPE TOWN. Macmed Health Care's move into the pharmaceutical and medical sector of the main board from today has opened up the possibility of it gaining the distribution rights from a major multinational medical supplies company.

MD Don McArthur said at the weekend negotiations with the company were conditional on Macmed obtaining a main board listing.

"The range of products will complement Macmed's existing consumable product range and strengthen its position in the market place," McArthur said.

He believed the enhanced status offered by a main board listing would also secure other opportunities.

The company manufactures and distributes medical products to private and provincial hospitals and can achieve earnings per share growth of between 20-25% this year. This would follow several years of decline.

"The share price reflects the exciting prospects that lie ahead for the group, and at a current price of 46c the share stands at a historic price earnings of 11,1 against the average for the pharmaceutical and medical sector of 15,6%," Hacock said.

The listing follows a year of consolidation. In June it will move to Johannesburg.

Macmed had identified three growth areas. Emphasis would be given to expanding the market for high margin, high-tech products for private health care, the state sector had cash constraints, but Macmed would continue to distribute primary health care products.

Another growth area was exports. Macmed's major licensor, Kendall Products, is considering using Macmed products to supply its other marketing subsidiaries abroad. Macmed is also discussing the acquisition of distribution rights of pharmaceutical products.

About 40% of Macmed's products are locally produced under contract, McArthur said the company would not repeat previous unsuccessful attempts at manufacturing.
Thor to halt all production involving mercury compounds

DURBAN — Thor Chemicals in Cato Ridge will permanently shut down all chemical production involving hazardous mercury-based compounds, the company announced last night.

A number of workers will be retrained, but the company will continue to produce non-mercury chemicals.

The surprise decision by the company follows the recent poisoning of at least four Thor employees who were involved in the production of mercury-based products and an independent report criticising the company's "inadequate" monitoring of workplace safety.

A doctor monitoring the condition of the four employees said last night that at least one worker, Engelbert Ngobela, 53, was likely to remain in a permanent "cabbage" condition.

Thor was thrust into the international spotlight recently as a result of pressure from Greenpeace and the local environmental watchdog body, Earthlife Africa.

The company's decision will also bring an end to the re-exportation of spent mercury products from overseas customers.

Thor MD Steve van der Vyver said the decision to close mercury operations was made jointly by its SA directors and the board of its British holding company "in the light of certain evidence which was discovered during intensive internal investigations".

The company said it could not comment further until the Manpower Department had completed its probe.

The company voluntarily suspended production of mercury products nearly two months ago after three former employees were hospitalised with suspected mercury poisoning.

Earthlife spokesman Chris Alberts has welcomed Thor's decision.

"We hope the authorities will follow the Organisation of African Unity's lead in closely monitoring the increasing movement of unwanted, dirty and toxic European industries to Africa in order to increase profits at the expense of people and the environment."

Dr Rajan Naidoo of the Industrial Health Unit of the University of Natal said last night that Ngobela was still comatose in King Edward VIII Hospital and his condition was unlikely to improve.

A second worker, Peter Cele, was in a semi-comatose state in Wentworth Hospital while Albert Dlamini's condition had improved although he still had an unsteady gait.
Company halts mercury production after probe

Thor was thrust into the international spotlight recently as a result of pressure from Greenpeace and local environmental watchdog Earthlife Africa. The company's decision may also bring an end to the re-importation of spent mercury products from overseas customers.

Thor managing director Steve van der Vyver said the decision to close mercury operations was made jointly by local directors and the board of its British holding company. The company said it could not comment further until the Department of Manpower had completed a separate investigation.

Earthlife spokesman Chris Albertyn has welcomed Thor's decision, saying: "This was always a highly dubious operation, where the cost to human health and the environment outweighed any possible benefits. We hope the authorities will follow the Organisation of African Unity's lead in closely monitoring the increasing movement of unwanted, dirty and toxic European industries to Africa in order to increase profits at the expense of people and the environment."

Professor Tony Davies of the National Centre for Occupational Health, who recently prepared a 15-page report on the causes of the poisoning, found that Thor Chemicals had to accept full responsibility for the consequences of transferring hazardous chemical processes from its United Kingdom factory to the plant at Cato Ridge.
The Technikon Witwatersrand has been training analytical chemists since 1957. Students of the School of Applied Science's Department of Chemistry are trained in the required skills which will meet the demands of industry and which will allow diploma-holders to be immediately useful to the employer on qualification.

To achieve these aims, the training programme consists of two parts: training at the Technikon and in-service training in industry. The course is structured to ensure a high motivational level.

There is a continuous demand for analytical chemists in the pharmaceutical industry, the field of cosmetics, the food and allied industries, mining and the chemical research laboratories, municipalities and institutions controlled by the state.

Higher qualifications such as the National High Diploma in Technology, the Masters Diploma in Technology and the Laureatus in Chemistry are also offered.
Thor may opt for imports

DURBAN - Thor Chemicals was likely to import finished mercury-based chemicals following its decision to stop producing them locally, a company spokesman said yesterday.

The spokesman was reacting to queries about the consequences of the company's decision to stop producing chemicals containing mercury compounds.

Asked whether Thor's British parent company would relocate mercury operations to another country, the spokesman said "It all depends on our customers. They may want us to import and store these products on their behalf."

Mercury-based products accounted for about 20% of chemicals produced at Cato Ridge, but the decision to stop making them would not affect the company's overall viability.

The company was unable to estimate how many of the 100 workers would lose their jobs.

"Negotiations with the union on severance and redundancy packages are continuing," he said.
Genref inspection

DEPUTY Director of Multi-
power Tim Curtis this week
inspected the Genref refinery in
Durban at the request of the
CWIU. The union alleges that a
two-week strike at the company is
forcing management to use
unqualified labour to operate the
intricate refining machines and
that this poses a danger to the
workers and the community.

Curtis investigated the alleged
injury of unqualified workers at
the factory, 12-hour shifts being
worked without a break for the
past two weeks; the dumping of
sludge; and the presence of a
sulphur cloud over the residential
area of Merebank for half an hour
this week.

(83) Reports by Weekly Mail Staff, Sapa
Thor acts on mercury

THOR Chemicals, the British-owned company which has been under pressure from environmental groups and the Chemical Workers' Industrial Union (CWJIU) following the suspected mercury poisoning of four workers at its plant in Cato Ridge, Natal, on Wednesday confirmed it would shut down all chemical production involving mercury-based compounds. 

A spokesman said about 15 to 20 percent of the plant would be affected by the closure. The company is negotiating with the CWJIU on retrenchments.
Afrox results shrug off the recession

EDWARD WEST (83)

AFROX has defied the recession by raising inflation-adjusted earnings 13% to 148c a share in the six months to March 1992, from 131c a share in the corresponding period last year.

The interim dividend was increased to 71c from 63c a share covered 2.11 times by the inflation-adjusted attributable profit.

Attributable profit for Afrox — one of the few groups to compile current cost accounts — climbed 14% to R44,8m from R39,2m on an 8% increase in turnover to R56,3m (R514,6m).

Chairman and MD Peter Joubert said the performance was the result of cost control, reduced capital expenditure because of the recession and the emphasis on finding new applications and markets.

Long-term contracts and revenue flowing from fixed facility charges enabled the gases business to remain resilient.

Tax paid rose to R45,8m from R40,3m, while interest paid fell to R17m (R18,9m).

Joubert said the weak economy affected the engineering sector, and thus the welding business, but he hoped Afrox’s recent export successes would compensate for the fall-off in local demand. Health-care operations suffered with the lower use of services, largely because of the generally high costs of healthcare. He forecast increased second-half earnings.

Afrox’s share price was untraded at R88 yesterday, off its high of R94 a share on February 18.
Sabta cuts taxi fares in support of train boycott

MINIBUS taxi fares would be cut by 20% today in support of the week-long train boycott, Sabta said yesterday.

Boycott steering committee spokesman Ronnie Mamoepa said he “applauded the move” taken by Sabta and nine affiliates operating in the Soweto region. Sabta also agreed to relax demarcation agreements and “encourage” people with their own vehicles to transport workers.

Commuters will pay between 20c and 50c less a trip.

Mamoepa said Spoornet had complained that the boycott, called in protest against violence on trains, “was hurting” and had asked the committee to call it off.

Police reported that Soweto trains were virtually empty yesterday, with other lines having lost 30% of passengers.

Police said two people were injured when they were thrown from moving trains at Booyens in Johannesburg and Katoel Station, on the East Rand.

Police also reported that an extensive anti-crime operation was launched in Phola Park squatter camp yesterday afternoon. They were searching for weapons and stolen vehicles, a spokesman said.

Sapa reports that in a raid on the Klipspruit squatter camp yesterday morning, police arrested a man they believe to be involved in the killing of narcotics detective Sgt Raymond Maritz last weekend.

Nine people, including two youths who were necklaced, died in political violence on Wednesday, police reported.

Three people were killed in Soweto on Wednesday and another incident, five men wielding knives attacked a Meadowlands woman, injuring her.

Unknown attackers opened fire on a home at Zindeni in the Table Mountain area of Natal and killed four people.

The necklaced youths were found dead at Mangweni, location in Ruwer, Natal.

Meanwhile, the ANC yesterday welcomed news of the OAU violence monitoring group’s visit to SA next week.

Inkatha Freedom Party president Mangosuthu Buthelezi has appealed to the party and the KwaZulu legislature to do everything to assist the delegation.

The CP has strongly objected to the visit, saying it was “an assault on the sovereign integrity” of SA.

Waste disposal rivals in court

ALLEGATIONS of industrial espionage and the unlawful use of confidential information were made in a dispute between two rival waste and toxic effluent disposal companies which came before the Rand Supreme Court yesterday.

Waste-Tech (Pty) Ltd is seeking a series of interim orders against its rival Wade Refuse which it claims is using confidential analytical data and customer information supplied by a former Waste-Tech employee.

Wade Refuse denies it is using confidential information and claims Waste-Tech is attempting to crush competition in what had been a monopoly.

The matter, which resumed for argument before Judge L Serrurer yesterday, began in March when Waste-Tech obtained a court order in camera against its rival.

In terms of the order granted by Judge L Lazarus, the deputy sheriff was authorised to seize documentation from Wade Refuse which Waste-Tech claimed was confidential information. The court also granted temporary interdicts preventing Wade Refuse from using the information.

The case resumed for argument yesterday with Waste-Tech seeking further relief pending the outcome of a court action for final orders and the institution of action for damages.

Waste-Tech counsel B Nugent SC told the court that former employee Alistair Gillespie resigned in April last year and went to work for Wade Refuse.

Gillespie subsequently approached chemist Steven Elliot, who was in charge of Waste-Tech’s laboratory, and asked him for certain documentation and information relating to waste disposal, its analyses as well as customer information.

Elliot did this over a number of months, Nugent said, and received money before resigning in December and going to work for Wade Refuse. In February Elliot fell out with his new employers and was dismissed.

He then went back to his former employers and told them what had happened, Nugent said.

Elliot, a British citizen, alleged that after he was dismissed by Wade Refuse he had to sign a restraint agreement, undertaking to leave SA and not return for three years.

Nugent submitted yesterday that there was prima facie evidence that Wade Refuse was using information and analytical data belonging to Waste-Tech to compete unlawfully with its rival.

Argument continues today.
SENTRACHEM

Bringing a new urgency

The contribution from joint ventures Sanrech and Safripol brought about the 14% rise in operating income. But when this is pared by eliminating outside shareholders' interest, growth in aggregate attributable income was confined to 6.5%.

With capital employed of over R1.3bn, it would be extraordinary if attributable earnings growth were to exceed, by any large extent, the economy as a whole. Its complex, capital-intensive enterprises are too interwoven with, and dependent on, the economy to generate results that diverge materially. In a sense, therefore, since both industry and agriculture have been hammered by recession and environmental factors, 6.2% EPS growth is not too bad. But from an investment perspective, it's not good either.

A number of encouraging aspects bode well for prospects when the economy does improve. They stem from what appears to be the more targeted approach of new group MD John Job, appointed last year.

Job is intent on reducing borrowings to more manageable proportions. Debt equity, though still too high, has been brought down to 0.83 from 1.0 at this time last year. This has not yet had a significant impact on interest paid. But if debt can be cut further and interest rates fall, it could boost pre-tax earnings.

The three-year R830m capital expenditure programme was completed in 1991 and, apart from normal updating and refurbishment of plant, will not be extended for some time. Inherent in this is a cash flow benefit as depreciation follows earlier expenditure.

So fresh funds will not be required for some time. Moreover, efficiencies created by the capex programme are only beginning to flow into the system and push up margins.

It is unlikely that either the agricultural or industrial sectors will contribute higher profits this year. But exports to Africa and abroad, in competition with other global participants, are encouraging. As Job says, Sentrachem is not just competitive on price because of the weak rand, it also competes with the world's best in terms of quality.

At 565c, the share is a little ahead of end-

February NAV of 511c. The patchy, unimpressive EPS record over the past 10 years does not imbue an analyst with confidence. But Job and his team could bring a new urgency to produce returns that will justify the strict arm's length criteria most investors apply.

EXTRACTING QUALITY

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<th>Six months to</th>
<th>Feb 28</th>
<th>Aug 31</th>
<th>Feb 29</th>
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<td>Turnover (Rm)</td>
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<td>Operating inc (Rm)</td>
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<td>Dividend (c)</td>
<td>6</td>
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Afrox surging ahead

Afrox continues to show outstanding growth. The industrial engineering, gases and health-care group’s profit after tax, before additional depreciation to reflect the current cost of assets, by 17% to R207-million in the six months to March. Turnover rose by only 8% to R656-million.

Earnings a share were 13% higher at 70c and the dividend was lifted by the same level to 71c.

Chairman Peter Joubert says the company controlled costs and reduced capital expenditure, but sought new applications and markets in all business.

Afrox’s share price has risen from R50 to R68 in a year, giving a historic price earnings ratio of 23.
Cost-effective does not always mean cheap

The Pharmaceutical Manufacturer's Association of South Africa (PMA), under attack for providing medicine which is allegedly more expensive than anywhere else in the world, says the use of cost-effective modern medicine in South Africa can help contain costs.

PMA Executive Director John Toerien denies allegations that SA has the most expensive medicine in the world.

"The public sector — which accepts responsibility for the indigent and the aged — buys 70 percent of the volume of medicines consumed," he said.

"It buys them on a tender system in terms of code lists and, in all probability, the State is acquiring its medicine at the most competitive price in the Western world."

"We believe that in designing a health-care policy, it is better to spend money on cost-effective modern medicine, rather than on the more downstream elements. Overseas experience, no doubt also applicable to South Africa, is that the use of modern cost-effective medicine avoids hospitalisation, possibly helping avoid surgery, reduces hospital day-stays and ensures a better quality of life."

"An example is TB. In years gone by, contracting the disease meant a long period of hospitalisation with attendant time off work, loss of income and drain on the economy."

Collapse

"Now the disease is treated quickly and efficiently with modern medicine and the patient is returned to be a productive member of the economy within weeks."

"In Eastern Europe, traditionally the seat of health care systems which relied on nationalisation, state subsidies and generic substitution, the collapse of communism has seen a dramatic move to cost-effective modern medicine as one of the primary planks of the health care policy."

He believes the benefits of generic drug substitution have been overestimated.

"Generic substitution does not necessarily work in favour of the patient and while the medicines may be cost-effective, it does take longer for symptoms of illness to be treated, resulting in a loss of man-hours. We have to find cost-effective medicines which are to the benefit of the patient, not medicine which are substitu-
tions for what we already have and which take longer to cure the patient.

"We are not opposed to generics, per se, but the PMA is totally opposed to the principle of substitution," he says.

There are no known cures for 75 percent of all known illnesses and PMA — which represents all major international and local manufacturers in South Africa — says there is an urgent need for research funds.

"It is the ethical drug companies which fund the vast bulk of this research both in South Africa and abroad," he says.
**Dashed expectations (183)**

**Activities:** Manufactures performance chemicals

**Control:** Manro Holdings 66.5% Controlled by Hickson International Pic

**Chairman:** D J G Kemson, MD  B W Murray

**Capital structure:** 40.8m olds Market capitalisation: R13.8m

**Share market:** Price 34c Yields 9.6% on dividend, 27.8% on earnings, p/e ratio, 3.6, cover, 2.9 12-month high, 55c, low, 34c

Trading volume last quarter: 9,600 shares

**Year to Dec 31** **89** **90** **91**

ST debt (Rm) 5,0 5,1 16.2
LT debt (Rm) 5,3 1,1 0.4
Debt equity ratio 0.48 0.26 0.61
Shareholders’ interest 0.46 0.42 0.42
Int & leasing cover 4.3 4.3 2.3
Return on cap (%) 16.1 16.4 11.2
Turnover (Rm) 87.2 86.8 89.1
Pre-int profit (Rm) 7.9 9.9 7.2
Pre-int margin (%) 8.6 11.1 8.1
Earnings (c) 7.9 11.6 9.5
Dividends (c) 3.76 3.26
Net worth (c) 52 60 68.8

* Pro-forma

**New chairman** Dennis Kerrson strikes a far more conservative note than his predecessor. In place of the forecast "substantial profit growth," he reports sobering losses in the Bevalod division, in part as the result of the downturn in the paint, textile and mining industries, EPS fell by 18% in the face of recession, mismanagement and bad debt.

Bevalod, which supplies emulsion polymers, resins and speciality chemicals to the paint, paper and general chemical industries, was hit as well by the collapse of Valsul Paints. This cost it roughly R300,000, says group MD Bruce Murray, who adds that Bevalod also suffered stock losses because of inadequate production management.

In all, he says, the division lost over R2m.

In the Inorganic division, which makes timber preservation chemicals and copper oxychloride dusting powder for vines and citrus, sales were marginally up. However, government export incentives helped boost its profit following increased export turnover. Reduced platinum and gold mining activity and the concurrent fall-off in demand for timber hit sales and minimised the contribution from this source.

* The Organic division, which makes diverse chemicals (additives for lubricating oils, polymerisation emulsifiers, concrete additives and active surfactants for the detergent and toiletries industries), is fairly recession-proof and performed satisfactorily but with little excitement. "Very encouraging results" followed considerable efforts to expand exports into previously unavailable markets in Africa.

Three significant changes took place in the financial structure:

Accounts receivable, jumped by 25% to R21.7m because of export-related sales, which, says Murray, are now 15% of the business. Accounts payable fell to R13m from R20.4m, largely because of the payment of a R6.3m dividend obligation to the holding company. Following the utilisation of the Pricelurn Holdings cash shelf to obtain a listing and bank borrowings, the division has now turned around and is already in profits. The inorganic division, is not trading well because mining remains in the grip of recession but the organic division is ahead of budget and doing well, says Murray. He adds that the group is below budget but profitability is higher than at this time in 1991.

If management problems have been sorted out, Manro is in a position to do well out of supplying necessary chemicals to industry in the new SA. Having been listed only since late 1990, it does not have much track record. But it qualifies as a small company with promising growth potential and is a share to watch.

Gerald Nkomo

**Companies (FM 15/5/92)**

If cash is king, then at Omka it became an emperor. The balance sheet shows that cash at year-end was R40.3m, a colossal increase of R35.2m over 1990. This was achieved by a small reduction in stock levels and a significant increase in creditors. Expressed against turnover, creditors rose from 87 days in 1990 to 106 days.

Recently appointed executive deputy chairman Mike Fearfield says Omka found during 1991 that the lifting of sanctions enabled group companies to import more readily on better terms. This is encouraging evidence of the effects of SA's return to the real world.

Fertilisers remain the core business, providing about 70% of turnover. However, management has repeated its determination to lessen dependence on sales to the farming industry by doubling efforts in areas such as chemicals and explosives.

Fearfield is especially enthusiastic about the success of Bulk Mining Explosives in taking on the giants in the field, AECI and Sasol. "Our penetration into this market reflects great dedication by our people," he has cause to be ecstatic, since BME won an exclusive contract to supply SA's largest open-cut coal mining operation.

Other activities reflect mixed fortunes. Omka Farming is to be restructured. Fearfield says the group's policy has changed, and it now wants to divorce itself from farming in SA — shareholders are not likely to quibble with that — and, instead, concentrate on developing farming activities in, of all places, Zambia and Zimbabwe.

Corna Seed, to which Omka has devoted considerable capital, continues to improve its market position. Omka, the trading arm, is well-placed as agent for the international trader Carigli to handle what Fearfield describes as "a significant portion of SA's maize imports."

Overall, chairman R K J Winkler expects earnings to rise this year even though the tax rate will rise from 1991's 9% to an expected effective 25%.

Omka's share price has risen 28% in the past year. But, despite all the good news, it remains unstirredly tied to the vagaries of the climate. The share is now at a p/e of 5.6, against the sector's 8.5. It deserves to be re-rated, but probably won't be, so it looks fully priced at its present level.

David Glason
Engen to promote new logo

EN

Edward West

Engen pulled its latest brand campaign over the weekend, with a new logo for its petrol and diesel, and the national campaign is set to be launched in April.

The new logo, which will be rolled out across all Engen petrol stations, is designed to be more modern and appealing to younger customers.

It features a sleek, geometric design with a bold red and white color scheme, and includes the word "Engen" in a more compact font.

The campaign will focus on the benefits of using Engen petrol, including improved fuel efficiency and reduced emissions.

Engen's national marketing manager, Barry Jordan, said: "We are excited to introduce our new logo, which reflects the modern and progressive nature of our brand.

"Our new logo represents a new era for Engen, and we look forward to seeing it in petrol stations across the country."
Engen blocks early Mobil return to SA

By CIARAN RYAN

THE door is effectively closed on any possibility of Mobil returning to SA before the end of the century.

Although it was reported that Mobil was keen to buy its way back into SA, a restraint of trade agreement prevents it from doing so until the latter part of the decade.

Engen said this week that Mobil's name would be changed to Engen Mobil came under pressure in the US to divest in 1999—a month before President de Klerk took over from PW Botha.

It has been said that Mobil was keen to return in the light of favourable political changes.

Engen chief executive Rob Angel says: "The only ways Mobil could come back are either by starting to build up a marketing and distribution network from scratch—incalculable because all good service station sites have been taken up—or by buying an existing one, which also seems unlikely."

Gencor paid $150-million (R680-million in financial terms) for Mobil and inherited about R350-million in liabilities. Its market capitalisation is now about R5-billion.

The cost of the name change is about R130-million, a third of Engen’s net income last year. Most of the money will be spent on changing corporate livery and signage. The investment in fixed assets is deductible for tax.

Phase 1 of Engen’s R670-million Genref refinery comes into production in September. It will run at full capacity from day one because it takes over the refining of crude oil on behalf of Trex, currently handled by Shell-BP.

In addition to meeting increased demand from Africa, it will have an immediate effect on Engen’s bottom line. Refining margins is about $4 a barrel compared with an average price for crude of $10.50.

Phase 2 of Engen’s refining expansion, costing about R2.5-billion, should come on stream in 1996, although no decision on the project has yet been made.

By using world-class technology, Phase 2 will improve refining margins.

Mr Angel says Engen is prepared for any deregulation in the oil industry.

Oil exploration is taking place in Gabon, Congo and the Bredasdorp Basin.

"Engen has an effective 3% of the Alba and Britannia oil and gas fields in the North Sea. Engen will have to pay its share of the R500-million to exploit North Sea oil and gas deposits, but the company is cash flush after its R1.1-billion rights issue. It should decide to take up its 18% option in Mosgas, it will have to come to the market for some of the R1.4 billion required.

"Gas is one of the major future energy sources and these fields are far larger than Mosgas."

Mr Angel says Engen will have to have a major stand-alone exploration and production business capable of supporting exploration expenditure on oil and gas ventures. 
Seeff in Masterbond bid

CAPE TOWN — Seeff Trust is holding for the management contract for the 11 property participation companies in the Masterbond group. A rival contender is the Johannesburg financing company, Citygate Corporate Finance.

Rumours that Realty Durr had also made a formal bid were denied yesterday by chairman Storm Durr, though he expressed interest in finding ways to assist investors who had only a few days left to send in their proxy votes before next Monday's meeting.

In a letter to about 1 200 investors in the companies owning properties valued at more than R60m, Seeff Trust MD Michael Flax said concerned investors had approached Seeff to take over the management of the companies.

Flax said if chosen as manager, Seeff Trust would manage the properties professionally and economically, maximize returns, assist in trading their units on the secondary market. A property management fee of 5% and secretarial fees of 2% of the buildings' monthly rentals would be charged.

Flax said the properties had not been managed properly. The properties were burdened with a lot of bad debts and needed new tenants.

The letter recommended that investors vote onto the board of directors of the participation companies Flax, Seeff Organisation chairman Lawrence Seeff, Seeff Trust director Ryan Broomberg, Seeff Commercial Properties MD Theodore Yach, Seeff Trust national marketing manager Robert Knight and Seeff Residential Properties MD Samuel Seeff.

Citygate director Michael Addison said in terms of the Citygate offer JH Isaac's would be retained as property administrators and the possible amalgamation of the companies would be investigated with a view to a JSE listing to enhance the tradeability of the units.

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Medicine price rises 'outstrip CPI'

MEDICINE prices had risen 10 times during the past 15 years compared with a rise in the consumer price index of eight times. Medical Association of SA (Masa) director Reg Magennis told the Pharmaceutical Society's national conference in Somerset West yesterday.

Magennis said medical aid schemes were facing a crisis precipitated by the increase in the cost of medicines.

The average annual increase in payouts for medicines since 1975 was 25% while payouts for general benefits rose 25%.

The volume of medicine consumed per person rose 16% between 1975 and 1982, but had dropped back to below 1975 levels by 1991, which indicated a growing resistance to price increases, Magennis said.
Wholesaler warns of 'grey' drugs

A MASSIVE "grey network" supplying medicines to groups other than pharmacists had exposed the public to unsafe products, CE of ACA and PDC Trading pharmaceutical wholesaler Len Keating said yesterday.

Addressing a national conference of the Pharmaceutical Society of SA in Somerset West, Keating said much of the stock supplied to dispensing doctors, industrial clinics and private hospitals was stolen.

The grey network was a conduit for stock stolen from manufacturers, wholesalers and from public hospitals and for similar channeling of expired stock or simple placebos to the public.

Keating said up to one in five medications dispensed in the R2,5bn market came from the grey network and almost half that stock was stolen.

He questioned whether any guarantee could be given to the public regarding the safety or efficiency of the products that were presently being dispersed.

The problem stemmed from the fact that there was no code of practice in the pharmaceutical wholesaling industry.

It was a sad reflection that an illegal business could not only threaten the viability of the professional ethical operators, but also presented a serious threat to public health, he said.

The corruptive strength of this operation was such that three of the nine-man task force working with police on uncovering the grey market had received death threats, Keating said.
Engen pulls off deal in Botswana

IN A reverse takeover, Engen is injecting its Botswana business Oil Botswana into BGI and will emerge with 76% of an enlarged company, Engen Botswana.

BGI is a Botswana fuel distributor and retailer listed on the Botswana stock exchange. For the transaction, Oil Botswana was valued at 14-million pula. Engen said in a cautionary announcement today.

Engen CE Rob Angel said in a statement yesterday that a substantial portion of BGI’s business lay in fuel distribution and retailing. The acquisition was part of a drive to enhance Engen’s share of the Botswana fuel supply market.

Angel said Engen currently operated through Oil Botswana under the Mobil trade name.

The acquisition of control of BGI would provide it with the opportunity to manage and develop business in Botswana more aggressively. He said it was Engen’s intention to rationalise BGI’s businesses.

“Shareholders of BGI will benefit from being invested in a larger operation, which is expected to benefit considerably from more focused management and access to expanded markets.”

BGI’s name would change to Engen Botswana, and the company would remain on the Botswana stock exchange.

Because Engen was not issuing any shares, the transaction would have no material effect on its earnings and dividends, nor on the net asset value per Engen share.
First aid for skin harmed by bleaching

THE “Black is Beautiful” message appears to be falling on deaf ears. If black women were hearing it, they wouldn’t still be using skin-lightening creams, and be in desperate need of help to repair the damage caused by the creams’ bleaching chemical.

Most skin lighteners contain hydroquinone—a potent colouring chemical that bleaches skin. Local skin specialists say the damage caused by the cumulative use of hydroquinone is irreparable, but Dr Danne Montague-King, an American biochemist who visited South Africa recently, is confident that there is a treatment that can remove those blemishes, ugly spots and dark patches of damaged skin.

He claims that his treatment, which is available over the counter in South Africa, will “give you back the skin you had when you were born.”

For many years, black women have eroded, damaged, and burnt their skin with products that were not meant for them, says Dr Montague-King, who claims to have pioneered the first effective treatment for black skin in the United States.

He says facial creams with more than two percent of hydroquinone are banned in the US in South Africa, skin lighteners that contain hydroquinone used to be sold over the counter, but are now available only on prescription, says a local dermatologist.

Dr Montague-King’s research in this country has led to a “botanical breakthrough of natural enzymes and acids” which he claims can help repair damage caused by hydroquinone.

One through a three-stage treatment, products can “bring life back to a dead skin.”

The treatment involves a cleanser which removes the dead dark skin cells and excess oils. It also controls acne, blackheads, whiteheads and prepares skin for the next product that fades dark spots and uneven colouring naturally, he says. A sun block is used to protect the skin against the harmful rays of the sun.

Black skin has certain advantages, says Dr Montague-King. Black people have more epidermal (outer) layers of the skin, and larger oil and sweat glands that moisturise the skin, also, black skin has the ability to reproduce new skin cells faster and therefore does not visibly age as fast. But these “pluses become minuses if the wrong chemistry is used,” he says.

Sceptical

However, two prominent dermatologists—who cannot be named for ethical reasons—are sceptical of Dr Montague-King’s claims.

A Bedfordview dermatologist says there are a number of products derived from natural acids that are currently available in South Africa. These superficial peeling agents, he says, can heal acne, blemishes and other pigmentation problems.

But the damage caused by hydroquinone is deep within the skin. Treatment applied on the outside of the skin cannot penetrate deeply enough to repair damage. Says one dermatologist: “There is no cream that can shift the permanent pigmentation damage from the use of hydroquinone.”
Odorous assault has
Reef in its clutches

Winter is upon us. With it comes the low inversion layer over the highveld, trapping smoke and making people feel sick. The onslaught of smells has already begun, writes JULIENNE DU TOIT.

about 10 years ago

Winter is upon us. With it comes the low inversion layer over the highveld, trapping smoke and making people feel sick. The onslaught of smells has already begun, writes JULIENNE DU TOIT.

Geriston's town clerk said at the meeting he had been approached by people who, having moved to Germiston, suddenly developed asthmatic symptoms.

And former Germiston mayor Kelly Morris said: "Geriston has always had a smell. But I am sometimes woken up by smells of plastic and varnish. These are new smells. We live in expensive houses, on large grounds, and we have to close all our windows to stop the smell seeping in. We appeal to industries to stop this."

Dr. Petro Terblanche of the CSIR, who is involved in the Archim study on the East Rand, said particulate matter was often the culprit.

It overloaded the body's defence system, making people susceptible to infection. Particulate matter was associated with chronic bronchitis, wheezing, asthma, increased pleggum production and respiratory tract inflammation.

The sulphur dioxide emitted by power stations and in townships from coal-burning turned into acid rain in the wet season. But in winter the dry air remained airborne and was inhaled. It ate away at steel fences, but not much was known of its effects on humans, said Dr. Terblanche.
R10m foundation set up

COLGATE-Palmolive yesterday launched a R10m foundation to control and direct its investments in SA's socio-economic projects.

Speaking at the launch of the Colgate-Palmolive Foundation in Sandton last night, Colgate-Palmolive SA vice-president Gerry Nocker said his company was committed to supporting socio-economic projects, especially those which promoted nonracialism, equality of opportunity, and freedom of speech and association.

"It is my pleasure to commit R10m to this foundation, and we expect that sum to increase substantially over the years to come," Nocker said.

The foundation would control and direct Colgate-Palmolive's investments in the country's socio-economic projects.

US ambassador William Swing said the Colgate-Palmolive Foundation was further testimony to the company's commitment to the principle of fair labour standards and corporate social responsibility.
SA's only chlorofluorocarbon (CFC) producer, AECI, yesterday commissioned an R18.7m plant to produce Freezone 22, a new product which will gradually replace the use of CFCs in most applications.

AECI Chlor Alkali Plastics chairman Mike Smith said in terms of the Montreal Protocol the use of CFCs Arcon 11 and 12 had to be phased out by the year 2000. Signatories to the protocol, including SA, would meet in Copenhagen later this year and he expected the phasing out period to be brought forward to 1997.

The new Freezone 22 plant, with a production capacity of 5 000 tons a year, would gradually replace AECI's production of Arcon 11 and 12 as the deadline for the Protocol drew nearer. It would offer to SA's refrigeration, aerosol, polyurethane and polyethylene industries the only locally produced alternative to CFCs, he said.

He said CFC sales to the aerosol industry, except the pharmaceutical sector where a CFC alternative was not yet available, would cease in July 1992. AECI would also supply other imported CFC alternatives as they became available commercially, Smith said.

Health and Environment Deputy Minister Fanus Schoeman said SA users of CFCs were ahead of the current time schedule for the phasing out of CFCs in terms of the protocol. Production and consumption figures last year were 60% lower than in 1986, compared with the protocol's stipulation of a 90% reduction by 1995, he said.

Smith said the new plant was an interim measure and would probably be decommissioned around 2016 when stricter ozone protection measures would be enforced.
Low fertiliser sales expected

THE fertiliser industry is expecting a large drop in sales this year because of the drought and financially stressed farmers' inability to buy its products.

Declining sales over the past few years have compelled the industry's main players to rationalise.

In a statement yesterday Sacoa Fertilisers said its marketing division was being restructured "to conform with changing needs of clients".

A spokesman declined to say whether this would involve retrenchments and a significant decline in production. He said a detailed statement would be issued at the end of next week.

Omnia Fertiliser chairman Neville Crosse said that over the past few years several hundred workers had been laid off as the industry adjusted to changing conditions. Last year's sales were marginally up on the year before but this year there could be a significant decline.

Production, he said, had been scaled down in the industry to match demand. Modest price increases had been necessary at the beginning of the year but further price hikes this year were seen to be unlikely.

A spokesman for the Fertiliser Society of SA said sales in the first three months of the current year were down by between 18% and 20%.

The projection was that total sales would fall below 2-million tons. Last year's sales amounted to just more than 2-million tons and were worth about R1.2bn.

Government's aid package for the agricultural industry could help stimulate demand for fertilisers marginally, the spokesman said.

However, many farmers were forced to economise on fertilisers, giving spending priority to seed, fuel, pesticides, weed control and measures to counter the drought, he said.
Noristan, in which W&A has a 21% strategic interest, had a tough year. The bottom line was slashed by almost 40% for most fund managers the pharmaceutical sector is just one share — Tiger Oats subsidiary Adcock Ingram, which is an outstanding business, but hardly undervalued at a 1.5% dividend yield and p/e of 24.5

Noristan does not have Adcock’s track record. It was founded as a family-controlled business by the present MD’s father, Hans Snykers — a German immigrant — in 1953 and has been listed for just four years.

Hugo Snykers enjoyed a far higher profile than his company during the Eighties as the second last president of the Federated Chamber of Industries, a post he handed over to present Amuc chairman Les Boyd. But, since the listing, Snykers has again turned to hands-on management.

In line with the W&A group, Noristan’s year-end has changed from June to December. So the results are for 18 months and include two December.

Financial director Graham Jones says the squeezed operating margin, which fell from 14.7% to 10.7%, reflects the difficult environment. Margins are likely to remain under pressure as the mix of business moves away from ethical (prescription) drugs towards over-the-counter medicines and toiletries.

The pharmaceutical unit continues to launch new products, including a cancer drug from France, an insect repellent from Germany and a Swiss asthma pill. Noristan has added the manufacture of Hoechst’s bulk pharmaceuticals to its existing contract business Biotechnology division. Bronx, was, however, discontinued.

Consumer businesses were moved into a separate consumer products unit, which in-
MACMED HEALTH CARE

In remission

Recovery of the proceeds of the sale of Glove Manufacturing Venture so changed the financial structure that comparison with previous figures is spurious. Moreover, trading figures are skewed by the extension of the financial year to a 12-month period.

The recovery added materially to the value of the company. At one time, there was doubt that the selling price could be collected. This, according to company secretary Alan Hiscock, was probably the main reason for the fall in the shares last year.

With the proceeds, Macmed could eliminate most short-term bank borrowings and

FINANCIAL MAIL • MAY 22, 1992 • 117

COMANIES

Activities: Makes and distributes medical products
Control: Directors 33%
CEO: D I McArthur
Capital structure: 30.5m shares Market capitalisation R10.2m
Share market: Price 50c; Yields 4.0% on dividend, 10.2% on earnings, p/e ratio, 8.8, cover, 2.6; 12-month high, 50c, low, 7c; Trading volume last quarter, 222 000 shares
17 months to Dec 31
1991
ST debt (Rm) 0.2
LT debt (Rm) 0.3
Debt equity ratio 0.12
Shareholders' interest 0.43
Int & leasing cover 10.2
Return on cap (%) 30
Pre-int profit (Rm) 2.9
Earnings (c) 5.1
Dividends (c) 2
Net worth (c) 14

retain cash of just over R1m at year-end. In the income statement, interest paid on loan finance was confined to R286 000 and, by the end of the period, R28 000 interest had been received. Barrang special situations, improved liquidity in financial 1992 should see medical suppliers, is feeling that pinch, it is concentrating, with some success, on supplying private institutions and doctors' practices via a select dealer network. Contributions from export activities are also growing.

In spite of the difficulties that the prolonged recession presents for forecasting, Hiscock is optimistic of good organic growth in EPS. He says an increase of about 25% over 1991's annualised 3.6c is attainable. That will take EPS to about 4.5c, which gives a prospective p/e of just under 11, well under the 15.5 average of the Pharmaceutical & Medical sector.

If that sort of growth is sustainable, the share could be a good speculative buy.

Gerald Hirschon
CEO Rob Angel is building on success to make Engen a world player.

After years of neglect under the name of Trek Petroleum, Gen- cor's oil retailing arm rocketed into orbit when Mobil pancaked out of SA in 1989. Mobil's loss was Gen- cor's gain. It acquired ownership of the refining and marketing operations of Mobil SA at a fire-sale price. Today, with the imposing name of Engen, this company is a market leader, with a capitalisation of about R6bn and shares that have earned firm institutional support.

Moreover, Engen has advanced towards being an integrated energy group, with overseas interests in North Sea oil and further oil prospects in West Africa. It also masters the marketing potency of the combined interests of Mobil, Trek and Sonap. With limited financial risk, it acquired management of the dubious Mossgas project, with an option to participate at a later stage (not likely to be exercised, unless the State writes off Mossgas's huge debt).

Last week Engen announced that it would change the name of its Mobil-branded petrol to "Engen" before the end of its licensed entitlement to the Mobil emblem ran out.

The change of brand name is a major marketing exercise, even though it will not affect either the Trek or Sonap names. It will cost about R130m and be done on the basis of cross-branding. What this means is that Engen pumps will be introduced at Mobil stations and Mobil pumps phased out over two years.

Mobil has a strong brand image among black motorists. But any loss of goodwill caused by the name change, and the cost of carrying it out, must be weighed against the bargain price at which Mobil's local assets were acquired — R650m at 1989 prices. But much more has been happening at Engen than changing the name of a major brand.

The group is engaged in a thrust that will give it increased capacity, greater efficiency, a substantial intercontinental reach and a petrochemical dimension.

Engen has all but completed Phase One of improvements and extensions to its Gen- ref refinery in Durban — within the stated budget of R670m. Engen chairman Ber- nard Smith says this initial enlargement of capacity was intended to meet the requirements of Trek (previously supplied by the Shell-BP refinery in Durban) and to cater for increased export demand. Phase One will increase capacity by 30% — especially of the main products, petrol and diesel, with full production scheduled for early August.

Phase Two, for which studies are under way, is intended in particular to provide refined products for export, using the latest technology. Phase Two would also add significa ntly to output of high-value products — petrol, diesel and jet fuel — from each barrel of crude oil.

With SA's political rehabilitation in Africa proceeding, Durban is a good location for export sales as far north as the equator on the east of the continent. But all countries in sub-Saharan Africa, and the Indian Ocean islands, are export targets, says Engen CEO Rob Angel.

Other aims for Phase Two, according to the latest annual report, are to improve energy consumption at the refinery itself, and to make it possible to produce unleaded petrol and low-sulphur diesel. Angel adds that the objectives of Phase Two also include the provision of greater flexibility in the selection of the type of crude oil. Capacity to process heavier crudes can carry a cost advantage, because they are often much cheaper than lighter crudes, which offsets the extra cost of refining heavier crude.

Phase Two is scheduled for completion early in 1995. The immediate goal, says Smith, is a capacity of 120 000 barrels per day, with an eventual goal in a Phase Three expansion of 150 000 barrels. The refinery extensions make good economic sense, as the return on debottlenecking operations is far higher than it would be from a greenfields refinery.

A further project, recently completed, is the reconstruction of the lubricating oil blend plant and the grease plant, both completed in February at a cost of R110m.

The extensions of the Gen-ref refinery also open up interesting prospects in petrochemicals. Engen is weak in petrochemicals but well placed to be a player in developments. Engen is the only local producer of aromatic solvents — benzene, toluene and xylene. Apart from their uses as end-products, these aromatics are also essential intermediates for making further important products such as polystyrene. Engen also produces a full range of "alpha" (non-aromatic) solvents.

Phase Two and Phase Three may also make it possible to build an ethylene cracker to produce further local supplies of this valuable intermediate chemical as well as downstream derivatives.

One of the several factors directing Engen's attention to ethylene in an imbalance in demand for refinery output. The ending of the war in Angola and poor agricultural conditions have sharply reduced demand for diesel. The establishment of an internal source of ethylene would make it possible to establish a more extensive petrochemicals division, but only through alliances with other chemical companies.

But an ethylene cracker is not likely to be justified until the mid-Nineties. There is also a prospect of establishing an ethylene cracker at Mossgas, in alliance with other companies, if circumstances are right.

Engen's management of the Mossgas project should not be confused with the prospects for the project itself, which are doubtful. But Engen can't lose. It took up 30% of the modest share capital of the project, at a cost of R30m, and manages it for a fee — based on turnover when production commences — without further financial exposure. It has acquired an option to maintain its participation at 30%, when the project is recapitalised after reaching full production.
spread of earnings. It would provide, for strategic reasons, a measure of self-sufficiency in crude oil supplies, and make Engen more international.

During 1991, Engen acquired 27% of Gencor's interests in North Sea hydrocarbons - 8% of the potentially valuable Alba oilfield and of Gencor's interest in the Britannia (formerly Kilda) gas condensate field.

The first oil is expected from Alba towards the end of 1993 and the first gas and condensate from Britannia in 1997. Alba will meet its expectations, says Smith, at a real price of US$18 a barrel.

Engen is drilling with international partners in the Congo and Gabon (in a promising oil basin on the west coast of Africa) and is also discussing further opportunities in several other west coast countries. And, though prospects are modest, Engen retains rights to oil found off the south Cape coast.

Angel foresees steady to possibly declining real oil prices - which is not encouraging even for the development of a prolific oilfield such as Alba, still less for Mozgas. Of course, low prices are beneficial for refining and marketing operations.

Engen's aim is eventual 50% self-sufficiency in crude oil, says Smith. This degree of independence would provide an adequate hedge against higher oil prices or difficulties in obtaining supplies. On the other hand, at present the greater fear is of a fall in the real oil price - because this would reduce the value of Engen's crude oil inventory. It has prudently established a special reserve against this.

Until recently, the supply and pricing of refined products has been constrained by tight regulation in SA. The first breach has been the abolition of the link of refining margins to the formula for product pricing. The profitability of refining, says Angel, is now effectively determined by world refining margins. This is achieved through the in-bound landed cost method of pricing petrol, which effectively sets the price of imported oil.

International margins peaked around the end of 1990 and early 1991, but fell back sharply later in 1991. Margins have since recovered to more sustainable levels. There is still a shortage of sophisticated refining capacity worldwide and, therefore, good opportunities for up-to-date refineries to enjoy margins.

What are the chances of full deregulation, and what would be the effect on Engen's profitability? Smith suggests that the political factors may make further steps at present. For one thing, the sensitive issue of protection for both Sasol and Mossgas is at stake. For another, perhaps 30,000 jobs are potentially at stake on retailers' forecourts. Deregulation, says Angel, would certainly entail a major switch to self-service for motorists. This might be politically unacceptable.

In any event, says Angel, about 50% of sales of refined product are in bulk - to the private sector, agriculture and government. An end to the controlled price in this sector would have a significant impact on what is already a competitive market. And Engen's large market share and strong management would look after the future, at least after an initial period of turbulence had subsided after deregulation. Initially, deregulation would cause "some scarring" of the pump price, but margins are already low, and the market would soon settle.

But deregulation cannot happen, at any rate, before an end to UN oil sanctions. Secondly, the delicate and important issue of the protection packages for Sasol and Mozgas must also be resolved. Angel says Engen would support a deregulated market and would be prepared for it.

As for finances, the balance sheet is strong for the present. At the time of the latest interim report (to February 29 1992), total capital employed was R3,01bn, with cash on hand at R430m, and a small surplus of current assets over current liabilities. The cash surplus would soon be drained, however, by demand for funds from large projects. Smith says Engen might use its own paper to acquire some of its participations. Otherwise, one assumes more equity will be needed.

Engen is a subsidiary of Gencor, which holds nearly three-quarters of equity. A large proportion of the balance is held institutionally. Evidently, the institutions have been buying on the JSE, if the rise in the share price is a guide. However, Frankel Max Pollak analyst Mike Haworth believes the share is fully priced at its present p/e of 17.1 and dividend yield of 2.8%.

The effective tax rate, according to the last annual report, was 23.3%, and there is an estimated tax loss carried forward of about R20m. There is a tax equalisation reserve and Engen has provided for the risk of a fall in oil prices through establishing an inventory equalisation reserve - amounting to R83m appropriated for this purpose in 1991.

For the six months ended February 29 there was a decline in inventory unit costs, says Angel, which was absorbed by the inventory reserve - to the tune of about R24m, leaving a balance of nearly R59m. In the comparative period of 1991, there was a draw.
of R19m, says Richard Price, investment analyst at Fergusson Brothers, Hall, Stewart. So a profit comparison is not seriously distorted by the latest draw-down.

If the reserve were to be exhausted by further declines in crude oil prices, the effects on profits could be serious. However, oil prices would need to collapse to around $12 a barrel for this to happen, and this is considered unlikely. One problem over the latest accounting period is that Engen had projected a decline in the rand against the dollar, which did not happen.

Prospects for the longer term must remain good, on any reasonable expectations for the oil price and political factors. There are still profits to come from rationalisation of retail networks, even though the Tolk and Sonap brands will remain. Exports are promising, especially if Phase Two is followed up. And Smith says it is clear there will be no more Sasols. So any increase in local demand gears entirely on imports, once Mozgas's output has been absorbed.

Angel says that Engen's aim is to become a boring company — in the sense of achieving a 6%-7% real return year after year. With inflation at around 15%, this would imply a gain in EPS of about 21% per year. The biggest threat to this goal (though there are others) remains a major fall in the oil price, which would have a severe impact on the value of the crude oil inventory. Angel points to a rather shaky position in world oil markets earlier this year, when supply exceeded demand, but stability has been restored for the present after a successful Opec meeting.

However, Angel notes an overhang of potential supply from Kuwait and Iraq. Russia and other CIS states have limited exports available in the short run but could eventually come back strongly. The US is in decline as a supplier, while output from the North Sea will be maintained. So international oil markets need to be watched carefully.

Price and Haworth agree that the long-term looks good. But the period 1992-1994 will be transitional because of the brand name change. Haworth is optimistic, even though the p/e of 17.1 is well above that for the sector. In contrast with management's caution, he feels the oil price could be higher in the mid-Nineties.
Health care move

IN A move to consolidate its health care holdings, SA Druggists Limited (SAD) has announced it will acquire parent company Malbak's pharmaceutical interests with effect from June 12.

Malbak's health care division currently includes Akromed, the former Wyeth Ayerst, which had a turnover of R460m last year. Akromed manufactures and distributes a wide range of pharmaceuticals, over-the-counter medicines and infant nutritional products. Malbak's other interests include medical supplies and equipment as well as health and beauty-care products.

SAD CEO Peter Bamingfield confirms the acquisition of Malbak's health care division, but says SAD will not be expanding into new areas as a result of the deal. He says the deal will put all SAD's health care interests into one company, "resulting in the enhancement of an area in which SAD is already involved."

Malbak's purchase of SAD last year made it the largest manufacturer of health care products in SA. Although SAD could not confirm how the deal would be structured, a leading industrial analyst predicted SAD would issue new shares to Malbak to pay for the division. "Malbak likes to play the portfolio game," he said. "It will be able to increase its holdings in SAD and then may choose to sell the shares on the open market."

Analysts predicted the transaction would not have a significant impact on the health-care industry. "Malbak's holdings are relatively small," one analyst said. "Malbak likes to pigeonhole its interests." Analysts said the move could eliminate the uncertainty surrounding the value of Malbak's health care division. "We have never really known what Malbak's health care holdings are. Now, they will have to itemise their holdings under SAD."

for SA Druggists

Meredith Jensen
Molyslip posts best results in 32 years

COMMERCIAL lubricants manufacturer and distributor Molyslip posted its best results in 32 years with earnings almost trebled to 12.3c (4.5c) a share in the year to February 1992.

Results published today showed sales down to R14.9m from R15.7m, but operating profits were 32% higher at R1.1m (R733 000). Reduced finance costs of R489 000 (R470 000) and interest payments of R472 000 (R499 000) helped taxed profits soar by 267% to R702 000 from R263 000.

The DCM-listed company declared a dividend of 6c a share. Net asset value rose to 68.5c (62.1c).

Executive chairman Robert Spangard said discontinuing the distribution of low margin metal powder products resulted in the 5% drop in turnover, but other product sales more than made up for the loss.

He predicted another profitable year.
Fertiliser prices down
EDWARD WEST

SASOL fertiliser prices have dropped 20% as a result of the closure of the group's fertiliser marketing division.

The price reduction, which would benefit drought-ravaged farmers, was subject to the co-operatives and Sasol reaching a satisfactory agreement to market its products. Sasol said yesterday.

The price reduction came after Sasol realised that the cost of marketing its fertilisers was greater than the value added to the wholesale price.

Co-operatives were the most cost-effective way of distributing fertiliser, Sasol said. Spokesman Lee-Anne Goodman said the market share of the fertiliser division was confidential. However, sources said the market was dominated by AECI's Kynoch and Sasol.

Goodman said about 160 people would be affected by the closure.
Buoyant sales help Shell to offset recessionary conditions

CAPE TOWN — Shell SA's petrol sales, kept buoyant by continuing urbanisation, helped offset the effects of drought and the recession on its chemical division last year.

Shell's oil, coal and metals operations performed well, but the chemicals division suffered from lower than expected volume sales, the 1991 business report said yesterday.

Total group turnover increased 5% to about R5,5bn, but turnover from the group's oil division increased 9%. Cost control kept the rise in operating expenses to 5%. The report said Shell focused on the core oil, minerals and chemicals businesses.

A number of under-performing assets were sold last year.

Inland fuel sales increased 13% in spite of the recession Shell claimed its retail growth rate exceeded the industry's average performer and that it was the top seller of petrol.

It said the real impact of the recession was felt in consumer markets.

The agricultural market continued to be affected by drought and other factors. Other market sectors such as construction, mining and manufacture also showed declines.

Shell has embarked on a R450m expansion of its Sopref refinery to increase capacity by 30%.

The report said the recession's impact on the chemicals sector was particularly severe.

Because of the effects of drought and recession on the agro-chemicals industry, Shell chemicals had reorganised its agriculture business portfolio for sustained profitability.

The minerals division produces and markets zinc and lead concentrates at the Fering mine in the northern Cape, and exports steam coal produced at the Rietpruit mine in the Eastern Transvaal, a joint venture with Rand Mines. Zinc and lead concentrate production volumes fell last year, while coal production, hampered by adverse weather and mining conditions, remained almost static at 5,1-million tons.

The report said Shell had approved a project to expand underground production at Rietpruit. This would begin in the last quarter of this year.

The feasibility of a joint venture with Rhombus Exploration to develop a heavy minerals project in Natal was still being investigated.
Twins’ income up 51% on ‘excellent’ showings

MARCIA KLEIN

TWINS Pharmaceuticals’ attributable income was given a healthy 51% boost to R58,1m (R36,4m) in the year to end-April on the back of excellent performances by its pharmaceutical and consumer divisions.

The results reflected a marked reversal in its financial 1991 fortunes when earnings dropped 14% following restructuring and discontinuation of skin lighteners. CE Phil Nortier expects the buoyant trend to continue, and anticipates real earnings growth in financial 1993.

The company, which manufactures pharmaceutical, consumer, veterinary and animal healthcare products, has changed its year-end from March to April in line with that of holding company the Premier Group. Results have been given for the 13-month trading period.

On an annualised basis, turnover to end-April decreased 10,8% to R460,2m from R493,4m. Nortier said this included rationalisation of certain ranges, but turnover of continuing operations saw “real growth”.

Operating income grew 39,1% to R106,3m (R81,7m), and borrowing costs were further reduced to R4,8m (R16,1m). Nortier said this resulted from improved profitability and focus on asset management. Debt of about R76m and a high gearing level had been successfully reduced.

Earnings grew 51% to 39,2c (39,2c) a share. A final dividend of 15c a share was declared. This, together with the 1c a share interim dividend and the 2c a share adjustment dividend brought the full year dividend up 56% to 27c (16c) a share, or 25c a share on an annualised basis.

A R3,8m extraordinary item refers to the write down of two properties which were disposed of. Nortier said the pharmaceutical division had performed extremely well, showing significant real increases in turnover and profitability.

Although the consumer division was affected by the loss of the skin lighteners and difficult conditions, it showed a significant profit increase.

The veterinary division continued to operate profitably. But the animal health division experienced declining sales due to poor agricultural conditions. Nortier said a rationalisation programme in this division placed it well for an upswing.

He said the tight control of operating expenditure and improved efficiencies would be sustained. Cash resources would be used for investment in new products and capex to upgrade manufacturing facilities.
Lower margins, higher tax a blow to Sondor

CAPE TOWN — Rubber and plastics converter Sondor Industries generated a 22% rise in turnover in the year to end-March 2015.

However, lower margins and interest received plus a higher tax rate affected bottom-line performance.

Earnings slid 17% to 10.6% (12.8%).

A final debenture distribution of 15c a debenture or 3c a share brought total distribution to 60c a debenture or 6c a share.

Turnover increased to R24.6m (R19m) but margins slipped to 10.3% (24.3%) as the recession took its toll on Sondor’s main markets — the building, construction, automotive and original equipment sectors. Pre-tax operating profit was marginally higher at R4.7m (R4.66m) while after-tax income suffered from a rise in the tax rate to 48% (40%).

Sondor chairman Sonny Goldman said the slight decline in pre-tax income could be attributed largely to the high cost of bedding down the newly acquired Fde Tape Converters, to be renamed Sondor Tape Converters. However, this division should show a profit turnaround this year.

“Sondor was budgeting for a modest improvement in earnings this year. The company holds a major share of its targeted domestic markets and it has made progress in installing in-house manufacturing capability” to reduce its dependence on certain imported raw materials. It was strategically placed to take advantage of any upturn, Goldman said.
Companies under fire for high cost of medicine

WHEN it comes to laying blame for spiralling medical costs in SA — currently at about R16bn a year — pharmaceutical companies, medical practitioners, the private health sector and government all come under fire.

Pharmaceutical companies are seen as the main culprits because of the astronomical and rapidly increasing cost of drugs.

The two main pharmaceutical associations in SA — the Pharmaceutical Manufacturers Association (PMA) and the National Association of Pharmaceutical Manufacturers (NAPM) — differ markedly from each other on potential solutions.

The PMA, which represents mainly multinational drug companies, argues that drug spending must be concentrated on "efficient modern medicines" after proper first-time diagnosis.

Such an approach, according to the PMA, will mean a cost-effective health care policy because patients will be kept out of doctors' rooms and hospitals. Modern drugs will enable patients to return to the economy as soon as possible.

The PMA supports the idea of self-medication and is opposed to generic substitution, especially without doctors being consulted.

The NAPM believes that reducing the cost of medical care cannot be addressed without taking generic medicine into consideration.

SA Druggists MD Lou Morris says generic substitution means the pharmacist can supply a less expensive generic medicine to the original branded product prescribed by the doctor.

The generic medicine is equal in terms of active chemical ingredients, strength and dosage form to the original prescribed product.

The widespread use of generic medicine throughout the world attests to its success in achieving significant savings to the benefit of the patient. It is especially vital in the SA context where the less impoverished cannot afford medicine," says Morris.

The higher price of branded medicines is a result of producers recovering the cost of initial research and development into the medicine.

The innovator of the medicine has 20 years to do this and once the patent has lapsed, the original product can be manufactured and sold at prices which are, in some cases, up to 70% less than the original.

Approved

Morris says that before the product can be sold to the public it has to be approved by the Medicine Control Council (MCC).

The MCC sets down strict requirements to ensure the levels of the medicine comply with standards — as well as a number of controls designed to protect the health of the patient.

Morris says SA Druggists has over 60 generic products already registered and more in development.

He says medical aid companies are interested in generic medicine and many are introducing a maximum medical aid price to their members. This means the schemes will only recognise prices based on the generic medicine price.
Rhombus Vanadium (Rhovan) looks set to take the plunge and go ahead with a vanadium pentoxide plant in the teeth of predictions of failure from Leslie Boyd, chairman of industry leader Highveld. Boyd is incensed by the possibility that Rhovan may have secured financial backing from the Industrial Development Corp (IDC) to pay for the plant at Rhovan’s mine near Brits.

IDC senior GM Jan de Bruyn referred queries to Rhovan, whose MD Rob Still won't comment.

Says Boyd: “If the IDC finances Rhovan's operations I would regard that as a gross waste of resources. The IDC is not a private-sector enterprise and does not have the right to squander the country’s money on projects it must know will never be viable.”

Last week’s cautionary announcement from Rhovan stated the project is commercially viable and negotiations are under way with potential partners and contractors.

Rhovan has been considering its future since the financial collapse last year of joint venture partner Usko. Rhovan acquired Usko’s failed vanadium pentoxide plant at Vereneing for no cost and emerged from the debacle debt-free with R10m in the bank and its vanadium mine at Brits paid for.

Its options were to go all the way and build its own beneficiation plant at Brits or sell ore to competitors like Vametco or Highveld. A new plant is required as Rhovan has decided the Usko plant is not worth rehabilitating.

If Rhovan decides to build a new plant, then it must have tied up sales contracts for the bulk of expected production and Still must be sure working costs will let it make money at current depressed prices around US$2,05/lb.

- Boyd reckons Rhovan and John Vorster’s Vantech, like Usko and Vansa Vanadium before them, fail to recognize economic realities. “There is no way anybody can produce vanadium at lower cost than Highveld — our capital is sunk, our depreciation is low and our production volumes are high.”

“Vantech has started production following last year’s takeover of Vansa Vanadium by ChromeCorp Technology (CCT) MD John Vorster with backing from metal trader Marc Rich. Vorster three years ago successfully established CCT from scratch as SA’s third-largest producer of ferrochrome.

He is confident Vantech is profitable at current prices following plant modifications which have dropped working costs and greatly improved recovery rates. “In the commodity business, costs have to be among the lowest 5% of producers or you’ll get slaughtered.”

Brendan Ryan
Castrol poised to venture into Africa

CASTROL SA subsidiary Castrol Africa was to commence trading with English-speaking west African and east African countries without waiting for Preferential Trade Agreement (PTA) approval, a spokesman for the company said yesterday.

Castrol Africa manager Rob Cornish said that despite the lifting of the embargo against Castrol SA in June last year, Castrol was still waiting for acceptance as a full trading partner in terms of the PTA.

"Regardless of the PTA, we will look at areas where the PTA expresses less power," he said.

New trade and export opportunities existed for Castrol SA after it established a new division, Castrol Africa, to harvest sub-Saharan market potential, Cornish said.

Castrol Africa's objectives were to move the industry from Third World technology to cost-effective, modern technology and coordinate the marketing and selling of the company's products. It intended trading in markets other than the traditional ones.

Cornish estimated the company would experience 10% to 15% growth in a market he believed to have significant growth potential.
It's lethal living down on the farm

QUID DANGER

Chemicals are used extensively in agriculture in South Africa and may present serious but preventable health hazards. MARIKA SBOROS reports.

VISIT a farm regularly and the sight of labourers slopping hazardous chemicals around as if they were cool drinks will probably be familiar.

Many of these farm labourers unwittingly poison themselves with these substances, and expose themselves and their families to possible later illness through carcinogenic or teratogenic farms, through environmental contamination and pesticide residues on foodstuffs, says Dr Lee in an editorial in the SAMJ.

Agrichemicals are used extensively in South Africa and throughout the world, and may present serious health hazards, says Dr Lesley London of the University of Cape Town's community health department in an article in the agricultural use is vast. More than 700 agents are registered with the Department of Agriculture as pesticides and fungicides, says Dr London.

Legislation controlling registration of agrichemicals in South Africa is based on a toxicity classification by the World Health Organisation and Food and Agricultural Organisation. However, this assessment of toxicity worker has left the land.

Estimates of death or illness internationally from agrichemicals are difficult to obtain because of poor data collection systems. Data on agrichemical poisoning in South Africa are equally sketchy.

However, a western Cape study has shown gross undernotification of between 50 and 600 percent, says Dr Lon-
VISIT a farm regularly and the sight of labourers slopping hazardous chemicals around as if they were cool drinks will probably be familiar.

Many of these farm labourers unwittingly poison themselves with these substances, and expose themselves and their families to possible later illness through carcinogenic or teratogenic (foetal abnormalities) effects, says Dr Nic Lee, editor of the South African Medical Journal (SAMJ).

Dr Lee has devoted the journal’s last edition to environmental health in the 1990s. And before saying “Ag, shame” about the plight of farm workers, reflect for a moment that the use of agrochemicals can have much wider effects on populations far removed from farms, through environmental contamination and pesticide residues on foodstuffs, says Dr Lee in an editorial in the SAMJ.

Agrochemicals are used extensively in South Africa and throughout the world, and may present serious health hazards, says Dr Lesley London of the University of Cape Town’s community health department in an article in the SAMJ.

The agricultural sector is one of the largest employers in South Africa, employing 1,18 million people on 62 000 farms in 1990 — 15 percent of the economically active workforce. As well, a large informal sector exists in agriculture and is likely to grow as the economy enters a transitional phase in the future.

The range of chemicals available for agricultural use is vast; more than 700 agents are registered with the Department of Agriculture as pesticides and fungicides, says Dr London.

Legislation controlling registration of agrochemicals in South Africa is based on a toxicity classification by the World Health Organisation and Food and Agricultural Organisation. However, this assessment of toxicity does not take into account many crucial factors such as the presence of impurities from the production process, and frequent or repeated exposure, says Dr London.

The assessment takes no account of chronic health effects from long-term low-grade exposure, and it does not reflect acute (non-fatal) morbidity.

Many health effects of agrochemicals may manifest long after the farmworker has left the land.

Estimates of death or illness internationally from agrochemicals are difficult to obtain because of poor data collection systems. Data on agrochemical poisoning in South Africa are equally sketchy.

However, a western Cape study has shown gross under-notification of between 50 and 500 percent, says Dr London.

Other than notifications, it is clear that pesticide poisoning remains an important cause of admission to intensive care units at the major referral hospitals, and constitutes a large proportion of poisonings dealt with by poisons centres at university teaching hospitals.

Safety measures in agriculture in South Africa have been poorly addressed to date, he says. A west Cape study found that low levels of safety training were practised and that improper disposal of containers were preventable hazards.

Problems of agrochemical hazards in the farming sector must be seen in the context of the wider health needs of farmworkers, both occupational and non-occupational, says Dr London.

As important discussions over future health services are unfolding in farmworkers' health must not remain a neglected stepchild of a future primary care service.

“Agrochemical safety should be integrated in a comprehensive health service aimed at health promotion, disease prevention and health-care delivery,” he says.
Rise in by-product silver output set to hit prices

THE increase in silver production as a by-product of gold and base metal mines is outpacing primary silver production and is likely to subdue prices in 1992, says Degussa in its 1991 precious metals review.

Silver prices have tottered just above the $4/oz mark in the past 18 months after a steady decline from a 1987 high of nearly $11 in January last year fell to a 17-year low of $3.856 in London.

Although the overall supply/demand balance narrowed as total silver production dropped by 360 tons to 15,560 tons in 1991, the report said "it must be remembered (however) that current stocks constitute a multiple of the annual demand figure".

Stocks at New York's Commodities Exchange (Comex) alone amounted to 17,820 tons at the end of 1991.

Overall silver consumption rose 3.9% in 1991, with the biggest jump in demand coming from the jewellery and silverware industries.

Degussa said the major factor in the 13% increase in this sector's consumption was growing European demand in the cutlery, silverware and other decorative industries.

The film and photographic industries remained the largest consumers, with 43% of the market.

Silver nitrate is used for the manufacture of light-sensitive emulsions for film and photographic paper, and Degussa said demand in this area was likely to remain strong.

Efficient substitutes for silver had not yet been developed.

The recession knocked demand for the metal in the electrical engineering and electronics industries, but low prices pegged back attempts to find substitutes for silver.
HOUSING ASSEMBLY

TUESDAY, 9 JUNE 1992

1280

QUESTIONS

Indicates translated version

For written reply

General Affairs

Amounts paid in ad valorem excise duty

285 Mr M J ELLIS asked the Minister of Finance

What amounts were paid in each of the latest specified five years for which information is available in ad valorem excise duty on (a) locally manufactured and (b) imported (i) cosmetics and (ii) toiletries?

B712E

The MINISTER OF FINANCE

Ad valorem duty on cosmetics and toiletries

1988/93/01-1995/03/31

(a) Cosmetics 45 033 302 3 635 184

(b) Toiletries 96 797 029 2 734 572

1990/04/01-1991/03/31

(a) Cosmetics 57 734 932 3 753 833

(b) Toiletries 59 730 064 1 341 866

1991/04/01-1991/12/31

(a) Cosmetics 50 278 053 3 194 317

(b) Toiletries 70 336 066 2 468 605

*For the financial years 1986/87 and 1987/88 separate figures for cosmetics and toiletries are not available

Department of Development Aid: officials transferred

288 Mr W U NEL asked the Minister of Regional and Land Affairs

(1) How many officials of the former Department of Development Aid were transferred to the service of the Natal Provincial Administration subsequent to the announcement of the intended abolition of that Department,

(2) with reference to the persons so transferred, how many had received promotion during the period (a) 1 April to 15 October 1991 and (b) 16 October 1991 to 31 March 1992.

B715E

The MINISTER OF REGIONAL AND LAND AFFAIRS

(1) 703 officials plus 1 414 workers from the South African Development Trust, in total 2 117

(2) This information is not readily available as the records concerned are currently in the process of being transferred to the Natal Provincial Administration

HOUSING ASSEMBLY

WEDNESDAY, 10 JUNE 1992

1282

INTERPELLATION

The hon Mr J CHIOLÉ asked the Minister of Environment Affairs

Whether he will take steps to initiate legislation in terms of which prospecting and/or mining activities on the eastern shores of St Lucia will be prohibited if the delegation of the Ramser Convention which recently visited the area finds that mining activities in that area are not desirable, regardless of the possible findings of the environmental impact study being undertaken at present?

B764E INT

The MINISTER OF ENVIRONMENT AFFAIRS

Mr Chairmain, the hon member for Pretoria West wanted to know whether I would take steps to initiate legislation that would prohibit any prospecting and/or mining activities in the eastern shores of St Lucia if the delegation of the Ramser Convention, that recently visited the area, should find that mining activities are not desirable in that area, regardless of the possible findings of the environmental impact study being undertaken at present.

In terms of section 3 of the Ramser Convention, member countries are expected to notify the Bureau of the Convention if the ecological nature of any registered wetlands may be in danger of being harmed as a result of development or human behaviour. As a result of the proposed mining activities the government gave prior notification in respect of the St Lucia wetlands, and serious concern was expressed at the triennial Ramser Convention of 1990 about the possible effect thereof on the wetlands area.

In order to be of assistance to member countries, the Convention created a so-called monitoring mechanism. The delegation to which the hon member referred was invited, in terms of the monitoring procedure, to acquaint itself, on behalf of the Bureau of the Ramser Convention, with the area as well as the procedures that are being followed at present in order to obtain a thorough environmental impact study.

Hon members will be aware that the Cabinet issued instructions on 13 September 1989 for a comprehensive environmental impact study to be carried out before a final decision was made. The thoroughness of the study is generally and also internationally acknowledged. A draft report should be available later this year.

For the sake of fairness all interested parties should refrain from making statements on whether or not mining activities at St Lucia will be permitted before the results of the environmental study are known.

The same applies to the Ramser Bureau. Any finding such as the hon member mentioned would be inappropriate, the more so because the Ramser Bureau or Conference in terms of article 6 2(d) only acts in an advisory capacity and only makes recommendations. It does not have any prescriptive authority.

It goes without saying that the Ramser monitoring process creates an opportunity to determine international reaction to the mining proposals. The Government will take this into consideration as well when making the final decision.

If the environmental impact study should indicate that the proposed mining activities will cause irreparable damage to the ecology of the wetlands, the Department of Environment Affairs and I will do everything in our power to prevent mining being proceeded with.

Mr J CHIOLÉ Mr Chairmain, I would be happy to meet with the hon member to discuss the matter from a broader perspective, bearing in mind the ongoing debate as to the future of St Lucia, which will be discussed at the triennial Ramser Convention in 1993.
Appeal for change in pharmaceutical industry

RESTRICTIVE practices in the pharmaceutical industry could not be allowed to continue, Premier Group deputy CEO Gordon Utan said yesterday.

In an interview he called for the speedy publication of the Competition Board's investigation into the industry.

Many SA pharmaceutical manufacturers — mainly multinational conglomerates — had a great advantage from taxation, foreign exchange and pricing point of view, he said.

"Although these manufacturers constantly develop their products through costly research and development, the prices which they charge for these products are exceptionally high."

He said doctors — influenced by expensive marketing campaigns — prescribed these well-branded products which consumers used unaware that there were often equally effective medicines available at a fraction of the price.

However, the role of pharmacists had become blurred by the increasing competition, he said.

"Pharmacists are being propelled by medical aid societies into the role of discounter, which is not only ill-suited to their profession and training, but which is commercially suicidal and for which they are ill-equipped," Utan said.

"Meanwhile, the wholesaler is expected to maintain the same high level of service in the face of increasing expenditure."

Wholesalers need sophisticated computer networks to cope with expediting the large volume of orders, he said.

Utan said, "full-service wholesalers are the victims of a grey market which is growing as a result of manufacturing groups supplying goods more favourably to short-line wholesalers, dispensing doctors, trading doctors and private clinics."

Some of the issues raised by Utan are expected to be dealt with in the Competition Board report on the pharmaceutical industry, to be published later this month.

Board chairman Pierre Brooks said earlier this week the main concern of the report was to address the high cost of medicine in SA.

Brooks said a draft report had already been considered by the board, but that "minor adjustments" still had to be made.
governor or your local representative.

MASSACHUSETTS BAR ASSOCIATION
IN ANOTHER NEWWATER

THE BEER

THE WEATHER

Newswater, a microbrew company, is releasing a new beer flavor inspired by the massachusetts weather. the beer, named "newwater," is a pale ale with a refreshing taste that pairs well with the state's climate.

the beer is crafted using local ingredients and brewed in a sustainable manner. the company is committed to reducing its carbon footprint and using renewable energy sources.

in an effort to raise awareness about the importance of protecting the environment, the newwater team has launched a campaign encouraging consumers to reduce their water consumption.

users need to apply more stringent risk-control measures.
And one or two good reasons:

Pen Home and Savings

When you need some money on your own, your own money:

So before you buy your own home, come talk to us.

You'll find all the answers you need.

Then you'll know what to do.

And then you'll have a good time.

When you need some money on your own, your own money:

So before you buy your own home, come talk to us.

You'll find all the answers you need.

Then you'll know what to do.

And then you'll have a good time.
Malbak ‘sweats’ the bugs out of SA Druggists

By Stephen Cranston

SA Druggists, which is now controlled by Malbak, reported a 27.7 percent reduction in earnings a share to R16.3c for the 12 months to end March.

Peter Beningfeld, who recently took over as CE from Johan van der Walt, said that the difficult trading conditions experienced during the first six months had continued.

Mr Beningfeld has applied to the group the traditional “asset sweating” approach for which Malbak is now legendary. There was an abnormal write-off of R70 million resulting from the stricter application of the company’s accounting practice. It included a R32 million reduction in current assets.

The group’s accounting practices have been tightened up.

Mr Beningfeld said that trading conditions were difficult.

Peter Beningfeld “strong clean balance sheet”

and there was increased competition in the generic market.

But he added that the group was strong and had balance sheet under Malbak.

SA Druggists will offer 118 million shares for the purchase of Protea Chemicals and Protea Chemical Properties. At current market prices, the purchase consideration is about R363 million.

Although turnover was up marginally to R1.1 billion, operating margins slipped by 2 percent to 5.8 percent.

The acquisition of Protea Medical and Chemicals would enable SA Druggists to optimise production, marketing and distribution.

“It will create opportunities to extend its current range of manufactured and imported specialty chemicals,” he said.

The jewel in the Protea crown is Akromed, formerly the local subsidiary of the American drug manufacturer Wyeth. It is a leading manufacturer of contraceptive pills and female care medicines. The toiletry and over-the-counter manufacturer Promardis and Promex, the country’s leading manufacturer of disposable hypodermic syringes and needles are also included in the deal.
NORMED

A deal in prospect

Activities: Imports, makes and distributes medical equipment
Control: Norstan 84%
CEO: H Snyckers
Capital structure: 3m ords Market capitalisation R21.4m
Share market: Price 712c Yields 7.6% on dividend, 23.3% on earnings, P/E ratio, 4.3, cover, 3.1 12-month high, 712c, low, 400c
Trading volume last quarter, 182 992 shares

Year to Dec 31

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† Year to December ‡ 18 months to June
* 18 months to December ▲ Annulised

Having acquired 100% of medical equipment supplier Crest Healthcare from October 1989, Norned sold its property investments in June 1990 and now has R15m net cash

An almost fourfold increase in the tax bill, from R990 000 to R3.5m, followed restructuring that saw dividend income replaced by taxable interest and trading income This contributed to a dip in 18-month EPS from 147.7c to 146.6c

Financial director Graham Jones says Norned will be used as a "vehicle for further expansion" and for holding money and investments. Norned last year used about R250 000 to investigate expansion opportunities that did not materialise

The State is still one of Crest's biggest customers and spending on health care in the public sector is set to remain under pressure. Hospital development has slowed down in the private sector but Crest should share in a number of projects expected to come to fruition during 1992

Business units include pharmaceutical, chemical and consumer products. The recent issue of a cautionary notice suggests either a buy-in of minorities or another acquisition

Norned featured on the JSE on Monday last week. The shares climbed 292c, or 69.5%, to 712c on a bookof of almost 177 000 shares for R1.2m, which resulted in Norstan raising its holding from 79% to 85%

Kate Ruston

Norsted's Snyckers property investments sold

100 • FINANCIAL MAIL • JUNE • 12 • 1992
South Africa: To check mercury risks at Thor

By David Berreth

The company was the first to report to shareholders that a problem existed at Thor. But it was not the only company to do so. The public also stood to gain from the European Commission's decision to act on the information provided by Thor.

For years, the company had been hiring consultants to help it understand the risks of mercury at its mines. But it was not until the European Commission, in response to a complaint from Thor, initiated an investigation that the company began to take action.

Thor's move was a sign of the growing concern about mercury in the mining industry. It was also a reminder that the public had a role to play in safeguarding the environment.

The story of Thor was not unique. Other companies had also been dealing with problems related to mercury. But it was the first to report to shareholders that a problem existed.

The decision of the European Commission to act on the information provided by Thor was a significant step forward. It showed that the public could have a say in the actions taken by companies.

The story of Thor was a reminder that the public had a role to play in safeguarding the environment. It was also a sign of the growing concern about mercury in the mining industry. But it was the first to report to shareholders that a problem existed.
R70m write-off hits SA Druggists

MARCIA KLEIN

EARNINGS of SA Druggists (SAD) dipped 27.7% to R35.3m (R35.7m) a share in the year to end-March on the back of a R70m abnormal write-off and poor trading conditions.

Trading conditions were exacerbated by increased competition in the generic pharmaceuticals market.

SA Druggists, which was bought by Malbak from Federale Volksbeleggings in September, also announced details of its acquisition of the pharmaceutical and allied interests of Malbak — including Protea Medical & Laboratory and a division of Protea-Chemicals — for shares in SA Druggists at a market value of R339m.

The group has changed its year-end to August in line with that of Malbak. Results are for the 12 months to end-March, and final results covering 17 months will be released after end-August, CEO Peter Benningfield said yesterday.

Attributable earnings of R35.3m were 27.7% down on the previous year’s R35.7m. No dividend was declared because of the change in year-end.

Turnover of R1.1bn was 5.0% up on the previous year after increasing only marginally in the second half.

Turnover was affected by losses in certain export orders in the fine chemicals division, and the fact that the market for the group’s products did not grow in line with the rest of the market, “bearing in mind that SAD products are mainly generic,” Benningfield said.

Operating margins, which dropped to 5.0% from 7.6%, were affected by the loss of the high margin export turnover.

To Page 2

SA Druggists

Increased costs in certain divisions and tighter margins in the increasingly competitive generic market

Benningfield said that stricter application of existing accounting policies resulted in a R52m reduction in current assets, other adjustments of R18m and rationalisation costs of R30m. The after-tax effect of the R70m adjustments was a R40m abnormal write-off.

The balance sheet has changed materially. Outstanding cheques have been included in borrowings, finance leases have been capitalised and loans to pharmacies have been included under investments and interest-bearing debt. Interest bearing debt jumped 195.7% to R173.8m because of changes in certain accounting policies.

Benningfield said that SA Druggists had been centrally run, and now Malbak had focused on fully accountable independent business units. He said the acquisition of Protea Medical and the speciality chemical trading activities of Protea-Chemicals would enable the group to optimise production, marketing and distribution, and to strengthen its management structures.

He said it had a good parcel of assets, but needed a better balance of original formulation products and generic products. It would also concentrate on exports, which currently accounted for about 39% of turnover, excluding distribution.

Results for the five months to the new year-end would be in line with the current performance. But SAD was in a position to grow and to generate cash, and it would show an improved performance in 1993.

Although finance costs were reduced through improved control of working capital, the changes in accounting policies and the abnormal write-offs resulted in a jump in gearing to 98.2% compared with last year’s reported 77.5%. Last year’s gearing would have been 72.2% if these practices were in operation.

From Page 1
PRETORIA — The Pharmaceutical Manufacturers' Association said on Friday claims by the Premier Group against the pharmaceutical industry were exaggerated and incorrect in several respects.

Reacting to comments made by Premier deputy chief executive Gordon Utan, PMA president Dr Hugo Beyekers said: "The Competition Board is currently investigating alleged discriminatory pricing practices in the pharmaceutical industry." 8/16/92

"The PMA and its members look forward to the release of the board's report." The alleged high price of medicines was continuously under review with the industry's full co-operation. This should, however, form part of the development of an overall strategy for rendering health care in a manner which was cost effective, equitable and sustainable. — Sapa.
Under its old guise, SA Druggists (SAD) was looking like a pretty sick patient. Results for the 12 months to end-March (the year-end has been changed to August) show a trying second half, with tough trading resulting in a nominal increase in turnover and attributable earnings down 28%.

However, a new doctor has been called in with Malbak's acquisition of Fedvolks' 68% holding in SAD last year. Malbak has started by carving up the accounts to get them in line with accounting practices, and leave a clean balance sheet from which to start expanding what has effectively become a new business. But there will have to be some pain before the patient starts to get better.

For a start, the accounting clean-up has resulted in a R40m abnormal write-off (after-tax). CE Peter Benningfield says this includes a R32m reduction in current assets. Malbak's pharmaceutical interests have been injected into SAD for a consideration of about R339m, at current market value, to be settled by issue of 113m SAD renounceable shares. Benningfield says, had the acquisition been effective for the 12-month period, EPS would have increased by 2%, gearing would have been 40% instead of its current 90.2%.

"We believe we now have a completely clean balance sheet," he says. "This, with the new business, should give us a base from which we can grow and generate cash."

The acquisition will not have an effect on Malbak's shares.
Molyslip in export drive

Edward West

The removal of export tax benefits would dramatically increase the cost of maintaining and developing exports, Molyslip MD Robert Spanjaard said yesterday.

Molyslip is a specialised lubricant and industrial aerosol manufacturer.

In the annual review Spanjaard said Molyslip was engaged in a major export drive.

In the year to February 1992, goods worth R3.2m (R4.6m), or 21.5% of turnover, were sold to foreign registered companies owned by Molyslip directors at a 31.9% profit margin. These companies exploited international markets for Molyslip. The company reported its best results in 32 years.
Company puts big money to good use

ROCHE South Africa, wholly owned subsidiary of the giant Swiss pharmaceutical company, is a world leader in sponsoring the Drug Wise Counsellor campaign to the tune of R250 000.

The campaign is the brainchild of the South African Association of Retail Pharmacists (SAARP).

Behind the Roche sponsorship, a swift company decision, came the figures: A 117 percent increase in arrests for possession or dealing in cocaine in Johannesburg in one year alone.

US-based Hoffman-LaRoche's "corporate initiatives for a drug-free workplace" cautioned big business two years ago that cocaine users in the workplace "are more likely to create interpersonal dissension and the addict's long-term prospects are compromised. Cocaine provides a good example of how substance abuse can gradually destroy a career and possibly a life."

Says Roche chief executive Dr Tobias K Kiechele. "We're involved in two social responsibility programmes. "One is the Drug Wise Counsellor programme which is a small step in the direction of primary health care which we believe this country needs. "The second is our new health care information centre in Tembisa. These are two things we feel good about."

He believes, firstly, that SAARP has come up with a good programme that offers wide-ranging information on substance abuse and that the pharmacist is the best-trained person to disseminate it. Secondly, Dr Kiechele says, as a pharmaceutical company, Roche obviously has a long-standing, amicable relationship with pharmacists.

The pharmacist plays a crucial role in the dispensing of ethical drugs.

He sees the prescriptions and may spot a possible incompatibility with other medication the patient is taking because he forgot to mention it to his doctor.

Pharmacists have gained greater expertise too. In fact, says Dr Kiechele, an academic study has shown that there are about 100 ailments that could possibly be treated by a pharmacist.

Roche spends $230 million (about R640 million) a year on research and of every 10 products formulated in an eight to 12-year period, one only makes it to the marketplace.

Says Kelvyn Henry, head of public affairs at Roche: "Abuse of substances, from dagga to the misuse of prescription medicines, is one of South Africa's biggest social problems."
Noristan hopes for a slice of the aid pie

Noristan's main export markets are Malawi and Zimbabwe. In the past 18 months, Kenya has grown to become the third largest.

PHARMACEUTICALS

Noristan is keen to become involved with aid bodies such as the Red Cross and World Health Organisation, says export development manager Darryl Moss.

But until SA is accepted as a full UN member, local companies like JSE-listed Norstan will be boycotted by health aid bodies which spend billions of dollars a year on medical assistance and products in Africa.

Their aid is a major part of many countries' health budgets.

In some cases, such as Mozambique, it is the only medical spending.

"This obviously represents a tremendous opportunity for us," says Moss.

Source

He is optimistic that the aid agencies are eyeing SA companies to source products in the near future.

Noristan already exports 51 pharmaceutical products to other African countries and about another 100 are in the registration process. The company has been exporting to Malawi and Zimbabwe for many years. It also now exports to Mauritius and Angola.

In the past two or three years Noristan has started expanding into other African countries. It has been identifying marketing partners, started registering products and setting up distribution channels in various countries, including Zambia, Congo, Zaire, Madagascar, Tanzania, Kenya and Burundi.

Moss says that within 10 to 15 years sub-Saharan Africa will be one common market of some kind.

"It makes sense to concentrate our African export efforts on countries likely to be part of that market." 

Approved

Already Noristan is the only manufacturer of the raw maternal aprin in Africa. Its other fine chemicals are also successful exports to Africa and Europe.

"But dealing with finished pharmaceuticals is a totally different kettle of fish," says Moss.

Advantage

Moss says SA has a strategic competitive advantage in sub-Saharan Africa but it is difficult to convince other SA businessmen of this.

"Africa is seen as poverty-stricken, AIDS-ridden, and marginalised continent with no money. I suppose there's an element of truth in this but it is also a market of more than 450 million people with a 1998 GDP of $223bn.

"And they can pay if they want something badly enough."

To be successful it is important to try build long-term trust and good relationships.

"Africa is different," he says. "Business works very much on contacts. While Europe works more on the economic motive. In Africa there are few decision makers in business. South Africans need to know them and understand their country's politics, economics, and social structure."
Cape Lime denies union’s claim

CAPE LIME has denied claims by the SA Chemical Workers’ Union that 150 workers are on a go-slow strike at its plants.

A union spokesman said last week the decision to go-slow followed a strike ballot and union demands for a R400 across-the-board increase. Cape Lime claims only 74 workers embarked on the strike — Sapa

Zimbabwe to introduce land tax

HARARE. — The Zimbabwean government is to introduce a land tax to discourage people from holding under-utilised land.

Opening the third session of Parliament yesterday, President Robert Mugabe said the government would also speed up its land distribution programme. “In the 1992-93 financial year a land tax will be introduced to discourage people from holding under-utilised land,” he said.

Land legislation gazetted last month empowers the government to acquire rural land for resettlement through a process of designation and compulsory purchase.

Accepting his government’s partial responsibility for a severe national food shortage, Mr. Mugabe said: “More emphasis will be placed on a sound domestic food stock management policy than has been the case hitherto.” The government was working to rebuild strategic maize reserves.

Zimbabwe needs to import up to 1.5 million tons of maize in the next year to avert mass starvation.

Mr. Mugabe said new incentives would be introduced to boost exports and agricultural production while the government would loosen its controls on the economy to promote private enterprise. — Sapa-Reuter

Non-striker’s house bombed

DURBAN — The house of a freelance radio announcer here who is not taking part in the Media Workers of South Africa SABC strike has been burnt down after being petrol-bombed.

Miss Lindile Ntuli, who is announcing on the SABC’s Radio Zulu station, was not at home when the petrol bomb was thrown through a window just after 8pm on Monday. The house was completely gutted.

The strike has entered its ninth week with no hope of a settlement in sight — Sapa
Workers occupy company's head office

MORE than 500 National Bolts workers occupied the company's head office at its Benoni plant yesterday until the company agreed to stop 200 retrenchments scheduled for tomorrow.

Chairman Alan Schlesinger, speaking from the occupied offices last night, said he and MD Dennis Dedwith expected to spend the night there.

He said there were still about 70 workers inside the offices and about 200 outside.

Besides "minor damage" to property, the occupation had been peaceful.

Schlesinger said the occupation was unlawful and unprocedural.

Numsa regional secretary Bethuel Maserumule confirmed that the company had brought an urgent interdict against the union to stop the occupation but workers had decided to ignore any interdict.

Maserumule said there were two other factory occupations yesterday, but this could not be confirmed. He said US subsidiary Tim-Cleen was occupied after workers were dismissed for taking part in Monday's march through Johannesburg.

Maserumule said the companies' refusal to negotiate alternatives — like short-time and no overtime — was "characteristic of the intransigence of the ruling class."

Schlesinger said there had been negotiations on the issue for a month. The alternatives posed were not viable as the company was fighting for its survival.
Mixed success for Darmag

RUBBER and plastics producer Darmag announced a final dividend of 2.25c a share for the year to end-March 1992. Dividends will be paid on August 7.

And in its annual review it forecast a slight earnings improvement in the year to March 1993 with a marginal increase in lead-acid battery casing volumes and new plastic product lines, chairman Donald Buchanan said.

The discontinuation of the group's tyre division would relieve the group of an burden, he said.

New product lines such as plastic crates would allow Darmag to continue growing in spite of a weak economy.

A large proportion of the R2.5m capital expenditure programme was invested in a specialist injection moulding which made industrial battery cases. This plant had provided an additional manufacturing facility.

Darmag's results reflected mixed success due to recessionary markets, Buchanan said. Turnover dropped 5.6% to R24.7m (R26.3m) while earnings a share climbed by 17% to 10.6c from 8.8c.
Concern as Govt puts out tender for banned DDT

THE Government has put out a tender for 213 tons of DDT insecticide, a banned substance in South Africa and most other countries.

Although it is banned, the banning notice makes provision for its use in malaria control, as long as it is not used outdoors where it can harm the environment.

But according to a recent thesis done through the University of Potchefstroom, it has been detected in the environment, and in the breast milk of mothers living in the areas sprayed.

Since the 1950s the insecticide, which stays in the food chain almost indefinitely and causes cancer and deaths in certain animals, has been used against malaria-carrying mosquitoes in South Africa.

It is sprayed in the mud huts of people living in northern Natal and KwaZulu and northern Natal by authorities linked to the Department of National Health. "DDT has never killed a single person," said Dr Edmund Hartwig, specialist scientist at the Department of National Health.

He said it was essential to use DDT because it was the best alternative and, if it was not used, the incidence of malaria would shoot up.

High levels in breast milk

But Dr Henk Bouwman at the University of Potchefstroom has just done research on DDT levels in humans and nature in KwaZulu, and has found very high levels in breast milk and babies' blood serum, and lower levels in the region's fish.

He acknowledged that no human had ever died of DDT poisoning since no one could ingest enough of it. And it did not cause cancer in humans.

But it does cause liver damage in children and adults very similar to that caused by alcohol. And the effects on babies, whose neurological functions are not fully developed, has not been studied.

DDT is used because it is cheap and because it breaks down extremely slowly. This is bad news for the environment, because it persists in the food chain and becomes more and more concentrated as it passes through the different animals, until there is a lethal dosage and predators start dying.

According to Hartwig, DDT is the only substance effective in mud huts, because all other insecticides soak in, while DDT eventually crystallises out of the mud.

But new research, being done overseas and in Natal by the Medical Research Council, is showing that synthetic pyrethroids could be the answer.
Wade in the clear

Business Times Reporter

The long-running dispute between toxic-waste management rival Wade Tech and Wade Refuse Group has been resolved in the Witwatersrand Supreme Court.

Mr Justice Serrurer discharged with costs the interim order obtained by Waste Tech against Wade Refuse and an application by Steven Alan Elliott, formerly employed by both companies.

The case arose after allegations that Wade-Chem had handled toxic waste in an "irresponsible" manner at its plant at Halfontein near Springs (1985).

It was also alleged that Mr Elliott had been threatened with death and that he had provided Wade-Chem, with whom he was then employed, with confidential documents that allowed it to compete with Waste Tech.

These allegations were reported in Business Times on April 5.

Salt 28/6/92

Mr Justice Serrurer also found that the interim order obtained by Waste Tech was served on Wade Refuse, whereas the company competing with Waste Tech was Wade-Chem, a member of Wade Refuse Group.

He found that Wade Tech had not established that the information allegedly given to Wade-Chem was confidential.

As far as Mr Elliott's allegations were concerned, Mr Justice Serrurer remarked that his allegations ought to be taken with a "pinch of salt."

An application by Mr Elliott against certain Wade Refuse directors and officials restraining them from threatening him or otherwise harassing him and heard simultaneously with Wade Tech's application, was dismissed with costs.
Recession stifles Transpaco recovery

THE forecast improvement in Transpaco’s results did not materialise due to the deepening recession, and earnings dropped 43% to 5,42c (9,52c) a share in the year to March 31 1992.

A final dividend of 1,5c a share was declared, bringing total dividends for the year to 2,5c (4c) a share.

Turnover, which was stated to reflect the comparable results of continuing operations after the stationary division had been sold to Macro and the builders’ sheeting section of the Consumer Plastics division was closed, improved to R50,5m (R40,6m).

However, operating profit of continuing operations fell to R1,5m (R2,5m).

Joint MD Mike Abelmeh said operating profit fell as a result of reduced margins.

Administration cost increases were contained within inflation, but the cost of maintaining market share increased substantially.

Customers were restocking in the recessionary climate and Transpaco was having to make more deliveries in a month for the same sales volumes, thereby increasing costs.

Finance costs dropped to R718 000 (R1,5m) Pre-tax profits were 33,9% lower at R1,2m (R1,8m).

Attributable profits fell to R56 000 (R1,05m). Gearing improved to 61% (97%).

Abelmeh said the aim was to reduce gearing to 35%.

An extraordinary item of R56 000 related to the winding down costs of the Consumer Plastics division, profits on the disposal of plant and provision for future expenditure.

The acquisition of a former competitor, East Rand Packaging, would have a favourable impact on future turnover profitability, he said.

The group had budgeted for an improvement in earnings this year, but this would to a large extent depend on future economic and political conditions, said Abelmeh.
BOWLER METCALF

Unconventional tactics

Activities: Makes plastics and plastic mouldings

Control: Directors 77%

Chairman: G F Spalding, MD 77

Capital structure: 25m ord. Market capitalisation R12.5m

Share market: Price 50c; Yields 7% on dividend, 14.6% on earnings, p/e ratio, 8.8, cover, 2.1 12-month high, 60c, low, 48c; Trading volume last quarter, 237 000 shares

Year to Dec 31

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To put it mildly, only a bold and confident management would have chosen to finance long-term growth with short-term funds in a recession. But for Bowler Metcalf (Bowlmet), this strategy has worked well.

Chairman Geoffrey Spalding says in his review: "The share price has responded encouragingly during the past 12 months but our ratings remain curiously well down on our market sector."

This reaction could have been expected in the light of such an unconventional practice and, more especially, because of the negative current ratio that has resulted. However, the 1991 accounts indicate the worst is over. Net current liabilities have been reduced to R20 000 from R379 000, and net interest paid was marginally less than the previous year. It is one of the reasons why pre-tax income leapt by 44.7%, to R3,35m, after turnover rose 20.6%.

MD Howard Sasse points out the turnover increase represented a real increase in market share. More significantly, the increase in pre-interest margin and the rise in the stock turnover from 10 to 12.9, are evidence of tight management controls and efficiencies.

In another unusual financial step, management has provided for deferred tax by reducing distributable reserves. The consequent reduction in shareholders' funds is the only reason for a diminished NAV. The accounts now provide for tax at the maximum rate.

Sass, though confident of producing EPS growth in 1992, cautions that a similar growth rate may not be repeated. Since 1987 turnover has shown a compound annual growth of 25% and EPS of 31%. At a dividend yield of 7% and a p/e of 6.8, the company's potential appears more attractive than the market rating indicates.

Gerald Netham
NORISTAN  F-M 31192

**Strategic alliance** (183)

Noristan MD Hugo Snyckers says the group is currently in negotiations with a view to "possibly forming a strategic alliance with another company." This follows cautionary announcements issued by the pharmaceutical company and its 84%-held subsidiary Normed, saying negotiations are in progress which could affect their share prices.

The local group has strong links with German groups through manufacturing their products under licence. Noristan has high-technology equipment, capable of making complex pharmaceuticals.

Market talk is that the third party will probably acquire W&A's 21% interest in Noristan. As the Noristan interest is peripheral to W&A and as W&A is embarking on a disposal programme to reduce gearing, one analyst rationalises W&A will sell its holding, valued at roughly R9m on the present share price. W&A chairman Jeff Liebesman declines to comment.

W&A acquired its Noristan stake in early 1990, when Noristan needed a big brother to fund disinvestment opportunities, while W&A wanted to get into the healthcare arena.

The analyst adds the W&A/Noristan marriage has not been a great success as W&A, not having much expertise in the pharmaceutical industry, brought little to the party. Noristan has recently underperformed other pharmaceutical groups. The share trades at 80c, well off the peak of 120c at the time of the deal with W&A.

But Snyckers says the group missed the boat as international businesses had already disinvested by the time the two came together. In fact, no significant acquisition has taken place since then.

William Griffiths
Candle-makers go gunning for Sasol

By DON ROBERTSON

Candle has been reduced. Many manufacturers have been asked to sign a form absolving Sasol from responsibility if deliveries are not up to specification. The five candle factories operated by Price have about 55% of the market, they say. Sasol replies that it has been supplying waxes to the candle industry for 35 years. A wax was developed last year to prevent candles from bending and cracking together in hot conditions. After extensive tests, this product was commercialised on a limited scale. A spokesman says "Market evaluation indicated that certain properties of the candle and the wax needed to be further optimised." Sasol has been supplying only its conventional candle wax to the market for the past 6 months. It is unaware of quality problems. One independent manufacturer says that only a few months ago, Sasol admitted that its specifications varied. Sasol says that although its products differ in their physical properties from foreign waxes, they have been marketed for the past three years and have gained wide acceptance. Demand exceeds production. One manufacturer says that Sasol's control of the candle industry is "possibly the most vertical monopoly in SA." "Sasol could change the quality supplied to me and offer other manufacturers a better quality. For instance, it could reduce the price of wax sold to its own company, Price, but raise it for the rest of us."

Cheaper

Wax imported from China can be landed at about R1 680 a ton compared with the Sasol price of R1 750, Sasol has lifted the price twice this year. Sasol denies that Price's Candles has a monopoly. It says there are at least 30 other major producers. The expansion project at Sasol One is in an advanced stage and will be commissioned in the middle of next year. It will be able to supply most of the domestic market.

Burns

Manufacturers say that since Sasol acquired Price's Candles from Shell for R20 million last September, it has had a monopoly on the supply of raw materials. Some candle-makers wish to take the matter to the Competition Board. Most candle manufacturers approached by Business Times prefer to remain anonymous for fear of losing supplies. They allege that specifications of wax supplied by Sasol vary widely and that they are unable to use a normal work. The wax's melting point is said to be too high and could cause third-degree burns. Manufacturers say the oil content is too high and makes the drawing of candles difficult. The burning life of a candle has been reduced. Many manufacturers have been asked to sign a form absolving Sasol from responsibility if deliveries are not up to specification. The five candle factories operated by Price have about 55% of the market, they say. Sasol replies that it has been supplying waxes to the candle industry for 35 years. A wax was developed last year to prevent candles from bending and cracking together in hot conditions. After extensive tests, this product was commercialised on a limited scale. A spokesman says "Market evaluation indicated that certain properties of the candle and the wax needed to be further optimised." Sasol has been supplying only its conventional candle wax to the market for the past 6 months. It is unaware of quality problems. One independent manufacturer says that only a few months ago, Sasol admitted that its specifications varied. Sasol says that although its products differ in their physical properties from foreign waxes, they have been marketed for the past three years and have gained wide acceptance. Demand exceeds production. One manufacturer says that Sasol's control of the candle industry is "possibly the most vertical monopoly in SA." "Sasol could change the quality supplied to me and offer other manufacturers a better quality. For instance, it could reduce the price of wax sold to its own company, Price, but raise it for the rest of us."

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Confusion over toxic chemicals

CONFUSION surrounds two rival schemes to store hazardous chemicals in Cape Town.

Witney Chemicals, a Durban-based company, wants to build a pipeline to convey the chemicals Styrene Monomer and Vinyl Acetate to storage tanks in Paarden Eiland.

Cape Town Bulk Storage, a partnership between Portnet and Richards Bay Bulk Storage, wants to build a tank farm for several chemicals on reclaimed land in the harbour.

The Cape Town City Council first agreed to the pipeline, then decided in favour of the Portnet scheme and this week decided to wait for an environmental assessment report before making further recommendations.

However, the council seems unaware that the report will cover only the Portnet plan and not the pipeline.

Earlier this year, the Cape Metrot reported that the council had agreed to the Witney plan but had received objections that it could be environmentally unsafe.

The Metrot reported later that a rival group, Cape Town Bulk Storage, planned to build storage tanks for hazardous chemicals in the harbour and that this was also being criticized as ecologically unsound.

Refuse

Meanwhile, Portnet informed the council that it had refused to give Witney permission to convey toxic chemicals in the pipeline which would run through Portnet property.

The Department of Environmental Affairs then wrote to the council expressing concern over the safety of the pipeline.

Following another council investigation, the city engineer recommended that the council change its mind and refuse permission for the pipeline in favour of the Portnet scheme.

This week the council decided to await the findings of a report commissioned by Cape Town Bulk Storage from the Environmental Evaluation Unit at UCT.

But the report does not look at the pipeline at all.

Ms Heather Campbell from the Environmental Unit said the report had been commissioned by Cape Town Bulk Storage to do a risk and site assessment analysis of the company's proposed sites in Cape Town and Saldanha Bay.

She said the unit was examining the transport and storage of five chemicals including Styrene Monomer and Vinyl Acetate.

She said the unit had so far identified "visual and risk factors that could be problematic" and were investigating further.

The council appears to be under the impression that the unit's report will also cover the pipeline.

When told the report only examined the Cape Town Bulk Storage plan, the city engineer, Mr Arthur Clayton, said he could not comment further.

Council spokesperson Ms Yolanda Marsh said the council was waiting for the report, which she claimed did cover the pipeline.

She said the council's decision depended on Portnet.

"Most of the land involved belongs to Portnet. We are only minimally involved," Ms Marsh said.

Mr Mark Witney, MD of Witney Chemicals, said the company could not make further decisions because of Portnet's opposition.

He said he was convinced the pipeline was environmentally unsound and he would be happy to have the plan scrutinized by environmentalists.

Interest

Objections to the pipeline applied equally to Portnet's scheme, he said, once Portnet intended storing chemicals in the harbour where there was a risk of pollution of the city and bay.

"The council can't decide on the basis of Portnet's recommendation as Portnet is an interested party."

Portnet's financial manager, Mr Martin Swanepeel, said the company was not motivated by self-interest but by the "long-term needs of Cape Town."

"We need to take the chemical industry as a whole into account," he said. "Witney's plan is for two products. We are looking at storing a range of chemicals without a lengthy pipeline."

By CHIARA CARTER
Pick 'n Pay could drop price by 8c a litre

Secret fuel deal outcry

By KEVIN DAVIE

Finance Minister Derek Keys is considering reducing the VAT rate by 6% as part of the Government's fuel stability package, according to a Financial Times report.

Keys, who is the Chairman of the Committee, said that the current VAT rate of 15% is too high and must be reduced to 14% to make it more competitive with other countries. He added that the reduction will benefit both consumers and businesses.

"I believe that reducing VAT would be a positive step towards stimulating the economy," Keys said.

The proposal has been met with mixed reactions from the public. Some believe that the reduction will lead to increased spending, while others argue that it will not have a significant impact on the overall economy.

Meanwhile, the Secretariat has defended its decision to raise the price of fuel, stating that it was necessary to cover the cost of production and transportation.

"The current fuel prices are too low and it is time to raise them," the Secretariat said.

The government has also announced plans to introduce a carbon tax to help offset the cost of fuel. The tax will be imposed on all fuels and will be gradually increased over the next five years.

Food sales lo in 30 y

By TERRY B

Food sales have shown a strong upward trend in recent years, with the industry expected to grow by 10% this year.

The increase in sales is attributed to a number of factors, including growing consumer demand, increased availability of food products, and improved logistics and distribution systems.

"The food industry is on track for another year of strong growth," said a spokesperson for the Food and Drink Federation.

However, the industry is not without its challenges. The cost of raw materials, especially oil and gas, has increased significantly in recent months, putting pressure on manufacturers to keep prices competitive.

"We are working hard to manage costs and ensure that our products remain affordable," said another spokesperson for the federation.

Sasol, Engen in line for deal with Kenya

By ZILLA EFRATI: Nairobi

Sasol and Engen are expected to announce a deal with Kenya's acme to expand their operations in the country.

The deal, which is expected to be signed in the coming weeks, could involve the construction of new refineries and the expansion of existing ones.

"This is a significant development for the Kenyan economy," said a government official.

South African companies have been active in Kenya, with Sasol and Engen already operating refineries there. The new deal could help boost the country's energy sector and create new job opportunities.

However, some locals have expressed concern about the impact of the deal on local businesses.

"We are worried that this will lead to a loss of jobs for Kenyan companies," said a local businessman.

The deal is expected to be a major boost for the local economy and could have ripple effects throughout the region.
Lenco to bid for Metcor’s H & H

CAPE TOWN — Lenco Holdings had decided to bid for 100% of Metcor Industries plastics subsidiary, Hendler & Hart (H & H), executive chairman Doug de Jager said in the group’s latest annual report.

This comment is believed to relate to the cautionary announcement issued by the group a few weeks ago.

Industry sources believed Lenco would achieve considerable rationalisation benefits by merging its packaging division, Compak, with H & H.

De Jager said Lenco had become more focused on its three core industries: clothing, footwear and packaging. The group’s market capitalisation had increased to R208m from R18m at the time of its listing.

The group would not chase turnover, he said, adding Lenco would try to preserve cash to exploit opportunities once the upturn materialised.

De Jager said Lenco’s UK acquisition of Capital Fashions had not been as successful as had been hoped.

The loss of export opportunities for House of Monet, which now exported over 10% of its turnover.

Last year Lenco achieved a 14% increase in earnings to 49.9c a share (45.3c). The operating margin increased to 12.8% (12.5%), return on capital employed, however, slipped to 33.4% (38.4%) and debt equity improved to 23.6% (46.4%).

Turnaround puts Karos in the red

KAROS Hotels, suffering from low occupancies and the higher cost burden of operating leases and interest, today reported a R3.9m attributable loss in the year to end-March, compared with a R4.1m profit in the previous year.

Chairman Selwin Hurwitz said occupancies of 57% were slightly ahead of the industry and of the previous year, but were down on budget.

This was due partly to a fair number of cancellations by foreign tourists, which were particularly noticeable in January and February.

Turnover for the year increased by 25% to R88.5m, and operating profit was 15% higher at R20.5m (R17.4m).

But the cost of operating leases rose to R77m from R26.5m, and the interest bill of R2.2m (R6.4m) was higher than budgeted for. This resulted in a R16.6m loss before preference dividends, compared with profit of R6.8m in the previous year.

Karos showed a loss of 13.9c a share compared with earnings of 14.4c a share in financial 1991. No ordinary dividend was declared.

Hurwitz said the group had been affected by the recession and by the non-availability of rooms and facilities during its refurbishment programme, now nearly complete.

Forward bookings from overseas were well up on last year, and prospects for 1993 “most encouraging.”

Hurwitz hoped there would be a change to the Gambling Act Karos believed gambling rights should be extended to four- and five-star hotels with a minimum of 100 rooms, and “where the environment was conducive to gambling. Gambling should be strictly controlled and confined to those who could afford it.”
LIQUID Air, the SA subsidiary of L'Air Liquide, the French industrial and medical gas group, plans to invest more than R100-million in new ventures, more than doubling the size of its assets here.

This will be one the largest investments by a French group in SA in recent years. Managing director Jacques Parent says the money, most of which will come from the France-based parent, will be used to expand the company's activities.

Liquid Air has factories in Germiston, Cape Town and Richards Bay. They make medical gases, such as nitrous oxide and oxygen, and industrial gases, such as acetylene, carbon dioxide and nitrogen.

The company has been in SA since 1948. It employs 320 people and controls assets of R76-million. Liquid Air's main competitors in SA are Afrox, Fedgas and Air Products.

Jacques Parent, Liquid Air to double its assets

Improving relations between SA and Africa have enabled the group to start exporting high value-added gases to its companies in West Africa.

"Gases are costly to export over long distances," says Mr Parent.

"It takes a 10kg container to hold a kilogram of gas. Long-distance transport only becomes feasible where the gas has a high value." Liquid Air is represented in 60 countries, 25 of them in Africa. The group sold international sales of R16-billion in 1991.

Because the production of gases is capital intensive, the group has large investments in plant, buildings and equipment. In 1991, these were valued at about R10-billion.

"Our job is not only to sell gases," says Mr Parent. "We spend much of our time consulting businesses on improving their manufacturing processes using gas. For example, we can use gas to cool a reactor in only seven hours as opposed to the usual 24 to 48 hours. A plant that is idle for this length of time costs the company money."

The group has developed the use of gases in a variety of food and manufacturing processes. It is both cheaper and more effective than conventional electrical methods. Liquid Air therefore has an unlikely competitor in the form of Eskom, which markets the energy and cost-saving benefits of switching to electrically powered processes.

Cyanide

Environmental consciousness in Europe has been a fillip for the industrial gas business. L'Air Liquide has developed environmentally sound gases for use in laser welding and oxygen-based processes for the paper and iron-foundry industries.

The company pioneered the use of oxygen in gold leaching, a process which reduces the need for chemical additives, such as cyanide.
143% in only 14 months
Oil company margin up

By Rear Admiral

The impact on margins from their trading activities is

reduced by 50% in the first year and 75% in the second year.
Holomisa alleges assassination plot

LONDON — SA agents were working "around the clock" to assassinate senior Transkei government members, the homeland's ruler Niel Gen Bantu Holomisa told the Anti-Apartheid Movement's conference on violence in SA yesterday.

Holomisa said Transkei's intelligence gathering efforts had found that the SA Police, the SADF's Military Intelligence Unit and the National Intelligence Service were trying to establish the addresses of returned exiles in Transkei, particularly Umkhonto we Sizwe and Azanian People's Liberation Army cadres.

Holomisa said SA agents had approached members of the public, as well as members of the Transkei Police and Transkei Intelligence Service with a view to "sowing the seeds of discord" in order to influence the political direction of Transkei.

While money had been paid for the information, security force members had passed on the names of the agents and other details, he said.

Holomisa said the data gathered by the SA agents about Umkhonto and APLA clearly pointed to the determination of President F W de Klerk's regime to launch preemptive strikes against Transkei.

Holomisa said it would serve no purpose for the international community to insist on the resumption of Codesa negotiations in the present circumstances.

He added, however, that his government intended writing to de Klerk outlining the activities of his agents provocateurs.

CERSI BATEMAN reports that SA Council of Churches secretary-general Frank Chakane told the conference vigilance was essential to prevent government from gaining international credibility because it was destabilising the very organisations with which it was negotiating.

Chakane said nobody outside government could stop the violence as long as it had the legal force.

Thor official refuses to give information

A SENIOR Thor Chemicals official told a Manpower Department investigation yesterday that he would refuse to answer any questions from the Chemical Workers Industrial Union.

But production manager Bill Smith was warned that he could be sued for a year and fined R10 000 if he refused to answer.

The union's earlier decision to withdraw from the inquiry was only defined late yesterday when inquiry chairman Theo Gregersen received an urgent message from the Manpower Department directing him to exercise discretion in allowing the union to cross-examine witnesses.

The inquiry heard evidence from former Thor casual worker John Hitler that he spent 18 days in hospital last year after being burned, apparently from spilled mercury products.

Smith said he did not see any burn on Hitter's arm at the time and probably told him to go home until the next day.

He admitted he did not know who was trained as a first- aider in the factory, and that there was no set procedure to determine whether protective clothing and safety equipment was regularly inspected.

Market rates

From Page 1
By TOM ROBBINS
TWO Thor Chemicals managers refused this week at an inquiry into mercury poisoning of two Thor workers to answer questions on the grounds they would incriminate themselves.

The enquiry was prompted by the mercury poisoning of Engelbert Ngcobo and Peter Cele. They are comatose in hospital and have little chance of recovery.

Thor production manager Bill Smith admitted management did not ensure workers followed informal personal safety hygiene procedures at the end of shifts.

Factory manager Gavin Daniels said Thor had no written safety training programme and no formal record of training.

Daniel was charged with worker safety. The danger level laid down by the Manpower Department is 200 parts mercury to one billion parts urine.

Asked why he had allowed supervisor Jim Mbanywa to continue working in the mercury plant with mercury levels above the 200 per billion level, Daniel refused to answer on the grounds he would incriminate himself. On the same grounds, Smith refused to say why he had allowed Cele to continue working with mercury levels above 300 parts per billion. The inquiry continues.
CASTROL, SA's leading supplier of lubricant oils, has attacked the 145% increase in margins the Government has granted the oil industry.

Castrol chief executive officer Deryck Spence says "recommendations for a lubricant price increase were turned down as inflationary, yet a leap of 145% in fuel margins is justifiable."

"Specialist lubricant companies are prevented from increasing their margins by the oil industry fat cats.

Mr Spence says the increased margins given to the petrol companies have been handed out of the equalisation fund, resulting in no price increase at the moment, but this will only be in the short term.

"In the long term, it will have obvious inflationary results."

Mr Spence says that although Castrol is the leading lubricant supplier, "we are not even allowed to sit on the pricing committee as agreed by the Competition Board."

Formula

This committee, which comprises representatives of the oil majors, effectively decides on price increases which are later rubber-stamped by the Department of Mineral and Energy Affairs, says Mr Spence.

Because the oil companies derive 70% of their revenue from fuel operations they can cross-subsidise their lubricant business. Less than 10% of their revenue comes from lubricating oils.

"We disagree utterly with the formula that allows the oil companies to profit from their fuel sales and are therefore able to subsidise lubricant costs.

"Castrol in no way benefits from margins paid to the oil industry. We are being squeezed from all sides by self-interested parties."

Mr Spence says the "exorbitant" margin increases are funded from the equalisation fund which nets 10c from each litre of oil sold.

The squeeze on independent lubricant oil suppliers has meant that they have been "allowed" an 8% increase since November 1992 to cover costs, but no rise in margins.

Mr Spence has raised the issue with Mineral and Energy Affairs Minister George Bartlett. Another meeting is planned.

One issue which concerns Mr Spence is that the unions are pushing for industry-wide bargaining "which is a further reason to dissociate ourselves from the major fuel suppliers and their extravagant margin increases."

Mr Spence says there has been talk that he may be allowed to join the pricing committee, but only in his Castrol capacity and not as chairman of ILMA, a body which represents independent manufacturers.

He says Castrol's customers have been asking how the margin increase can be justified.

"This is why we want to dissociate ourselves from these increases."

Landed

A spokesman for the Department of Mineral and Energy Affairs says the Government takes cognisance of the prices recommended by the committee. He says that although Mr Spence "wants to sit on the pricing committee, it has not agreed to this because he is not part and parcel of the oil industry."

The spokesman says lubricating oils prices — like those of fuel — are set on the basis of the in-bond landed cost (IBLC). But lubrication oil prices are not regulated and Castrol can sell at any price it pleases.

The spokesman says there were margin increases of 4c each on lubricating oils in July last year and July this year.

The wholesale margin paid to the oil companies has increased by 145% from 5.5c/l in April last year to the present 13.5c/l. The Government says the increase was necessary after the decision to separate the refining and marketing activities of oil companies.

Before April last year, these companies were paid a 15% return on assets used in refining and marketing. After April the return applied to marketing assets only.
Viruses beware: Protect-U is here

Medical Reporter

A South African chemist has made an international breakthrough with the development of a new product — for medical and household use — which is said to kill all known bacteria, fungi and viruses including HIV and hepatitis B.

The product, which has been tested by various institutions including the SA Bureau of Standards, was developed by chemist researcher Tom Martin.

"As far as I know, no one else in the world has achieved this," said Miss Martin at the launch yesterday. "I am not making any claims of having created a 'miracle' product. All I have done is to take an existing ingredient, proven to be effective, and developed it into a safe, user-friendly product.

Protect-U will be available on supermarket shelves and chemists by the middle of next month, and indications are that it will sell for about R15.50 for 750 ml. It is a cleaner and sanitizer which is non-corrosive, non-acidic and bio-degradable. For external use only, it can be used to prevent the spread of infectious diseases.

The product contains an active ingredient called Glutaraldehyde (Glut) which has been extensively tested worldwide and recognized as the sterilizing chemical and disinfectant for infection control in medical institutions.

Glut, however, has to be chemically activated before use and then remains stable for a maximum of 14 to 28 days.

According to Stanford University head of anaesthesics Professor John Brock-Uue, Protect-U does not require an activator, is active and effective up to one year, has a neutral pH and is not a skin irritant.

Protect-U was also tested by Dr Michael Becker of the department of virology at Stellenbosch University."
Chemserve suffers its first setback in a decade

EDWARD WEST

THE earnings of specialty and raw chemicals supplier Chemical Services (Chemserve) have dipped, for the first time in nearly a decade, by 23% to R22c (17c) a share in the interim period to June 1992.

However, shareholders should be pleased to know the dividend was maintained at 53c a share covered 2.5 (3.2) times, because earnings fell off a high base, said Chemserve MD Peter Francois. AECl holds 65% of Chemserve.

Turnover fell 16% to R204.8m (R246.1m) Francois said sales were distorted by a structural change in the soda ash division of Chemserve Technical Products which, if eliminated, would have resulted in sales increasing slightly.

The division previously bought and sold soda ash from the US, but was now representing Soda Ash Botswana. The soda ash plant was operating at about 40% capacity due to its three-year start-up programme, the

Chemical services
Share price, weekly close (cents)

pared with the year to end-December 1991, and was down from 57% at the end of the same six-month period in 1991. Financing costs fell to R1m (R5.2m).

Tax fell to R7.6m (R9.4m) Attributable income was down 23% to R9.2m (R10.7m). Capital expenditure of R3.1m represented mainly maintenance costs.

From July 1 1992 the group's joint venture in metal processing chemicals with Henkel SA acquired the automotive division of Durex Africa for R4.5m. Although the acquisition was not initially expected to affect earnings or net asset value, the product range and technology acquired would strengthen the joint venture operating base, said Francois.

He said Chemserve's short-term outlook was not favourable because of political uncertainty and economic recession, and it would be difficult to reverse the reported rate of decrease in earnings for the remainder of the year. Longer-term prospects were brighter, he said.
Own Correspondent

JOHANNESBURG — The earnings of specialty and raw chemicals supplier Chemical Services (Chemserve) have dipped, for the first time in nearly a decade, by 22% to R32c (172c) a share in the interim period to June 1992.

However, shareholders should be pleased to know the dividend was maintained at 55c a share covered 2.5 (3.2) times, because earnings fell off a high base, said Chemserve MD Peter Francois. AECI holds 65% of Chemserve.

Turnover fell 15% to R204,8m (R240,1m) Francois said sales were distorted by a structural change in the soda ash division of Chemserve Technical Products which, if eliminated, would have resulted in sales increasing slightly.

The division previously bought and sold soda ash from the US but was now representing Soda Ash Botswana. The soda ash plant was operating at about 40% capacity due to its three-year start-up programme, the glut in international markets and the shrinking of domestic demand for soda ash, said Francois.

Trading income was 24% lower at R19,4m (R25,7m). A number of subsidiaries’ profit margins were eroded by the difficulty in passing on cost increases because of the recession-induced, 6% decline in the volume of manufactured goods sold.

The debt-equity remained unchanged at 42% at end-June, compared with the year to end-December 1991, and was down from 57% at the end of the same six-month period in 1991. Financing costs fell to R3m (R5.2m).

Tax fell to R7.6m (R9.5m). Attributable income was down 23% to R8.2m (R10.7m). Capital expenditure of R3.1m represented mainly maintenance costs.

Francois said Chemserve’s short-term outlook was not favourable because of political uncertainty and economic recession.
Cleaner kills known bacteria and viruses

The Argus Correspondent

JOHANNESBURG — A South African chemist has made an international breakthrough with the development of a new product — for medical and household use — which effectively kills all known bacteria, fungi and viruses including the HIV virus and Hepatitis B.

The product, which has been tested by various institutions including the South African Bureau of Standards, Onderstepoort and Roodplaats, was developed by chemist researcher Ms Toni Martin during the past three years.

"As far as I know, no one else in the world has achieved this," said Ms Martin at the launch yesterday. "I am not making any claims of having created a "miracle" product. All I have done is to take an existing ingredient that has been proven to be effective, and developed it into a safe, user-friendly product, freely available for the protection of all."

Protect-U will be available on supermarket shelves and chemists by mid-August and indications are that it will sell for about R5.40/750ml. It is a cleaner and sanitizer which is non-corrosive, non-acidic and is biodegradable. For external use only, it can be used to prevent the spread of infectious diseases.

The product contains an active ingredient called glutaraldehyde (Glut) which has been extensively tested worldwide and recognised as the sterilising chemical and disinfectant for infection control in medical institutions.

Glut, however, has to be chemically activated before use and then remains stable for a maximum of 14 to 28 days.

According to Stanford University head of Anaesthetics, Professor John Brock-Utne, Protect-U does not require an activator, is still active and effective up to one year has a neutral pH and is not a skin irritant.

"This means that the powerful disinfectant properties of glutaraldehyde, which is the active ingredient in Protect-U, will be available everywhere as an all-purpose cleaner and sanitizer," said Professor Brock-Utne.

It was also tested by Dr Michael Becker of the Department of Virology, Stellenbosch University, where it proved effective in killing the HIV virus in the presence of organic matter.

Ms Martin said it was not her intention to climb on the AIDS sensationalism bandwagon. "In fact, Protect-U has been tested and proven effective in killing bacteria, fungi and viruses related to most common diseases in South Africa. However, I want to make people aware of the dangers of underestimating any virus, including HIV."
Retreating from tyres

Plastic and rubber manufacturer Darmag, a company in the Anglo fold, closed its tyre business at the end of March in the face of a surge in imports after tariff protection was reduced.

The business, being sold piecemeal, is not expected to go for more than a modest price because the machinery is old. The division that made forklift and underground mining vehicle tyres reported a small trading loss last year. The core business, battery case manufacture, which accounts for 65%-75% of group trading profits, increased volumes but on narrower margins.

Despite being the largest battery case manufacturer in SA, holding roughly 55% of the market, tough trading conditions made it necessary to shave margins to retain market share. There are three other large players in this field.

Darmag says it is too early to predict its earnings contribution.

Batteries have a life of three to four years and must be replaced. This helps to buffer the industry against recessions.

Despite the strong balance sheet, dividend cover is a high 3.6 times — well above the stated cover policy of about two. Buchanan explains the company is holding back funds for an acquisition when an attractive opportunity is found.

Though a lower cover might lead to a firmer share price, so would an announcement of an acquisition.

The group margin narrowed slightly from 12% to 11%. Prices must have plunged as group turnover fell from R26.2m to R24.7m, despite the higher volumes.

Chairman Donald "Buck" Buchanan, noting that activity in the first three months of this year did not meet expectations, says the prediction, in Darmag's annual report, of marginal earnings growth in 1993 is optimistic. He now expects earnings to be maintained.

On a brighter note, the balance sheet strengthened even though capital expenditure increased from R41.7m to R53.7m in this was due to tight working capital management, which saw the year-end figure reduced from R5.3m to R1.9m. Close attention to working capital must be maintained, early last year, given the sharp drop in interest charges from R98.0m to R290.0m EPS increased as a result.

The group has been looking for investment opportunities for some time now, especially to replace the tyre operations, but Buchanan says these are limited, as most opportunities have been exploited where there are low barriers to entry. He adds that there are opportunities in areas requiring large capex.

Much of last year's capex was invested in a specialised injection moulder, to replace an old machine used for making industrial battery cases. The consumer market here is larger than the industrial one. The new machine also makes other large plastic products, so Darmag is set to supply the market with a new line of plastic crates this year.

Buchanan
CHEM SERVE FM 24/7/92

Succumbing at last

Chemical Services' disappointing 23% drop in earnings is bad news for 65%-shareholder AECl, which on recent results needed all the help it could get from this subsidiary. It shows the speciality chemicals industry is not as resilient against dips in the economy as was thought.

Since its bump in 1989, when earnings dropped in real terms mainly through a subsidiary taking the brunt of cutbacks in the mining industry, Chemserve has shown itself to be a well-run company with a favourable business mix.

Results for the first half contain no indication that quality of management should be reassessed. They show that while speciality chemicals have proved to be less sensitive to economic cycles than other industries, they are not immune to a long recession.

Businesses serving a number of industries — mining, paper, automotive, cable and coatings — have seen reduced trading margins. MD Peter Francois says apart from trying to contain costs further and squeeze more from working capital and market share, the major culprit has been the shrinking economy. "It isn’t that we’ve lost market share, the market is just getting smaller," he says.

Chemserve’s 15% drop in turnover is misleading. It is largely because the company no longer distributes soda ash for US-based Ansee, but instead acts purely as an agent for AECl’s Soda Ash Botswana. That means former stock holdings are no longer coming through the books, with soda ash sales now taking place on commission only. That is already liberating cash.

Interim results could have looked a lot worse were it not for financing costs being reduced 42% to R3m, a combination of Chemserve maintaining its good cash flow and the drop in interest rates. The balance sheet remains strong, with gearing kept at the year-end’s 42%.

Interest is covered six times by net profits, and the dividend has been maintained, with cover dropping from last year’s 3.2 to 2.5 times. Francois says there is no reason why the final dividend should not be maintained at year-end.

But with the company not expecting to improve earnings in the second half, Chemserve might still have to resort to some painful measures. The work force has remained at a stable 1,250 for the past five years. That could change if margins fall further.

At R40, the share price has come off its high of R47 and could fall further on the latest results. But there seems no reason to make any fundamental revaluation of what has been considered an undervalued share.
DRUG PRICES

Fingerling the culprits

Everybody knows that medicine in SA costs too much but nobody is sure whom to blame. Pharmacies say drug manufacturers are the culprits. Manufacturers say their prices are in line with prices overseas and accuse pharmacies of excessive markups.

The truth lies somewhere in the middle. If blame must be assigned, the pharmacies appear to be more at fault even though all parties are culpable.

Over the years, a practice has developed that allows the wholesaler—who buys in bulk from the manufacturer and carries the storage costs to charge pharmacies and other retailers—a 21.5% markup.

Pharmacies mark up their medicine by a further 50% before adding—for prescriptions—a dispensing charge and a fee for breaking open a package. So the price of a drug can nearly double from the time it leaves the manufacturer to the purchase from the neighbourhood pharmacist.

The system fares poorly compared with other countries. Martin Jennings of US-based pharmaceutical manufacturer Glaxo says, “A prescription drug leaving the factory in the US arrives at the consumer level with a total delivery chain markup of only 20%.”

A comparison of the SA and US retail prices of three popular drugs—Prozac, Zantac and Nurofen—showed that SA prices were on average 120% higher (Leading Articles June 17).

But reforms are on the way. In recent months, the professional bodies and government have moved to cut back on the myriad rules that prop up prices, paving the way for more competition. Wolf Furst, executive director of the National Association of Pharmaceutical Wholesalers, says wholesalers and retailers are now involved in a discount war that often cuts the markup in the distribution chain down to 45%.

Furst says, “Pressure from medical aid societies on dispensers to lower prices has resulted in retail discounts of no less than 1.5%. This enables retailers to afford this discount, wholesalers are discounting to their customers by at least 10%. The result is that prices to the patient are reduced by at least 20%.”

He points out that even where pharmacies are franchised to a particular wholesaler, the pharmacies shop around for the best discount. “To get a net profit before tax of a mere 2%, wholesalers distribute around 6,000 products to more than 8,000 distribution outlets a day,” he adds, defending the wholesalers.

He says the SA Pharmacy Council’s decision last year to lift the ban on advertising prescription medicine prices has introduced more competition among pharmacies.

The Competition Board has recommended that government scrap the professional boards on pharmacies working for stores, medical schemes and doctors. Health Minister Rina Venter is keen to go along with the moves.

But their main criticism is that the entire drug supply system is distorted by the immense buying power of the State. Pharmaceutical Society of SA chief Peter van der Merwe says “About 70% of all medicine is sold on tender to the State for, at most, a third of the price paid by the private sector for the same product.” He suggests that manufacturers make up the difference by boosting the charges to the private sector.

Furst says manufacturers have little choice but to take part in the State tender system. “Private-sector volumes alone are insufficient to justify manufacturing capacities, compelling manufacturers to participate in State tenders at almost any cost.”

Reeke says the blame for high drug prices should not be shifted to the State tender system. He says manufacturers in the US, for example, face a similar problem, they must provide huge discounts to large State organisations, health maintenance organisations and medical schemes.

The fact that the private-sector base price is higher than the State base price is not the major reason for high drug prices in SA. Added on to this admittedly high base price is a substantial distribution margin at the wholesale and retail levels. There can be very few fast-selling commodities that have almost a 100% markup.”

Mitranya Dob

A $250m order by the SA Air Force for 75 trainer aircraft is poised to make or break the embryonic aircraft industry. Tenders for the recently contested contract close on August 7 and it is expected to be awarded this year.

Local hopes are pinned on a consortium that includes Atlas Aircraft Corp, Denel, the four-month-old commercialised State company that took over Armscor’s manufacturing activities, Aerotek, the CSIR’s aeronautical engineering division, Aerodyne, a Somerset West composite materials manufacturer, Somchem, a Denel subsidiary, Midrand’s Advanced Technologies & Engineering, and Field Aviation.

Consortium members say winning the contract could mean the start of a lucrative aircraft industry. They add that additional efforts to build fighter aircraft were pie in the sky by comparison. The military trainer and a commercial derivative could put SA on the world map as a serious aircraft manufacturer.

Bidding is fierce. There are believed to be at least three formidable foreign contenders —
'Suspend cops' (8.3)

By BAFANA KHUMALO

WORKERS at AECI's Modderfontein plant are demanding the suspension of two policemen allegedly involved in the death of a colleague in custody. A group of workers marched to the local police station last Friday to lodge their demands.

And in a joint statement issued this week, AECI and the South African Chemicals Workers' Union said "a high-level delegation will meet with the South African Police to express its concern regarding the safety of employees at Modderfontein".

A police spokesman has confirmed that a police reservist is a suspect in the investigation of the murder case arising from the death of Mphela Salukazana. Salukazana (46) was arrested on July 11 while walking to work with a colleague. It is alleged that during the arrest he was beaten by the reservist, who says Salukazana resisted arrest and "compelled him to use force to overcome the resistance". Salukazana later died in the Hillbrow Hospital.

His companion, Berakedy Nkholo, this week described the incident: "We were walking around the area of Illiondale and a car drove up behind us. We just ignored it and kept on walking." The car followed the men and then stopped on the pavement, he said. "The man questioned us, but did not tell us that he was a policeman. He ordered us to get into his car. We refused and walked away. He then went out of the car and we ran."

Nkholo said the man chased them and tackled Salukazana, "kicking and punching him, and shouting 'bloody mXhosas'". Nkholo ran back to help his colleague, but was himself assaulted and fled when their assailant pulled out a gun.

East Rand police liaison officer Capt. J.A van ZWELJ said Salukazana was suspected of earlier attempting to break into the Illiondale home of the reservist, who was accompanied by a Constable LR Nacker at the time of the arrest.

"It has not been established whether he died as a result of the injuries sustained during the arrest. "Suspension of the member(s) involved will depend on the outcome of the investigation of the case," Van Zwell said.
Noristan readv
SIB-Listed Noristan Holdings is preparing to supply the International Red Cross and the World Health Organization with pharmaceuticals once SA is readmitted as a full member of the United Nations. Noristan export development manager Darryl Moss says aid organisations spend billions of dollars every year on medical help for Africa. Noristan has a competitive advantage because of its links in Africa.
Poor results expected from AECI

By Stephen Crampton

The market is expecting a further decline in AECI's earnings when its interim results to June are announced tomorrow.

An indicator of the state of the chemical market is that Chemsure, AECI's strong specialty chemicals division, last week reported a 23 percent earnings slide.

Chemsure MD Peter Francois blames the results on a shrinking economy, which must hit AECI's commodity explosives, polyethylene, PVC and fertiliser businesses just as much, if not more.

Mike Haworth, a chemical analyst at Frankel Max Pollak expects AECI's earnings per share to fall a further 10 to 15 percent "AECI's bottom line is driven by world commodity prices and by volumes. Unfortunately, commodity prices have gone through the floor and sales to most industries are bound to have continued falling."

Rand value

The rand has not come to AECI's rescue. It has not weakened against the dollar, which would have boosted the value of commodity chemical sales.

The performance of AECI's main customers has also been far from encouraging.

Gold mining production - and therefore demand for explosives - has continued to decline. Fertiliser sales have been devastated by farm debt and drought.

But can AECI's results be any worse than those in the first half of 1991? That period was exceptionally poor because of recurrent failures of compressors at Coalplex and a major overhaul of the ammonia plant at Modderfontein.

Earnings per share were 32c (72c in the previous year). There was considerable improvement in the second half from higher production rates, tighter control of fixed costs and better productivity.

But the market is not optimistic. AECI's price has fallen sharply over the last nine months from 6.5c in June to 2.2c today.
Exports boost performance and AECI holds dividend

Business staff

AECI managed a better than expected performance in the six months to June, thanks to a surge in exports. The group held its six earnings a share at 32c and dividends at 18c.

Managing director Mike Sanders said revenue from exports increased by 46 percent to R288 million.

He said that while most exports made a marginal contribution, there were significantly increased exports of PVC, polyethylene, explosives, fertiliser and synthetic fibres.

But political turbulence, acute drought, strict monetary policy and a persistently weak domestic market caused further declines in demand in all the group’s domestic markets.

Local sales had fallen 3 percent in rand terms and by almost 8 percent in volume terms, compared with the six months to June, 1991.

Financial director Neale Axelson said that there was an improved trading profit from the two main divisions, which were started from a low base.

AECI Chlor-Alkali and Plastics was affected by shutdowns at Coalgren in the first half of last year, and the overhauling of the ammonia operation at Mosdertfontein hit explosives profits last year.

The paint business, Dulux, was badly hit by the disruption in the motor industry. Fertiliser sales were affected by the failure of maize crops in much of the country and the lack of rains in the wheat-producing areas.

Soda Ash Botswana, an associate company, was now fully operational, but demand from glass producers and vana-
dum producers — the two key customers — was substantially reduced.

Mr Axelson said sales of PVC continued to be hit by the disruptive pricing of imports.

"Although we have anti-dumping mechanisms in place, the issue has not been resolved. Dumping might not have got worse, but the situation is not much better."

Group turnover increased by 2 percent to R5,524 million and trading income by 9 percent to R146 million.

Mr Axelson said AECI’s fixed-cost base had been trimmed, increasing at well below the rate of inflation.

Some facilities had been closed and jobs had been cut, mainly by natural attrition, but also through retrenchments.

Finance costs increased from R66 million to R80 million. Gearing fell from 73 percent to 50 percent.

AECI’s balance sheet was boosted at the December year-end by a revaluation of properties, which added R25 million to shareholders’ funds.

Mr Sander said there was as yet no indication of any imminent improvement in local activity.

AECI may be hard-pressed in the second half of the year to attain the level of earnings achieved in the second half of 1991, he said.

Cadbury Schweppes (Cads-
we p) put in a sparkling interim performance — lifting earnings 28 percent to R21,5 million or 61,2c a share in the six months to 13 June 13.

Directors attributed the strong performance to “dramatically increased” sales of squashes and soft drinks concentrates as a result of the extend-
AECI stays static despite export rise

AECI showed no growth in bottom-line profit in the first half of 1992 despite untrodden operations, a sharp increase in exports and an 11,7% rise in turnover.

The company, a polyethylene and PVC supplier reported static earnings of 32c a share for the six months. The interim dividend was also unchanged at 18c a share.

The directors warn that 1991's second half earnings of 121c a share will be difficult to repeat as there appears to be no indication of any imminent improvement in local economic activity beyond normal seasonal variations.

Export volumes increased substantially despite difficult international trading conditions. Revenues from this source increased 46% from R203m to R296m.

AECI finance director Neil Axelsson said a small but growing proportion of export activity achieved fully acceptable returns. Because of difficult international trading conditions, some export products were sold at margins insufficient to fully justify the investment required to produce the products, he said.

Improved foreign sales also highlighted the extent of the deterioration in local sales which, together with exports, increased only 1% to R2,524bn (R2,499bn).

Trading income improved 9% to R1,651bn (R1,596bn). Directors said trading margins were maintained, albeit at low levels and despite the sharp decline in domestic volumes.

From Page 1

R1,600bn, relative to June 1991's R1,621bn, resulted from a cash surplus after dividend payments over the past 12 months.

As a result, gearing was down to 58% from 73% at June last year. Net, taking into account the re-evaluation of land in the second half of last year, gearing was slightly up from the 47% at year-end to December 1991, said Axelsson.

Net income was slightly lower at R56m (R56m), but attributable income was unchanged at R56m.

Net asset value was 1.286c (976c). AECI was untraded yesterday at 725c, down from 965c two months ago.
better than expected
Agent for US polymers

US SPECIALITY chemicals company Rohm & Haas yesterday said it had appointed SA’s Lewis & Everitt to market its polymers and resins in SA. (From previous page)

Rohm & Haas disinvested from SA in 1986 after a management buyout, the company manufacturing and marketing Rohm & Haas products was called Supacryl.

When Supacryl was purchased in January 1991 by Rohm & Haas competitor Huls of Germany, the company was limited to manufacturing Rohm & Haas acrylic emulsion Supacryl products and marketed other Rohm & Haas products.

Because of the agreement with Lewis & Everitt, effective in October, Supacryl will no longer be able to market certain Rohm & Haas products in SA.

Supacryl finance director Tim Blanckley says Rohm & Haas signed the exclusive agreement because it did not want its competitor marketing its products.

Lewis & Everitt is a division of Anglo Alpha. — AP-DJ
Sasol seeks broader chemical interests

SASOL, best known for its ability to turn coal into oil, is broadening its diversification into the petrochemicals industry.

Having already sunk more than R500m into ethylene and polypropylene production, the company is investing R1bn in four new petrochemical projects, scheduled to reach full production in the mid-1990s.

The plants comprise a R300m alpha olefins purification facility, a R200m acrylate fibre project, a R100m coke project and an R500m wax, ammonia and paraffins plant.

Analysts say it's making a risky bet, given poor world petrochemical prices and inexperienced in a tough, crowded market.

They agree, though, that the group must branch out from its core synthetic fuel business.

In the year ended June 1991, petrochemicals comprised only 25% to 30% of Sasol's operating profit of R1,068m. While results for the year ended June 1992 have not been released, Sasol executive director Andre du Toit said they would disclose a similar percentage.

About 40% of its petrochemicals output currently goes to the US, Europe, Africa and the Far East, and it hopes to sell 50% to 70% of its new products abroad.

To help reach that target, it intends to open a Hong Kong marketing office. Its eventual target is to export a third of its overall output within Africa because of low transport costs.

It says it can produce polypropylene and ethylene cheaply by using by-products from its synthetic fuel process to produce petrochemicals instead of more fuel.

It claims a similar advantage in its purification facility. Sasol plans to purify 170,000 tons a year of grade 1-hexane and 250,000 tons of grade 1-pentane by 1993. It hopes to export 95% of the output, making it a major world player in the market.

Sasol believes its capital costs in this area will be lower than that of others because product streams from its coal-based synthetic fuel plants already include a wide range of alpha olefin products.

Analysts doubt Sasol has cost advantages in any of its new projects that will enable it to overrule the market's difficult conditions.

Sasol's Du Toit defends the expansion, arguing that the bottom of the cycle is the best time to invest.

Analysts also question whether Sasol has sufficient expertise to match ambitions.

While Sasol has been privatised, it still benefits from tariff protection and a marketing agreement with major oil refiners.

If full deregulation occurs, leaving oil companies free to buy oil on the open market, government, there's a good chance the companies' agreement with Sasol would be modified, analysts say.

They predict that, should this occur, Sasol would be stuck with a product requiring a high capital cost and would be forced to build up a service station network.

In the first place, says Du Toit, deregulation won't happen in a hurry because of industry resistance. "No one really wants a price war," he says.

Secondly, he says, Sasol has government's agreement that tariff protection would be kept in place until 1998. He contends the oil companies are happy buying Sasol's oil given growing demand for fuel.

- AP-DJ
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About 40% of its petrochemicals output currently goes to the US, Europe, Africa and the Far East, and it hopes to sell 50% to 70% of its new products abroad.

To help achieve that target, it intends to open a Hong Kong marketing office. Its eventual target is to export a third of its overall output within Africa because of low transport costs.

It says it can produce polypropylene and ethylene cheaply by using by-products from its synthetic fuel process to produce petrochemicals instead of more fuel.

It claims a similar advantage in its purification facility Sasol plans to purify 170,000 tons a year of grade 1-hexane and 250,000 tons of grade 1-pentane by 1993. It hopes to export 95% of the output, making it a major world player in the market.

Sasol believes its capital costs in this area will be lower than those of others because product streams from its coal-based synthetic fuel plants already include a wide range of alpha olefin products.

Analysts doubt Sasol has cost advantages in any of its new projects that will enable it to overcome the market's difficult conditions.

Sasol's Du Toit defends the expansion, arguing that the bottom of the cycle is the best time to invest.

Analysts also question whether Sasol has sufficient expertise to match ambitions.

While Sasol has been privatised, it still benefits from tariff protection and a marketing agreement with major oil refiners.

If full deregulation occurs, leaving oil companies free to buy oil on the open market, government, there's a good chance the companies' agreement with Sasol would be modified, analysts say.

They predict that, should this occur, Sasol would be stuck with a product requiring a high capital cost, and would be forced to build up a service station network.

In the first place, says Du Toit, deregulation won't happen in a hurry because of industry resistance. "No one really wants a price war," he says.

Secondly, he says, Sasol has government's agreement that tariff protection would be kept in place until 1995. He contends the oil companies are happy buying Sasol's oil given growing demand for fuel.

— AP-DJ
Stemming the earnings decline

There is a certain ambivalence in AECI's first-half results, but these figures could suggest the group, and by extension the local economy, which AECI supplies through a number of key industries, might be getting close to the bottom of the downturn. The 1% increase in turnover, to R2.5bn, is a disappointing sign that international and domestic demand are still declining in real terms. MD Mike Sander attributes the minimal growth in sales to continued depression of the world economy, which he does not think will improve this year. The drought, which has a serious effect on AECI's business, and the results of shutdowns and lockouts, which, combined with the current political instability and general strike planned for next week, could hamper sales this year.

Included in the turnover figure is R296m from exports, only 11.7% of total sales but 46% up on export revenue for the same period last year. While exports have in effect been forced on AECI with local demand down, Sander says a small but growing proportion of export activity is at improving profit margins.

Despite a tight clamp on capital spending, AECI has spent about R90m over the past 15 months on export-oriented businesses. Sander says the policy remains to invest only in businesses which are internationally competitive.

Crumbling sanctions meant better returns on some exported products and while AECI's attempts to position itself towards internationally competitive business are just beginning, they could prove increasingly significant.

Operating performance has improved. The directors seem to be understating the case when they say the trading margin has been maintained. While down on the year-end operating margin of 7.6%, this is an improvement from last year's 5.4% to 5.9%, and on considerably reduced turnover.

The 9% improvement in trading income, despite an 18% increase in finance costs, enabled AECI to hold earnings and its dividend to last year's level, contrary to market expectations.

Continued reductions of costs helped Sander note that after cutting costs for the past three to four years and bearing the one-off costs of retrenchments, the cost base is comparatively low.

The balance sheet is in fairly good shape, with gearing up three percentage points on the year-end's 47%, but down nearly a third on last year's 73%, though this comes largely from a revaluation of AECI's property holdings.

Local demand remains slack and far off 1989's 10% volume growth. After volumes began falling by about 5% in 1990, accelerating to about 10% through 1991, the rate of decline eased to around 7%. "With sales up by only 1% the economy is not bottoming out," Sander says. "But the slowdown in the decline might suggest the bottom is not too far away."

He believes AECI is still a good barometer of the economy, being one of the first to experience the downturn early in 1989 "and with the likelihood we will be the first to see the upturn."

That could be some way off. The directors see little light in local conditions apart from seasonal variations and fear political setbacks could further dampen trading conditions. They say the group may be hard pressed to maintain full-year earnings.

The second half will be important for AECI. The first half of 1991 was particularly bad, when earnings plunged by 36% and volumes were restricted by production problems at its Coalplex plant. This somewhat distorts year-on-year comparisons.

AECI's share price underperformed the JSE Industrial index for the past three-and-a-half years. Sander says the group continues to invest in research and the development of niche technologies. This, with its better export performance, could presage change for the better.

However, AECI is much leaner and better focused than a few years ago. At 725c, the share price has nearly halved in 12 months. These results should help stem the slide, though it might be prudent to wait for the year-end before seeing the share as a recovery stock.

Shona Harris
The successful transition that Twins underwent in financial 1992 is clear in its results to end-April. The pharmaceutical and consumer divisions responded well to rationalisation

Activities: Manufactures, markets and distributes pharmaceuticals, animal health, vision care and consumer products

Control: Premier group 50.1%

Chairmen: P.G.A. Wrighton, C.E. P.S. Nor tier

Capital structure: 88,1m ord Market capitalisation R867m

Share market: Price 700c Yields 3.6% on dividend, 8.5% on earnings p/e ratio, 11.8, cover, 2.4 12-month high, 825c, low, 280c

Trading volume last quarter, 95,204 shares

Year to April 30

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* Annualised

and change, with attributable income climbing 51% to R58,1m

Twins has changed its year-end from March to April, in line with the rest of the Premier Group.

CE Phil Nor tier says strict asset management and focus on minimising working capital in all divisions were behind the 67% reduction in borrowing costs to R5,2m (R16,1m) Debt, which peaked at R95m in 1990, was substantially reduced.

Turnover was down an annualised 10.8% but this resulted from rationalising specific ranges rather than a decline in real growth of operations. Operating income rose 30% to R106,3m Margins increased from 17% to 24% EPS grew 51% and the total dividend of 27,1c was up by 69% — or 36% on an annualised basis.

The pharmaceutical division achieved a 15% increase in sales. With turnover at R185m, it accounts for 39% of the group total. The division remains the dominant player in the self-medication sector, with Restan Laboratories and Mer-National lifting turnover by well over 20%.

The consumer division contributed 35% to turnover, with profit rising dramatically after rationalisation in the division and despite the loss of skin lighteners. Exports are being exploited, with the opening up of trade links to other African countries, though management says this will remain a relatively small contribution to total sales

Increased competition in the vision care industry and the depressed agricultural sector have had a negative effect on these divisions' results. Steps have been taken to maintain leadership in the vision care industry, through purchases of advanced equipment, while new and existing animal health products have been marketed aggressively.

Capex of R12m will be undertaken over the next two years with the focus on improving pharmaceutical facilities, mainly plant and buildings.

Nortier believes the key to future earnings growth lies in research and development, which will be funded from cash resources. He says that, in view of the rationalising, the group is well positioned to take advantage of an upswing.

At R7, Twins offers an earnings yield of 8.5% and a dividend yield of 3.6%, just above the Pharmaceutical index yields of 6.6% and 3.1%. Adcock Ingram, main component of the index, offers multiples half that of Twins. While Twins has at least a comparable portfolio of over-the-counter and consumer brand names, it has less exposure to the high-value ethical market. Twins is moving in the right direction but it has yet to be shown whether profitability can be maintained at these levels.

Marylee Oreg
Ruhold on acquisition path

FLEXIBLE plastics and finance group Rubenstein Holdings (Ruhold) was looking for export growth and acquisitions to bolster future earnings, chairman Jeff Rubenstein said in his annual review to February 1992. Rubenstein was optimistic about future prospects and said the group would continue seeking export opportunities after its successful venture into plastics exports in the last financial year. He expected exports to grow in the current year.

A number of acquisition opportunities were also being pursued. However, the group would concentrate on its core business types and would not consider an acquisition unless it possessed stable management which would remain in that company's employ if bought out.

The group also anticipated satisfactory returns from its finance operations.

During the year Ruhold acquired an interest in Plastech. The associated company, previously a manufacturer of blast barriers for the mining industry, purchased Ruhold's recycling division from October 1, 1991. Efforts were made to reverse its loss-making situation.

Fedline recently acquired a minority stake in Ruhold, a move which would strengthen the shareholder base.

Working capital management and cost-cutting measures proved successful in the last financial year enabling the group to increase earnings by 11% to 17.5c (15.5c) a share and dividends to 7c (6c) a share.
Growth at Solchem

PRINTING ink manufacturer Solchem Investment Holdings reported a 9.3% increase in turnover to R53.76m from R49.2m in the year to end-June, following a steady three-year growth pattern.

Chairman Edwin Jankelwitz said the increase in turnover was matched by a decrease in short- and long-term borrowings and reduced stock levels.

Dividends were doubled to 2c a share with earnings a share rising 29% to 6.2c from 4.8c.
SA a world leader in recycled plastic

By Frank Jeams

The South African plastics industry should no longer shrink from the fact that it is a world leader in the recycling of plastic.

Bill Naudé, executive director of the Plastics Federation, says "Overseas countries items carry the line 'Made from Recycled Material' almost as a badge of honour.

"In South Africa, however, such a claim is more like a kiss of death and a quick way almost to kill a product."

Pointing out that South Africans, for some reason, regard the recycled product as inferior, Mr Naudé claims that almost 20 percent of all plastic produced in this country is recovered for further use.

This figure compares with about three percent in the US and Britain and six percent in Germany.

"South Africa uses about 500 000 tons of raw material a year, while plastic converters use about 100 000 tons of recycled plastic," he says.

"The recycled range is enormous and includes gum boots, garden hoses, wash basins and fridge containers."
Macmed in perfect shape

A STRONG cash flow and good earnings growth contributed to Macmed Health Care's improved profitability in the six months to end-June, MD Don McArthur said yesterday.

McArthur said turnover — which was not disclosed in the interim results — had risen 14% over the comparative period last year.

"Tight control of overheads, strict cash management and the benefits of bulk purchasing" had pushed operating income up 28% from R11m for the six months ended July 1991, to R14m in June 1992. Since no interest was paid, the six months to June, pre-tax profit increased 35% from R1m to R14m. Attributable earnings rose 46% to R7.19m from R4.92m in July 1991.

Earnings a share rose from 1.7c in 1991 to 2.3c, while a further 800 000 shares were issued during the period. However, the company cut its interim dividend to 75c from 10c in 1991.

McArthur said Macmed expected to achieve a forecast R2.6m in pre-tax income for the year, and earnings per share of 4.6c.
COMPANIES

Coates defies hard conditions

COATES Brothers has maintained profitability and dividend growth in the six months to end-June 1992 in spite of difficult trading conditions in its printing ink, synthetic resins and can coatings markets.

Although slightly lower in real terms, sales improved 11% to R86,5m, compared with R78,1m in the first half last year.

Sales for the year to end-December 1991 was R158,8m.

Operating profit was 18% higher at R9,3m from R7,9m.

And operating margins increased to 10.7% from 10.1%, but were slightly lower than the 11.2% achieved for the whole of 1991.

Interest received fell to R27,000 from R94,000, leaving pre-tax income 16% higher at R32,6m from R27,9m.

Taxation increased to R4,5m from R3,8m, resulting in taxed profits rising 17% to R4,8m from R4,1m.

Earnings were 17% up at 141,8c from 120,7c a share, while dividends increased to 21c from 19c a share.

MD Fred Williams said if the recession continued to impact on industries serviced by the company, Williams did not expect the same earnings growth to be achieved in the second half as in the first.
Catching a cold in Botswana

It looks as though AECI, the chemical combine jointly controlled by Anglo American and UK conglomerate ICI, has caught a cold over its investment in the Sua Pan soda ash project in Botswana.

The problems, which arise principally from the desolate state of the southern African economy, are being worsened by predatory pricing tactics adopted by international competitors. These have forced AECI to apply to the SA government for relief in the form of "anti-dumping tariff protection," says AECI Financial Director Neale Axelsson.

Soda Ash Botswana, a Botswana-registered private company, was established to exploit the soda ash reserves at Sua Pan. Its shareholders are the Botswana government, with 48% of the equity, AECI, which holds 26.5%, and Anglo American and De Beers with 12.25% each.

The development of the project has been funded largely by way of equity of R400m and loans of R600m. These have been secured by the company's shareholders, and Axelsson confirms that AECI's portion is 42%.

However, AECI's latest annual report is remarkably coy about the underlying facts. The MD is silent on the extent of AECI's exposure and the notes to the balance sheet at the end of 1991 disclose only a globular amount for contingent liabilities and guarantees of R425m, without mentioning Soda Ash Botswana. This project takes up about R360m of AECI's total provision for contingent liabilities and guarantees.

Axelsson says the extent of the shareholder guarantees will fall dramatically once the company's plant is proven capable of producing on a regular basis. 90% of the projected annual volume of 300,000 t and chemical analyses confirm the product quality is at acceptable levels.

Metallurgical plants as complex and as large as the installation at Sua Pan normally require as long as three years before they achieve full capacity. Axelsson says the unit at Soda Ash Botswana was in operation for only nine months before it achieved its high-rate trial recently.

Production levels exceeded the required volume and shareholders are awaiting the results of the detailed chemical analyses. Once these are available, Soda Ash Botswana will apply to the lenders for the reduction in shareholders' guarantees. It should be triggered soon.

However, the company faces immediate difficulties which relate to economic conditions. Soda ash is applied in various industrial activities such as glass making, pulp and paper, detergents, a variety of bleaching agents and in vanadium extraction and processing. The state of the southern African economy is such that demand for soda ash has fallen significantly below the projections applied in the Sua Pan feasibility exercises. This has unfaovably affected sales by Soda Ash Botswana.

At the same time, previous international suppliers of soda ash to South Africa, faced with deterioration in world economic conditions and with a new southern African competitor, have responded aggressively by dropping prices and increasing quantities. Soda Ash Botswana is now trading at a loss and shareholders are being required to subsidise the company, both to the extent of its trading losses and the carrying cost of the loans which have been advanced.

Axelsson says sales volumes are improving on a monthly basis and it's impossible to quantify the numbers on an annualised basis. He concedes, however, that the extent of subsidisation for calendar 1992 could be as much as R80m unless government acts to stop "unfair trade practices and dumping," which would neutralise the impact. The company could then move volume into the market and that would make all the difference, says AECI MD Mike Sander.

Provided a long view is taken of the Sua Pan project, it will probably prove successful. But not without an interest burden which wasn't anticipated when the project was initiated. Meanwhile, AECI will sit with substantial contingent liabilities in its balance sheet which, even if the lenders (including three SA and two Botswana banks) agree to their reduction in terms of the guarantee agreements, will stand at around R100m. Shareholders should take note.

David Steenekamp
taming existing and developing new export markets will rise dramatically."

He attributes the positive results to tight cost control and innovative marketing. He hopes this will continue but warns that to increase productivity, Molyslip needs to invest in more automated plant.

Spanjaard goes as far as to say prospects look rosy. But, given the bumpy record of recent years, it is not clear how long the satisfactory results will last. The share, at 85c, is at a 12-month high. It is fairly priced.

**COMPANIES FM 7/8/92**

**MOLYSIP**

**Smooth recovery**

**Activities:** Makes lubricants and allied chemical products for industrial and consumer applications

**Control:** Directors 89.6%

**CE:** R. Spanjaard

**Capital structure:** 5.7m ords Market capitalisation R4.9m

**Share market:** Price 85c Yields 7.1% on dividend, 14.5% on earnings. p/e ratio, 6.9, cover, 2.1

**12-month high.** 85c, low, 30c.

**Trading volume last quarter.** 7,000 shares

**Year to Feb 28 91 90 92**

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**BCM-listed** Molyslip has produced a good recovery after the 1991 setback, when earnings almost fell into the red and the dividend was passed. A 5% drop in turnover but an 82% increase in attributable income, though off a low base, allowed a 6c dividend to be declared with cover maintained at 2.

Turnover fell in fiscal 1992 because the high-volume, low-margin metal powder operations were merely breakeven. These activities were disposed of in September. Related goodwill, arising from the purchase of the business, was written off.

Though short-term borrowings were brought down by R1m, interest payments remained high and dragged profit below R1m. If Molysip is to move to the main board, its pre-tax profit will have to exceed R1m Chairman Robert Spanjaard notes that after-tax profit was R700 000. He says "it is a pity the JSE committee could not take this into account" when considering a listing on the main board. Maybe, but taxed profit was R647 000 in 1989. So progress towards R1m has been slow.

Local acquisition possibilities are limited because Molysip has such specialised products. As part of an export drive, Molysip participated in the Hanover Fair and will exhibit at another two international fairs this year. However, Spanjaard says "if no new benefit is introduced to replace the removal of export tax benefits, the real costs of main..."
THE South African economy of the nineties demands that affirmative action should take place not only inside companies, but in their relationship with suppliers and sub-contractors as well.

If, for example, their policy is to find suitable small to medium-sized black-owned businesses to provide certain goods and services, they will promote the development of black business skills — and the ability of black business to employ more people at a time of growing unemployment.

A company that has adopted this policy is the energy and chemicals giant, Engen, which recently appointed Mr Tsepo Mohapi as projects co-ordinator in its corporate strategic affairs division to build links with small businesses country-wide.

Mohapi is devising a two-stage programme in which Engen depots will first be asked to buy all their discretionary purchases from small businesses.

These purchases could include protective clothing, transport services or maintenance work. Suppliers will be identified with the help of small business development agencies such as the Small Business Development Corporation and Wits University's Centre for the Development of Business.

"This is already happening in some depots around the country, but we would like to see it taking place in a more sustained way," says Mohapi.

The small business development agencies could help small businessmen acquire the skills needed to deal with a corporation such as Engen, which has very specific buying procedures requiring quotes and invoices.

In turn, Engen could offer contracts which could be used by small businesses to acquire credit to buy materials.

"It may have been easier for us just to sponsor a few businesses to buy machinery and set up shop. But that would not have helped them to get the business they need to operate or help them, or us, to develop strategies that could contribute to economic growth," says Mohapi.

Once small businesses have been established as suppliers of basic goods and services, Engen plans to examine ways in which some of them may be developed to supply the more sophisticated and specialised goods and services the group needs.

Engen also supports the Black Management Forum, which aims to develop black managerial skills through training and counselling, and recently helped BMF open an office in the Western Cape.
Oil companies back to importing crude

SOUTH African oil companies are importing their own crude for the first time since 1981.

The Central Energy Fund (CEF) confirms that "in anticipation of the lifting of oil and shipping sanctions, all industry members are allowed more freedom".

CEF general manager Kobus van Zyl says, "This is a phase-in programme that will lead to complete freedom once all sanctions on oil and shipping have been lifted."

Because of remaining UN sanctions, middle men are still used in the oil trade. Engen's John Roberts confirms that his company has landed crude oil.

He says Engen has procured crude in the past for the manufacture of refined products for export.

"The State was not obliged to find oil for re-export," says Mr. Roberts, explaining that before the Engen takeover of Mobil, there were limited exports from SA.

Mr. Roberts says Engen is importing crude as an exercise in "getting its feet wet".

Unlike other oil majors which have foreign links, SA-based Engen needs to develop expertise before sanctions are lifted.

Engen owns two tankers. They are used to export refined products, mainly to Africa. They do not carry imported crude oil.

Mr. Roberts declines to provide details of Engen's procurement activities, saying "there is still an embargo in place."

One source says the oil companies would prefer to deal directly with suppliers rather than through the Strategic Fuel Fund (SFF) because it charges a fee for its services. Mr. Roberts declines to comment on whether Engen can import more cheaply than the SFF.

Mr. Van Zyl says the SFF is buying at prevailing world prices. We expect the industry to do the same once they have acquired the necessary know-how.

Direct imports will not reduce petrol prices, he says. "Because of the application of the IBLC formula for calculating landed product prices, the crude oil price has no effect on the consumer."

Names

Mineral and Energy Affairs Minister George Bartlett told Parliament this year that most regulation of the oil industry pre-dated sanctions.

"I have to emphasise that only regulatory measures implemented as a result of the oil boycott are the commercial acquisition of crude oil by SFF and the collection of that portion of the equalisation fund levied for meeting the additional costs incurred in acquiring crude in a covert manner," he said.

Richard Hengeveld, of the Amsterdam-based Shipping Research Bureau (SRB), which has tracked about 50% of oil exported to SA, says some new names have become involved in this trade since last year.

In particular, the SRB has tracked two UK-based Greek companies which have only recently re-entered the market. They are Coulthordos and Papachristo's.

Coulthordos delivered oil from Egypt to Durban in the 230,000-ton tanker "Sailor" last November.

Papachristo's made two deliveries from the Persian Gulf to Durban and/or Saldana Bay in February and March. In both cases the 315,000-ton "Hellenespoon" Orpheus was used.

Mr. Hengeveld says most tankers which offload oil in SA still cover up all or part of their names although some do "not bother too much."

Primary countries of origin are still the United Arab Emirates, Egypt and Iran.

Premiums

Mr. Hengeveld does not expect the UN oil embargo to be lifted before the end of the year. He says it is voluntary and could be lifted by the countries involved.

The future of the SFF has not been determined. Mr. Van Zyl says its "future role will only be finalized when the present uncertainties on sanctions have been cleared up."

Mr. Hengeveld says there have been rumours for some years that oil companies have been involved in direct crude imports.

The last direct imports of crude by SA-based oil companies were made in 1980.

The best-known case is Shell, which brought in several tanker loads in 1980. But SA-based oil companies feared that they would be subject to international boycotts. In spite of the premiums of $8 to $20 a barrel which the SFF paid between 1979 and 1984, oil companies have not imported crude since 1981.

These companies have imported refined or finished product in the past few years, since tars at Sasol 2 and 3 increased the need for refined product.

But as noted by Mr. Roberts, "finished product is not subject to the embargo."

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By KEVIN DAVIE
R10bn booster for forex from six projects

SOUTH Africa could boost foreign-currency earnings by more than R10-billion when six industrial projects come on stream in the next five years.

They are under scrutiny by the Industrial Development Corporation (IDC) which will partly finance the R29-billion cost of the projects.

Their potential foreign earnings are equivalent to 50% of SA’s gold production and they will have a knock-on effect for the economy.

The projects are largely export-oriented and are aimed at adding value to SA’s natural resources.

They focus on the production of steel, stainless steel, aluminium, minerals and petro-chemicals. One aims to boost eco-tourism.

IDC senior general manager Malcolm Macdonald says the size of the projects makes it difficult for individual companies to undertake them without help.

They will receive help in the form of an IDC equity stake or loan finance. To fund them, the IDC will have to raise R600 million. The project is backed by Gencor, the IDC and Escom.

It is expected to cost R5.6-billion and generate exports of R2.8-billion annually.

The Flogopite project at Phalaborwa, based on a process developed by the IDC to recover alumina, magnesia and potash out of waste ore from Foskor’s mining of phosphate rock. A demonstration plant is being built at a cost of more than R100-million.

If it is successful, a R4-billion plant will be built to make SA self-sufficient in these minerals and a large exporter of magnesia and later of magnesium metal.

The venture could come on stream in 1997 and boost SA’s foreign trade account by R1.5-billion a year.

A R100-million IDC loan to expand the infrastructure and accommodation in and around SA’s national parks.

The IDC’s investment is expected to be at least doubled by that of the private sector and parks boards.

Corex

The IDC has received 11 applications for R167-million and inquiries involving R356-million. A total of R125-million has been approved.

A project which could make SA one of the world’s lowest-cost steel producers.

It is based on the new Corex iron-making process developed by Iscor in partnership with Voest Alpine of Austria.

It will enable low-cost iron ore to be economically converted to steel. The mill will cost R8-billion and the venture could generate exports of R1.5-billion a year.

A feasibility study is expected to be completed by the first quarter of next year.

A petro-chemical complex based on downstream processing of gas from Moegas.

A preliminary feasibility study has been completed and studies are being done by Sentrachem and the IDC. A detailed proposal could become final by the middle of next year.

Cost could be about R11.5-billion. Most of the output would be used for further processing domestically, with 30% being exported initially. Improvement of SA’s foreign trade balance is estimated at R2.4-billion a year.

The IDC is also investigating a host of smaller mineral beneficiation projects. Some could involve foreign licence agreements.

Mr Macdonald says the IDC is spending R16-million on its investigation of these projects this year.

Its aim is to assist projects which can stimulate the economy in the long term, provide jobs and earn money for social spending.
JOHANNESBURG — Sasol has agreed to the establishment of an independent commission of inquiry — which could be the Goldstone Commission — to investigate allegations by the Chemical Workers' Industrial Union (CWIU) of CGB and Inkatha hit-squad involvement in the deaths of its members at Sasol.

Sasol executive director Mr Dirk Mostert said yesterday, he rejected "with utter contempt the untruthful, vicious, malicious and unfounded allegations" of the CWIU that Sasol management was behind attacks and killings.

Two CWIU members were killed and one was seriously injured in an attack last Friday night, allegedly by Inkatha supporters who worked during a week-long strike at Sasol's Secunda Colliery last week.

Mr Mostert said Sasol was prepared to have an independent commission of inquiry to get to the truth of the matter.
SA aerosols guaranteed CFC-free

CONSUMERS can buy any domestic aerosol manufactured in SA knowing that it is 100% free of ozone-damaging Chlorofluorocarbons (CFCs), Aerosol Manufacturers' Association executive director Mike Naude said yesterday.

"The view that if you used aerosols you didn't care about the environment is now completely obsolete. The aerosol industry has got its house in order," he said.

More than 90% of SA aerosols are now propelled by chemicals such as hydrocarbons which have been found to have no negative effect on the ozone layer and a negligible effect on global warming, Naude said.

Of the aerosols produced in SA — those used in industrial and pharmaceutical applications — 3.22% still contained CFCs, but he was confident appropriate substitutes would be found "in the near future".

About 150 tons of CFCs were still used each year in medical applications such as asthma pumps because this remained the only safe way to propel medicines that were inhaled, he said.

CFCs were still used in the mining industry because substitutes had proved more flammable in testing and this was considered unsafe in the confined underground spaces in which they were used, Naude said.

He said SA would be completely free of aerosol CFCs by the year 2000 — the deadline set by 75 countries in the Montreal Protocol in 1987.
Soweto candles
blaze the trail

Mr Kenny Hatta’s ambition is to light the whole of Africa.

The company is the first black-owned candle manufacturing concern and already exports different kinds to the Netherlands, Germany and Australia. “Now I want to expand the trade from Cape to Cairo by lighting the whole of Africa,” he said in his opulent Soweto office this week.

Hatta said with changes “in our country at the moment, the chances are my dream will come true.”

The company also manufactures candles for restaurants, hotels, funerals, personal use, festivals and special shops.

He has produced for institutions like the Orlando Home and donated about 600 candles to the bereaved families of the Bopaton massacre.

The charismatic Hatta said, “Any kind of candle, big or small, we can make it.”

Soweto uprising

As a youngster in the township, Hatta never stayed out of trouble. He was detained under the Internal Security Act for his involvement in the 1976 Soweto uprisings.

Despite harassment at the time, he continued his education and matriculated at Naledi High in 1980. He holds several diplomas in business management and administration.

He worked for numerous companies, but quit each time because “a white person was placed in charge, despite the fact that I taught them the trade.”

He then decided to join his wife, Kelefang, who was running the small candle manufacturing company in 1989. The business previously belonged to Bishop David Nkwe, his father-in-law.

Hatta said his business was booming regardless of the fact that many blacks were now using electricity to light their homes.

His focus was mainly on the urban and rural areas. He will open a new factory in Welkom in the Orange Free State soon.

The candle factory got welcome publicity when he exhibited during the Matchmaker Trade Fair at Nasrec last year. He was thankful to the fair because “my business got more exposure.”

He will participate in this year’s Matchmaker scheduled for Nasrec.

This article will qualify Hatta for the Sowetan/Sanlam Entrepreneur of the Month Competition which is part of our Nation Building campaign.
Norimed offer to minorities

Gavin Du Venage

PHARMACEUTICAL and medical company Norimed would make an offer of R7.45 to minorities, and ordinary shares would be delisted, Chairman Hugo Sayekers announced today.

The offer was to consolidate and rationalise the company which would face difficult trading in the next six months.

Sayekers said the offer was higher than net tangible asset value, and should be favourable to minorities.

Interim results released today showed turnover for the six months increased to R135.5m, compared with R114.4m at the same time last year, but operating income dropped to R14.4m from R17.8m because of severe pressure on margins.

Income before tax remained virtually unchanged at R2.9m, resulting in attributable income of R1.5m against the previous R1.6m. This translated into earnings a share of 30.3c compared with 52.5c.

The share was untraded at its ruling price of R6.50 yesterday, off its June 1 high of R7.12.

Performance would continue to be hampered by severely reduced public health spending and a slowdown in private sector hospital development, as well as the current labour dispute which would dampen short-term sales, Sayekers said.

Income from investments related to interest earned on cash holdings, which amounted to R16.5m, but this was expected to decline in line with the softening of interest rates.

Norimed would revert to its normal dividend policy of paying an annual dividend from this year.
Norimed redeems minorities

Announcing its last results before delisting, Noristan Holdings' subsidiary Norimed reported an increase in turnover of 19 percent for the six months ended June 30, 1992 to R18.5 million (R11.3 million) (18.3%\%)

Earnings per share dropped from 53.8c to 50.9c a share, with operating income down 21.9 percent at R1.37 million (R1.76 million) due to severe pressures on margins under difficult trading conditions.

Norimed chairman Dr Hugo Sayekers said operating costs were contained at the inflation rate.

The company proposed a redemption of the minority shareholding in Norimex at 745c a share — equivalent to the net tangible asset value — and the delisting of its ordinary shares on the JSE — Sopa.
Large capex projects sidestep recession

THE recession has not affected the multibillion-rand capital expenditure (capex) programmes of the major listed petro-chemical companies, but smaller chemicals groups have not been so lucky.

The petro-chemical giant Engen's capex programme — which was based on forecast volumetric growth over the next two to three years — had not been affected by recession, Engen spokesmen said yesterday.

The group had recently completed an approximate R700m expansion at its Genref refinery while another possible R1.7bn could be spent on the second phase of the expansion over the next three years. Other capex this year included R130m to change the Mobil brand name to Engen.

Sasol media manager Lee-Anne Goodman said planned capex had not been delayed in spite of low economic activity. The group planned to invest more than R5.6bn over the next two years on 10 projects.

These included krypton and xenon extraction, an anode-cathode project, an alpha-olefins purification facility, an amonia plant, an acrylic plant in partnership with the IDC, upgrading of the Natref refinery, a shortpath-distillation unit, a catalyst plant, wax production expansion and expansion of the Sigma opencast mine.

A stock exchange analyst said the extent to which the recession affected capex in the petro-chemical sector depended on when the go-ahead was given for a new project Capex for Sasol and Engen was probably planned and budgeted for before the full extent of the recession was known. They also benefited from a virtually recession-proof source of cash from fuel sales, he said.

Meanwhile, Manré's divisional MD Bruce Murray said capex would be much lower than the budgeted R13m this year. It would be at about R9.5m because of the poor economy.

Most would be spent completing the two-year R7m sulphonation plant started early last year.

Chemicals, plastics, foodstuffs and rubber producer Sentrachem last year completed a four-year R830m expansion and refurbishment programme. The financial effects of the programme combined with the downturn affected group profits in 1991.

MD John Job said a recession nearly alway affected on capex which was currently at a reduced rate.

Chemical, explosive, fertiliser and seed producer Omnia Holdings also reached the end of a three-year R50m investment cycle at the beginning of 1992, culminating in the commissioning of a R12m explosives factory in January, said its deputy-chairman, Michael Pearfield.

AECI spokesman Robbie Vermont said the group's planned capex in 1992 would be virtually unchanged over last year's R210m, but would be lower next year. AECI had plenty of surplus capacity in some areas due to the recession, much of which was being exported, he said.
SONDOR FM
25/5/92
No relief in sight

Sondor joint MD Roba Marx reckons Sondor mirrors the condition of secondary industry in SA. Demand for the closed cell plastic and rubber products it produces as a base commodity for industrial uses, waxes and wanes according to the state of the economy, he says.

On that basis, Sondor did reasonably well in fiscal 1992, when industry earnings generally were collapsing. Though EPS fell 17%, they include a substantial, undisclosed, but expected amount related to relocating newly acquired Fife Tape Converter's operations to Sondor's branch premises around the country. This included modifying production, marketing and accounting procedures to match with those of the group. Without these costs, says Marx, EPS would have at least equaled those of 1991.

Three other points of interest arise from Sondor's 1992 annual report. Firstly, the balance sheet shows a substantial increase in shareholders' debenture account. This arose out of a scheme of arrangement in July last year to issue debentures that would replace existing distributable reserves of the company.

Secondly, should the Receiver of Revenue rule that tax allowances on film investment partnerships are to be retrospectively disallowed, it could hit Sondor hard. The company has raised a contingent liability for R7,8m. Marx expresses guarded optimism that the investment will qualify for the tax relief claimed.

Third, as only 8.8% of the ordinary shares are held by non-executive directors and the public and are seldom traded, this information is little more than academic to the stock market.

Marx reckons Sondor's trade in the past two months has slumped. Judging by the sentiments expressed to the FM in recent weeks, that is an accurate reflection of the current state of secondary industry throughout the country.

Since there does not appear to be any short-term relief on the horizon, the position does not bode well for Sondor's performance in its 1993 fiscal year.

Gerald Heien
Bavarian firm wins R370m Sasol contract

JOHANNESBURG — Sasol Ltd said yesterday it had awarded the first phase of its Alpha Olefins contract for the engineering and contract management to a Bavarian firm, Linde AG. The first phase would be responsible for the production capacity of 100 000 tons per annum at a cost of R370m. It will come on-stream by mid-1994 at which stage the timing and size of phase two will be considered. The eventual total capacity of 450 000t per annum of the Alpha Olefins 1-pentene and 1-hexene will make Sasol the dominant player in the market. The Alpha Olefins purification facilities will be constructed at Secunda from where most of the final product will be exported. Reuters
AECI to close R30m-a-year CFC plant

MEREDITH JENSEN

IN a move that could cost the gold mining industry R300m over the next decade, AECI said yesterday it would close its chlorofluorocarbon (CFC) production plant by the end of 1996 to comply with the Montreal Protocol.

The protocol, signed by CFC producers worldwide, concerns the phasing out of CFCs.

AECI has been the sole manufacturer of CFCs R11 and R12 in SA, realising R30m a year in revenue from sales.

The mining industry, which accounts for 10% of SA’s annual CFC consumption, would need to convert its existing refrigeration units to use R134a, the new ozone-friendly replacement gas.

Anglo American confirmed yesterday it had successfully converted one of its above ground refrigeration units at Vaal Reefs, the first such modification to be done in SA.

Anglo environmental engineer Dick Stroh said the conversion was a trial run.

Stroh said the necessary technical expertise had been developed in-house, funded by the group’s gold division.

He said plans for an underground conversion were under way at Western Deep Levels.

Frank McGunness, AECI manager for fluorocarbon development, said “present CFC users would be forced to pay a premium for the replacement gas. The R60-a-kilogram cost of R134a was five times the cost of R11 and R12.”

He said AECI would import R134a from ICI in the UK in order to replace its CFC industry “As larger quantities are imported, the price is sure to come down.”

Stroh said “It is a cost which the gold mining industry cannot afford, but which is unavoidable in order to comply with the Montreal Protocol.” He estimated the cost of conversion for Anglo’s gold mines alone could be as much as R4bn.

Because CFCs were needed as an refrigerant...
Quality remains the key to taking on world markets

By FRED ROFFEY

Several Western Cape companies have been strenuously adapting and improving their quality control systems so they can obtain the SABS/ISO 9002 listing to enable them to compete more effectively on local and international markets.

One of the latest is Atlantis-based Eversteel, the only company of its kind to secure the South African Bureau of Standards stamp of approval.

The company repairs and tests liquid petroleum gas (LPG) and other gas cylinders.

Its owner, Willy Everett, said working towards the listing was a demanding exercise, requiring an ongoing effort from management and staff, but it was already paying dividends.

"Turnover has doubled, as our production has become more efficient."

"The listing is also a valuable marketing tool — obviously companies prefer suppliers who guarantee them a commitment to quality management and excellent service."

Eversteel has been operating for 22 years, and all the major gas companies such as Engen, Sasigas, Trek, Afrox and BP are among its customers.

It recently secured a big contract to repaint some 100,000 Mobul LPG cylinders with the new Engen colours and logo.

The first paint company in the Western Cape to qualify for the SABS/ISO 9002 listing is Plascon Paints.

Paul Kretzel, managing director of Plascon (Cape), based in Epping, said the listing guaranteed quality management and control throughout the production and delivery processes. Reassessment would be ongoing.

"The award will make it possible for Plascon to compete internationally because it works off internationally recognised criteria," he said.

Many of Plascon's clients were now trading in international markets and it had been from them as much as anyone that pressure to meet stringent world standards had come.

Mr Kretzel added this specially applied to avoiding the use of any materials or products which in Europe or the USA were now regarded as unacceptable.

"Everyone has to understand they carry the responsibilities for their particular work — and they must report back at once if standards are not being met."

"This improves their job satisfaction and status and gives them a clearer idea of the vital part they play in the production process," said Mr Kretzel.

Nederburg of Paarl has also received the listing for its quality assurance and management system.

This involves a fully documented job description for every person and process, which not only ensures that specified standards are adhered to but makes sure that excellent training manuals for every aspect of the operation are always available.

This thoroughness is maintained, as the SABS continues to monitor performance.

The SABS grading has little influence on the wines produced at Nederburg, as this remains in the hands of the winemaker.

"However, all the backup systems enhance our productivity and in the end the product has benefitted," said managing director Ernst le Roux.
Eskom gives union voice

JOHANNESBURG — Trade unions will effectively be given a say in decision-making through a mechanism now under negotiation with South Africa’s giant electricity supplier Eskom.

Reported by Staff Reporter, Own Correspondent. Sowetan 42 and 44.
Activities: Manufactures chemical compositions and effluent treatment plants. Provides cleaning and pollution control facilities to power stations and heavy industry.

Control: Directors 74%.

Chairman and MD: R.S. Prince.

Capital structure: 10m 1/4s. Market capitalisation R1m.

Share markets: Price 10c. 12-month high, 23c, low, 10c. Trading volume last quarter, 56,000 shares.

Year to Feb 28  99  90  91  92
ST debt (m)  0.33  2.3  2.7  2.3
LT debt (m)  0.27  0.72  0.41  0.41
Debt/equity ratio — 2.81  1.62  2.02

Shareholders’ interest  0.48  0.15  0.23  0.21
Int. & leasing cover — — 3.5  0.08

Return on cap (%)  18.3  —  17.7  1.1
Turnover (m)  9.6  15.6  16.1  13.8
Pre-Int profit (m)  1.0  (1.1)  1.3  0.07
Pre-int margin (%)  10.5  —  8.0  0.5
Earnings (c)  5.2  (15.2)  4.1  0.01

Dividends (c)  2  —  3  —

Net worth (c)  25.9  10.7  16.7  12.3

Spicer-Mitchell closed its doors last year and offered its capital assets for sale. Its labour force, initially redeploed into other group companies, was retrenched. After the closure of the wholly owned subsidiary, Spicer's turnover dropped by 15% and operating income tumbled 95%. The delay in disposing of the construction company’s major capital assets from the discontinued operations is inhibiting liquidity.

Theoretically, once the assets are sold, the interest bill should come down and the company should return to profitability. However, much depends on flagship Rohr Rein Chemie, which generated the bulk of group revenue. It also experienced difficulties last year. A large contract delayed in the initial stages had to be completed at an accelerated rate to meet schedules.

Though compensation was received, the additional financial costs and operating expenditure incurred far outweighed provisions. The chemical cleaning subsidiary has completed its work on the Mossel Bay contract, new contracts include those at Sasol 2 and 3.

Another problem area is SSS Engineering. Though it was restructured during the year, financial director Peter Wheeler says that company has “virtually come to an end” and its future “looks bleak.” He says significant revaluations have been made and more jobs will be lost.

This year, Wheeler says, will be a question of survival. Spicer-Mitchell needs new business and costs can only be cut so far. The share price is at a 12-month low and Spicer's track record is too unstable for most investors — but a takeover should not be ruled out, a bid fell through in July.

Kate Reston
R100m hand-out for oil refineries

By KEVIN DAVIE

The Government will pay R100-million this year to the oil companies for doing nothing.

Known as synthetic element payments, they began in 1984 when the commissioning of Sasol Two and Three caused the oil refineries to cut production by an estimated 40%.

Growth in fuel demand has since caused oil companies to produce at near capacity — all SA refiners have announced plant extensions and upgrading. But the synthetic element payments continue.

A Mineral and Energy Affairs spokesman says the refineries mothballed plant when Sasol Two and Three came on stream. They began de-mothballing last year. Some products are produced at capacity, others are not.

Formula

The Government is negotiating to increase the synthetic element payments by an estimated R35-million because the oil companies will soon distribute Mossgas fuel.

The Department of Mineral and Energy Affairs confirms that the synthetic element payment, funded by the motorist through the fuel stabilization fund, will amount to R80-million this year. Another R15-million will be paid because last year's payment should have been R106-million.

But only R106.3-million was paid.

The payments began in 1984 when R97-million was paid in the second six months. Since 1985 payments have amounted to R960-million, according to the Auditor-General’s latest report.

The Department of Mineral and Energy Affairs says the payments were reduced to present levels “when natural market demand increased.”

Spokesman Lorens van den Berg says growth in the total local market is still not equal to production from Sasol Two and Three.

“The synthetic element is still payable in terms of this formula.”

Mossgas managing director Bernard Smith says an agreement has been concluded whereby the oil industry will act as marketers of his company’s products. The agreement — which he declines to disclose — will be signed soon.

Mr Smith says the oil companies are discussing with the Government the possibility of receiving the same payments “they have historically received with respect to take of Sasol synthetic production.”

The formula used for the synthetic element payment is secret, but one industry source estimates that Mossgas will produce about 50% of Sasol’s synthetic production. This means that the oil companies will receive about R35-million annually for production losses because of Mossgas.

A confidential document by the petro-chemical and oil industries estimates that the average penalty to the oil refineries in taking Mossgas would be 6c a litre of Mossgas fuel.

The Central Energy Fund’s Danie Vorster says agreement has been reached in principle that Mossgas will receive the m-bond landed cost (IBLC) for its product at the port of delivery. The IBLC is calculated by taking Bahrain and Singapore refiners’ prices and adding the estimated cost of shipping refined products to SA (about 11% of the IBLC).

It is reliably reported that this “in principle” agreement was reached after more than a year. The oil companies refused to discuss the issue with Mossgas because Mossgas would benefit only one of the oil companies (Engen) while causing cutbacks at other refineries.

Mr Vorster says the issue of the oil companies receiving the synthetic element payment has not been resolved.

“Discussions are continuing.”

Mr Smith expects Mossgas to be in full production by mid-1993. It will reach 50% of production by the year end. Some diesel has been produced, but it is from condensate and not gas.

The condensate is converted into diesel through a single process. But gas has to go through 25 processes to be converted into fuel.

Mr Smith says the diesel in Mossgas storage tanks should be delivered to the market in the fourth quarter of 1992.

The oil companies will take Mossgas products in relation to their national market shares.
Nuclear fuel wastage

By GIARAN RYAN

AEC does not disclose the cost of developing the enrichment facility, but it is estimated at more than R1 billion.

Nearly 70% of the Department of Mineral and Energy Affairs 1991 budget of R1.07 billion was spent on nuclear energy.

SA's strategic industries have been identified by Reserve Bank Governor Chris Stals as a key reason for SA's economic woes. Finance Director-General Gerhard Kroesen has indicated that there will have to be reduced support for these industries.

Export prospects in a market glutted by production from the former Soviet Union look dismal. AEC exports a small amount of enriched uranium.

Uranium spot prices touched a post-war low of $7 a pound in 1981, but firms this year.

AEC is negotiating with the Government as to who is responsible for repaying more than R450-million in loan stock issued more than a decade ago for the development of the nuclear industry.

AEC signed the Non-Proliferation Treaty in 1961 and is in theory bound to reduce its reliance on State assistance for about R450 million. The money will be used for operational expenditure. More than R250-million will go to offset the costs of producing nuclear fuel for Eskom. R250-million to technology development, R250-million to commercialized businesses and the balance of more than R100-million to run head office.

The R413-million in State funding — excluding loan repayments which are not disclosed — will generate sales of R150-million in the current financial year.

AEC says nuclear fuel sales will fall by 25% from R90-million in 1992 to R65.5 million in 1997.

The book value of AEC's assets is R600-million. The cost of the plant is unknown. But the assets are heavily marked down because the nuclear plant has a low resale value.

AEC employs about 3,400 people — down from 8,000 in 1986. It has embarked on a rationalisation and commercialisation drive to reduce State funding to R250-million by 1997, all of which will be spent on making nuclear fuel.

AEC's public relations manager Nic Lutjeharms says the uranium enrichment process will require continual State funding. But a cost-effective laser enrichment process is being developed.

"In 1995 we will have to decide whether we switch to uranium enrichment using the laser process. That will be much cheaper. We will only go ahead with uranium enrichment using the laser process if that is the cheaper process," Lutjeharms said.

Mr Lutjeharms cannot say how much the laser process will cost to install.

"The nuclear business demands a long-term approach — 10 to 15 years. Given the lead time for five years and the over-supply in the market, one should get out of the business," Lutjeharms says.

"In the longer term there are indications of an upturn in sales. But in the long run, such cases the returns will be lucrative." Lutjeharms says.

"Once the industry is closed down in SA, it can never be started up again." Lutjeharms says.

Mr Lutjeharms says AEC has the capacity to supply two nuclear power stations with fuel. Pemabuda has a capacity of 300 tons of "separative work" a year. Mr Lutjeharms says AEC's plan is to quadruple that from R44-million in 1992 to R157-million in 1997.

The group's industrial businesses, all focusing on high-tech markets, will be profitable within two years, generating sales of R150-million by 1994.

Mr Lutjeharms says there will be no cross-subsidisation of nuclear fuel by the business division. Indirect costs will be recovered by individual businesses and capital expansion will be funded through open-market transactions.

Dr Kroesen says the money "could have been spent in developing other forms. For example, the gas at Mossel Bay could have been used to fire an Eskom power station at very low environmental costs, rather than trying to process the very expensive liquid fuel which will not be economic."

"The country has surplus generating capacity, but Koeberg alleviates pressure on coal-burning power stations in the Eastern Transvaal. This reduces pollution, but the cost is high."
AECl restructures operations

AECl was restructuring its fertilizer, explosives and plastics operations to counter the effects of the recession, public affairs spokesman Mike Blizzard said yesterday.

The ammonium-based chemicals division, which contributed 34% of AECl's R5.3bn turnover in the 1991 financial year, had been restructured into separate business entities, he said.

The explosives business had been set up as a separate entity and the ammonium-based chemicals had been aligned with agricultural products, the largest user of ammonium feedstock.

The chlorine-alkali division, which in 1991 contributed 27% of AECl's turnover, was being divided into four operations to make it more focused and closer to its PVC polyethylene, chemical and mining reagent customers.

The restructuring had resulted in many jobs being realigned although a small number of employees had been retrenched.

Yesterday the group's shares remained untraded and held firm at an annual low of R6.40 from a high of R11 last October.

A stock exchange analyst attributed the poor share price to the group's vulnerability to depressed markets and its poor earnings track record.

In the year to end-December 1991 earnings a share dipped to 12c from 15c in 1990 and from 20c in 1989.

The analyst said the group's explosives business was affected by poor economic conditions in the mining industry, its fertilizer business by the continuing drought, and its plastics operations by low world plastic prices.
FORIM HOLDINGS

Changing business

Activities: Property investment and the manufacture of pharmaceuticals and similar products
Controls: Forman/Gelbart family
Chairman: H R Levn, MD M Gelbart
Capital structure: 35,858m ords Market capitalisation R10,7m
Share market: Price 30c Yields 6.7% on dividend, 11.0% on earnings, p e ratio, 5.1, cover, 1.7, 12-month high, 50c, low, 30c
Trading volume last quarter, nd
Year to February '89 '90 '91 '92
ST debt (Rm) n/a n/a 5.2 7.3
LT debt (Rm) n/a n/a n/a 1.0
Debt/equity ratio n/a n/a 0.25 0.48
Shareholders' interest n/a n/a 0.73 0.83
Int & leasing cover n/a n/a n/a 11.8
Return on cap (%) n/a n/a 7.2 8.7
Turnover (Rm) 2.3 2.6 2.4 2.18
Pre-ent profit (Rm) 1.6 1.6 1.2 2.3
Pre-ent margin (%) n/a n/a 50 10.4
Earnings (c) 2.0 2.1 2.5 3.3
Dividends (c) 0.98 1.1 1.3 2
Net worths (c) n/a n/a 43 46

*Pre figures from transmuted listing statement

The problems of rating second-line, thinly traded stocks are well illustrated by Formin, whose share price is 40% lower than when the FM reviewed the 1991 report, in spite of useful advances in both earnings and dividends and an apparently successful diversification. And, unusually in this ever-more deeply binging recession, these improvements come after a marginal decline at half-time.

Chairman H R Levn says the historic property division remained fully let. As there is only one bond, of R120 000, it was not hit by high interest rates. Little is said about the newly acquired pharmaceutical and allied interests, other than that — though some are apparently still loss-making — overall they made an immediate contribution to profit.

The expansion and change in composition of the business led to higher borrowings and tighter ratios, but the financial position still looks reasonably comfortable.

BROADER BASE

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<tr>
<td>Taxed profit (R'000)</td>
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</tr>
<tr>
<td>Net assets (Rm)</td>
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Formin is to buy in the 35% minority interests in the chemical interests, as well as companies owned by the controlling families that provide administration services to subsidiaries. This will be met by the issue of up to 6,35m shares (depending on the fulfilment of profit warranties) at 40c. The documentation says that, had the transactions been effective throughout last year, EPS would have been 3.7c, this year, on the warranted profits, these would become 4.1c.

Note also that, on figures provided last year, revaluing the properties at replacement cost would add 45c a share to reported NAV.

Levin is optimistic that earnings should improve this year MD Meyer Gelbart confirms that there's considerable scope for enhancing profitability of the new interests.

On any intrinsic yardstick, the share looks undervalued, but if you can't deal (only 27 000 shares have traded all year and, because of the low price, the company has still not implemented undertakings to broaden the spread of share ownership given on the reconstruction, almost two years ago), intrinsic value is irrelevant.

Michael Coulson
Foskor holds mystery stake in fertiliser firm

THE mystery surrounding control of Indian Ocean Fertiliser (IOF), a major exporter of phosphate products which bought the defunct Thomson Fertilizer plant in Richards Bay in 1987, has been solved.

Foskor, which provides phosphate rock to the three major fertiliser suppliers in South Africa (SA), has a 30% stake in Indian Ocean Fertilizer Holdings (IOFH), which controls the operating company IOF.

Office Togolaise Phosphate (OTP) holds the rest OTP is a major competitor in the international phosphate market with Foskor.

Rights

IOF is perhaps the only fertiliser manufacturer with large-scale export ability.

Last year, IOF exported 120,000 tons of dry fertiliser and 180,000 tons of phosphoric acid, adding about 30% to the raw-material value.

Much of this went to countries in Africa.

When IOFH bought the Richards Bay plant from Togolaise, it was a member of the UK-based IOF group. The purchase price was believed to be R106 million, but was not disclosed.

Being foreign-owned, it was prevented from selling fertiliser products to SA market.

Foskor subsequently acquired a 30% interest in IOFH and increased it to 60% after a rights issue. Foskor is reluctant to discuss the interest held by OTP.

In May 1997, SA-registered Agriland entered the domestic market, which it says increased the granulation plant from IOFH. It had intended to take a market share of about 10%, or 200,000 tons.

This sparked a price war in the industry.

Two months later, Agriland announced it would close because of loss of funds. Sales already concluded through co-operatives, would be met by ABC's Kynoch Fertiliser.

Belt

IOF exports to Australia and the Far East and is investigating destinations in South America and the east and west coasts of Africa.

In its first move to increase its export capability, IOF has installed a 112,000-square-metre conveyor-belt system at its Richards Bay plant. It will load bulk phosphate fertilizer directly into ships.

In the past, rail trucks were used to move the product from the plant to the harbor. This restricted the use of large ships. It was also more expensive.

IOF's chief executive officer, Mike Malan, says the belt means an expansion of IOF's granular fertilizer export capacity, using bigger ships to reduce transport costs.

It is expected that shipments of diammonium phosphate (DAP), monoammonium phosphate (MAP) and triple super-phosphate (TSP) will be increased by about 70% from 70,000 tons a year to about 120,000. The value of sales will rise by about R96 million. The level of current sales is unknown.

Fall

Foskor says its preliminary report for the year to June that the progressive lifting of sanctions will underpin a renewed export drive by the industry.

"The company has proven its capability and expertise to compete successfully."

Foskor increased sales of phosphate rock by 23% in the year. Sales to domestic converters for the manufacture of phosphate products rose by 42%.

Mr Da Silva says that once new markets are opened, production will be increased from 200,000 to 400,000 tons a year.

The international market, however, is extremely weak and prices of major phosphate products have fallen sharply since 1991.

Foskor says world sales have plunged from 47 million in 1988 to 31.5 million tons in 1991.
Pharmaceutical firms outstrip industrial shares on the JSE

DUMA GOUDBULE

PHARMACEUTICAL companies' shares have performed better than industrials since the start of the year, the sector index having gained 12% in a declining market.

The thinly traded index shares, Adcock Ingram, SA Druggists and Premier Pharmaceuticals (formerly Tvensa), are trading on an average dividend yield of only 2.2%—one of the lowest on the JSE.

Industry heavyweight Adcock Ingram was recovering from negative publicity incurred last year by subsidiary Sabax. Restructured Premier Pharmaceuticals' share price tripled in the past year after better results following restructuring. SA Druggists' (SAD's) share price was relatively stable in the past year, but a recent upward movement suggested a re-rating could be on the way. SAD was bought by Mailbok a year ago, but most of the changes were over, said CE Peter Benningfield.

Analysts say Adcock Ingram, which has increased earnings by more than 30% a year since 1995, is set for a period of modest growth in the next few years.

Results for the half-year to March showed earnings a share up 18%. An analyst said full-year profit should show a similar increase. Looking ahead, he said the squeeze on consumer spending and the opening up of the local market to foreign competitors would produce less spectacular results. The outlook for the Adcock share—already on a 1.5% dividend yield—was less exciting than that expected for SAD and Premier Pharmaceuticals.

SAD, another analyst says, is where Premier Pharmaceuticals was two years ago in terms of restructuring. If this bore fruit, its share prospects could be exciting. Premier Pharmaceuticals, he says, may see higher earnings in the medium term. Although the share has soared, the company is not at the end of re-organising.
Medhold keeps position

AS STATE hospitals cut spending, medical supplies group Medhold saw turnover drop marginally to R16.5m for the year to end-June 1992 from R16.6m in the previous year.

Although earnings a share came in on forecast, rising slightly to 5.8c from 5.4c in 1991, dividends a share remained unchanged at 5c.

Financial director Jasper Simon said the group offset the effect of this lower public spending on turnover by actively seeking new markets and improving its margins.

"Medhold is also more broadly based as a result of four acquisitions in 1991, which reduced our reliance on the medical sector," he said. Income before tax rose 16% to R1.7m from R1.47m last year as the group cut staff costs and derived post-acquisition economies.

"We are leaner in terms of people and have completed rationalisation."

However, a higher tax bill eroded most of the pre-tax gains. After-tax earnings increased only 6.8% to R951 000, compared with R890 000 in 1991.

"Medhold has used up the majority of previous assessable losses."

"Provided the political scene sees steady progress, earnings a share in 1993 should be no less than 6c — with good growth coming from the manufacturing division," Simon said.
Unemployment

The computer system in the factory was

unemployed.

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GOVERNMENT PROBES JUBL PRICE DEPRECIATION

COMPANIES
Loss-making Omnia to pay dividend

By Stephen Cranston

Despite a R1.5 million loss in the interim period to June, Omnia will be paying a dividend to be announced after the December 1 board meeting.

Deputy chairman Mike Fearfield says two-thirds of fertiliser sales take place in the second half to supply the maize season.

Inventories have been running high, with more than 40,000 t of fertiliser in stock. Finance costs for the period were R12.2 million (R10.8 million in the first six months of 1991).

Turnover was virtually unchanged at R167 million.

Selling prices were under pressure because Sasol reduced list prices by 20 percent when it withdrew from direct selling of fertiliser, but there was a reduction in the input cost from imported raw materials, so the gross margin was constant.

Omnia has no plans to increase fertiliser capacity and plans to lift profits in the future by diversifying further into industrial chemicals and specialty explosives — it already has the licence for explosives best suited to open-cast mining.

Opportunities for fertiliser sales will be available, however, if Zimbabwe and Zambia close their uneconomic capacity.

Mr. Fearfield says that information from the weather satellite of the international grain trader Cargill indicates that climatic conditions have begun to normalise.

An end to the drought, in combination with a government aid package to farmers, should result in a good maize-planting season, which in turn should generate strong demand for fertiliser and seeds in the second half, he says.
Surge of optimism

When Farm-ag last reported results, it was over-borrowed and making losses. Yet the share has been the JSE’s fourth best performer this year, the price has more than doubled in the past nine months and is trading at a 12-month high of 650c. Because of a change in year-end, preliminary results due within a fortnight will cover the 18-months to end-August. Significant changes have occurred during the period.

Interests in Bearing Man, Union Drug and Pumptrade have been sold and financial director Richard McElligott says two of the three remaining investments, Hacks and Harvest Chemicals, will be sold too. All that remains is 50%-held Sanachem, which was sold two years ago to Sentrachem with the effective date of sale February 1995. At that point Farm-ag will become a cash shell.

Assets sales have enabled substantial reduction in gearing, which was 174% in 1991. Financing costs were further reduced by conversion of R14m debt into preference shares. Interest-bearing debt now totals R20m, against R139m in November 1989.

Export sales growing

Sanachem’s after tax profit for the year to February totalled R20,8m (1991 R5,2m) and exports sales reached R88m. McElligott says the aim is to double the export figure in fiscal 1993. Half the profit and a minimum dividend income of 17,5% of Sanachem’s taxed profit will accrue to Farm-ag.

The last published results, interim for the six months to end-August 1991, showed a loss of 28,1c a share. The price was then 180c. Since then, it has climbed steadily, mostly on low-volume sales. Rate Holdings, which has 67% of Farm-ag, has performed similarly.

Some investors have been taking an increasingly bullish view, apparently on the anticipated 1995 payout, though results were last published in December 1991.

Kate Rubicon
Foreseeing a disaster, or a new government

During the Seventies, when oil was selling for US$27 a barrel, Ari de Geus asked his line managers at Royal Dutch Shell to play along with a little game. What would you do, he asked, if the price fell to $13 a barrel? The idea seemed preposterous. After all, they were planning for the days of $35 a barrel. But to humour De Geus, they discussed the unlikely scenario.

Needless to say, when the oil price crashed to $9, Shell was prepared.

Rather than relying on a forecast, which is as good as relying on a crystal ball, scenario planning attempts to outline all the likely social, economic and political outcomes and with SA’s volatile environment on those scores, it’s no wonder that scenario planning and its sibling, business continuity planning, have caught on here.

Paul Aucamp, business strategy practice leader at the Business Futures Group, explains the difference between forecasts and scenarios. “Forecasts are extrapolations of the past. Scenarios remove the tendency to attempt to walk backwards into the future.”

The biggest drawback to using scenarios is that designing them and estimating their probability is time consuming. Also, scenarios tend to reflect their designers’ wishful thinking or subjectivity.

But the big advantage of scenario planning is that it makes people consider possibilities that they would otherwise shrug off. “If the unexpected happens, you’re better off than your competitor who never even discussed the scenario,” says First National Bank’s Andrew Lamden.

Business Futures Group’s Michael Olivier believes there are three pillars on which any scenario in SA depends: the political process, violence and the state of the economy. Though each factor exerts its own influence, the interplay between them exerts an equally powerful force.

Olivier has developed a range of scenarios based on various combinations of the three factors. For instance, he matches up a democratic outcome of political negotiations and decreased violence against the effects of a market-driven, a mixed or a socialist economy. By changing one of the variables, other scenarios emerge. And, for each one, businesses can plan accordingly.

Yet the point of the exercise is not the scenario itself but the broadening of top management’s vision. Scenarios are better used “to highlight critical issues and to identify the environment’s driving forces than to forecast the future,” says Absa strategist Clive Brummer.

While scenario planners are trying to figure out how to grow the business whatever the future brings, business continuity planners are suggesting ways to keep the business up and running when disaster strikes. Though business continuity planning also uses scenarios, the chief difference between the two disciplines is that one plans for new and expanded business opportunities while the other safeguards against losing existing ones.

There is, however, some overlap. “In the mining industry, for instance,” says Hendrikz, “we recognise the value to a company of R&D at a time when money is tight. The point is that part of its survival strategy is to be ready and positioned for action when the upturn comes.”

Trade & Industry and Finance Minister Derek Keys told a similar story recently. When he set up his own part-time financial consultancy in 1965, his first client — a manufacturer of agricultural machinery and equipment — had been hard hit by the worst drought in more than 30 years. “I have had a 27-year career on the fact that as a financial consultant, I gave my client the courage to plan for the upturn,” he said. “The company rationalised and restructured — in time to reap the benefits when the rains came.”

When it comes to continuity planning, run-of-the-mill disasters such as floods and fire come to mind immediately. Planning for less obvious ones is harder. Therefore, an important part of any investigation begins with a study of an enterprise’s most vulnerable spots.

Nevertheless, “identifying the cause of a potential problem is not enough, you have to look at its effects,” adds Hendrikz, whose company works with a methodology reliance upon by many UK- and US-based multinationals.

The process involves looking at the business’s entire product line, identifying which is the most important and therefore the most vulnerable — and formulating a “Plan B” in the event of a disaster. The art is to anticipate not only what might go wrong, but also where, when and how.

Hendrikz stresses that business continuity planning concentrates not on short-term losses of profits, but on the longer view of providing for contingencies when an enterprise’s continued existence is threatened. In the motor industry, for example, he explains that at a typical plant that produces, say, 10 models, it is most probable that three or four of these are responsible for about 70% of income. These lines are therefore the ones that should receive special attention.

Another area of vulnerability might be the spraying of vehicle bodies because it represents a critical phase in the production process — no further work can take place until a painted body is delivered to the production line. “The sprayers are thus in a position of power. One way to make the rest of the plant less vulnerable might be to make paint spraying an autonomous division, which could then contractually bind itself to purchase quotas.”

Disasters are not always government’s problem,” he says, “and it cannot be held responsible for an individual business’s ability to remain in business when disaster strikes. The current recession is an example, so are the widespread strikes of the past few months — businessmen have to take the initiative to see that they remain in business across the stoppages.”

B8 • FINANCIAL MAIL • SEPTEMBER • 25 • 1992
Fedgas acts on demand for nitrogen

MOBILE nitrogen gas generators have been introduced to the Western Cape by the Fedgas gas applications customer services department.

This is in response to one-off demands for nitrogen in applications such as silo fire-fighting, pressure testing and inertblanketing.

One of the first applications for the mobile gas generator was providing nitrogen for the controlled atmosphere packing and storage of apples for export at Elgin.

"The mobile plant is specially designed to provide cost-effective solutions to problems where short-term gas supplies are required at short notice or in response to emergency situations," said Fedgas gas applications department manager Mike Bee.

"This particular unit represents an investment of more than R1-million and it is providing solutions to difficult gas supply logistics problems, particularly in situations where there is urgency."

The gas generator plant, which has a nominal capacity of five tons a day, can also be used in a host of applications where nitrogen in purities ranging between 93 and 99 percent is required over the short term.

Other services provided by the customer services department include consultancy on installations and equipment from concept and design to commissioning, and the supply of locally manufactured gas control systems and ancillary equipment.

"The equipment includes liquid nitrogen tunnel freezers, batch freezers and in-transit refrigeration units, oxy-fuel burners and control systems, and gas mixing panels for heat treatment and welding."

"In providing equipment and know-how for the solving of one-off problems, the mobile gas generator has considerably boosted our capabilities and flexibility in this important customer services area," said Mr Bee.

Fedgas is also offering Western Cape industry a nitrogen testing and purging service to companies which either commission new chemical and process plant or performing shutdown maintenance work.

In similar contracts it has supplied and installed liquid nitrogen tanks and vapourisers for AECI and SA Breweries in other parts of the country.

Both companies carried out plant extensions and required high purity nitrogen for pressure testing and purging programmes.

Fedgas is able to supply temporary installations and tanks with storage capacities ranging from 110 to 22,000 cubic metres of nitrogen.
Depressed economy not expected to floor Safren

CAPE TOWN — The economy would probably remain depressed throughout the next 12 months but Safren expected to achieve "acceptable" earnings in the year to end-June 1993, deputy chairman and CE Buddy Hawton said in the group's annual report.

He noted that uncertainty over the political future, violence and disruption were creating severe difficulties for business.

Chairman Alistair MacMillan said "It will be extremely difficult to achieve a satisfactory growth rate until such time as an acceptable political and economic framework is in place."

The slowdown in negotiations had exacerbated the recessionary conditions and MacMillan emphasised the importance of all parties realising that without wealth creation there would be no wealth to distribute.

Safmarine's shipping activities were expected to experience difficult trading conditions as a result of the continuing recession in SA and the lack of growth in world economies. The company was nevertheless well placed to take advantage of increased cargo volumes when local and international economies entered their next growth phase, he said.

Safmarine's interest in airlfreight through Safair was expected to grow and take advantage of the opportunities arising in sub-Saharan Africa.

Regarding Keras, Hawton said the initial months of the new financial year had shown no respite from difficult trading conditions.

However, if trading conditions did not deteriorate further, acceptable earnings should be achieved this year, especially as Keras's major new developments would be completed by December.

Hawton hit out at "the seeming inability of the authorities to counter effectively the many casinos now operating throughout SA" and said the expansion of unregulated gaming was seriously undermining the casino industry.

Rennes would benefit this year from the imports of food for drought-stricken southern Africa.

Hawton said improved efficiencies, further rationalisation and an emphasis on cost management would contribute to the results.

"Rennes Group's strong balance sheet provides it with a base for further investment opportunities," Hawton said.

The Safren group as a whole had cash resources of R182m.

Safren had authorised capital expenditure of R44m for the next few years, in addition to the R1,2bn spent last year. Safmarine would spend R32m this year on ships, containers and aircraft, while hotel resorts would be refurbished.

Last year Safmarine spent R28m on a container ship, the Orange, and expected to take delivery of three more ships in the coming year. Keras spent R200m on The Carousel and R39m on The Palace and Lost City last year.

Hawton said Safren's balance sheet remained sound with total shareholders' funds increasing by about 31% to R655,8m.

The debt to equity ratio of 26% was in line with expectations, though higher than last year.

Fixed assets had increased by R1,077m, financed by a combination of fresh capital, retention of earnings, and increased borrowings.

Returns on operating assets shipped to 27.5% (34.2%), on total shareholders' funds to 26.4% (31%) and on ordinary shareholders' funds to 26.5% (29.8%).
Household name for 100 years

There cannot be too many South Africans who are unfamiliar with the name Plascon. But, then again, not too many are aware that this company, whose products are literally a household name, is more than a century old and today is one of the large international players in the coatings market in a national sense.

Plascon is involved in virtually every coating activity. While its international competitors tend to specialise, it is highly diversified, in keeping with the needs of the SA market.

Take beer can coating for example. That’s a Plascon product. Also bottle-top coatings, furniture, leather, cars, aircraft and ships coatings.

Then there are paper coatings, powdered coatings for household appliances, industrial finishes for everything from wheelbarrows to Sasol’s hi-tech petrochemical plants.

The job these coatings are called upon to do is tremendously demanding.

Consider the coating on a car body for example. That 150 microns of coating is expected to protect the car’s body against all weather conditions for up to 30 years!

In the public eye, however, Plascon is synonymous with decorative coatings – products like Double Velvet, Wall and All, Mecatex, and Velvagio.

Plascon dominates this market, with about 60 percent of sales.

But Plascon is not sitting on its proverbial laurels. Plascon’s managing director, Neville Peterson, describes with enthusiasm the fact that the company’s factories are being modernised.

Last year this involved capital expenditure of about R20 million and this year there will be another R12 million investment. As part of this programme the Johannesburg Decorative Factory has been expanded to produce 3 million litres a month of decorative coatings.

Moreover an export strategy has been implemented and exports grew exponentially by about 200 percent last year.

Plascon believes its “natural” market is Africa and is already involved in countries such as Zaire, Zimbabwe, Mauritius and Angola.

One thing to emerge from these forays into the export market is the fact that technology and quality wise, Plascon can compare very well with its international counterparts.

“South Africans tend to have an inferiority complex about themselves, but the fact is that we have the technology and the expertise in this part of the world to accomplish some amazing things,” Mr. Peterson says.

The technology the company deploys is a mix of homegrown and international – Plascon holds licences from some of the world’s major chemical giants, the likes of Du Pont, Hoechst, BASF, Valspar, Dektex, Courtaulds of the UK – and a Japanese licence.

As for local R&D, Plascon employs a staggering 267 technologists and as a result the company has a very strong technology base.

One of the latest examples of Plascon’s commitment to development is the new Dampseal by Polyfilla, (yes that too is a Plascon product) which removes damp problems.

The company is also getting involved in the social responsibility area. An exciting new development by Plascon and the CSIR is a cardboard house coated with weather resistant insulating reins, which is ideal for squatter communities.

Even on the ecological front, Plascon is demonstrating social awareness with a new range of water-based paints (as opposed to ecologically damaging solvent based ones) for car and car coatings. These are due to become a reality shortly and water-based enamels are also due to make their appearance.

Many will no doubt recall that the company was the first to introduce totally lead and toxin free paint for nurseries – remember the scene there was once about babies eating lead coated paints on their costs?

Then there was the introduction of non-drip Velvagio and Wall and All, the first paint in SA to contain Teflon to which no dirt will stick (just like your Teflon frying pan).

Over the years the company has proved it can meet the expectations of the market but its success has also been due to its support for its retail distributors.

“We give our distributors every encouragement and support and we don’t compete with them. They are our interface with the buying public and they get the back-up they deserve,” says Mr. Peterson.

And so the Plascon saga continues to unfold. It is a story of a company with its roots deep in Africa and equally deeply rooted in the psyche of South Africans themselves. Indeed the kind of characteristics that will ensure that Plascon is around for the next 100 years.

For further information, please contact Plascon at (011) 616 1850.
The branch of Engen—the trend replacing Mobil in 2,000 service stations countrywide—has already made its mark in the competitive petro-chemical market in southern Africa.

Voting with their vehicles

The new Engen test service stations are earning overwhelming consumer approval. Recently released results of an independent survey show that customers have been attracted by the fast service, test public opinion, and the support has translated into growing sales volumes at southern Africa’s newest fuel outlets.

The launch of Engen—the brand developed to replace Mobil in 1,000 service stations countrywide—has already made its mark in the competitive petro-chemical market in southern Africa.

The formation of Engen and the introduction of a new brand was made possible by the decrease in 1989 of Mobil Corporation—pressured by double taxation penalties and other punitive measures imposed by the US—on ceasing operations in SA and seeking a buyer for its local subsidiary.

The former parent company decided to put the fuel business before Pfizer/PW de Klerk under the boardroom scrutiny which came from the dramatic political changes of the 1990s. A deal was reached with major insurance and finance houses, including Gencor in 1989, which paved the way for the creation of southern Africa’s first, and only, locally owned energy giant.

Gencor’s success story is not lost on any industry, as it marks a turning point in the business climate, with the new brand enjoying the best of both worlds.

He said: “Free of restrictive foreign ownership, Engen has repaid consumer loyalty by consistently understanding major investments in SA. Phase One of our million rand service stations development is complete, and we have spent R100 million to upgrade our infrastructure for a total of 100 million on the project.”

Mr Jordan said that the new brand could not be “holding less than market presence”, commenting on the group’s objectives of developing a “robust and resilient, fully integrated oil and energy business through the achievement of a 20% market share by year end”. He said that the company would aggressively position itself at the profitable end of the retail market, and would continue to invest in new service stations, with an emphasis on its premises outlets (‘24-Stop’), on major routes existing ‘24-Stop’ will be re-branded over the coming months.

“In terms of quality, service, people, and business ethics, we will proudly uphold the standards our company has achieved over nearly 100 years,” he said.

“Another key element of the new brand is the emphasis on its premises outlets (‘24-Stop’), on major routes the current ‘24-Stop’ will be re-branded over the coming months.”

The overall look of the new service stations will focus on a uniformity, which is well above the current ‘24-Stop’ standards,” says the new brand’s managing director.

For further information please telephone KERRY CAVANAGH (021) 282-1233

The Branch of Engen—the Trend Replacing Mobil in 2,000 Service Stations Countrywide—Has Already Made Its Mark in the Competitive Petro-Chemical Market in Southern Africa.

Punitive Measures in the US Forced Mobil Corporation to Pull Out of SA. But a Deal Reached with Gencor in 1989 Paved the Way for the Creation of Southern Africa’s First, and Only, Locally Owned Energy Giant, Engen.

News of Mobil’s Growth into the New Engen Identity Has Been Well Received by Customers.

The Sunday Star Tuesday September 29, 1990 23

The weekly new Engen test service stations are earning overwhelming consumer approval. Recently released results of an independent survey show that customers have been attracted by the fast service, test public opinion, and the support has translated into growing sales volumes at southern Africa’s newest fuel outlets.

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**Council says Midrand site should be avoided**

Air toxics tests were the site on Midrand site when a fire destroyed a chemicals premises last week. The Midrand chemical storage facility in Johannesburg, Freedom Park, which has been closed for testing due to the fire that occurred last week, should be avoided by people due to health risks associated with the fire.

About 12 chemical stable fragments were identified as the fire burned through the storage facility. The chemicals were identified as being harmful to human health and could cause respiratory problems, skin irritation, and eye irritation. The chemicals included acids, bases, and toxic substances. The fire was reported to have caused significant damage to the facility and could have lead to the release of toxic chemicals into the environment.

The local council has advised people to stay away from the site and avoid direct contact with any chemicals that may have been released. The council has also advised people to seek medical attention if they experience any symptoms such as coughing, wheezing, or difficulty breathing.

In addition, people are advised to avoid drinking water from the area affected by the fire. The council has advised people to use bottled water or boil water before consumption.

The Midrand chemical storage facility is located in the industrial area of Freedom Park and is used to store a variety of chemicals for use in the chemical industry. The facility has been closed for testing due to the fire, and the council has advised people to avoid the area until further notice.
35 hurt as police open fire on Ratanda march

AT LEAST 35 residents of Ratanda township near Heidelberg were injured — two seriously — when police opened fire on protesters at Ratanda police station yesterday, ANC PWV spokesman Ronnie Mamoepa said.

The residents marched to the police station to demand demolition of the Ratanda Hostel from which a grenade attack, in which one person was killed and others were injured, was allegedly launched on Monday.

Ten protesters were arrested during the demonstration, he said.

Ratanda Hostel is believed to be among 15 hostels targeted by government and ANC negotiators for fencing by mid-September.

The ANC called for urgent security measures to be implemented at the hostel “to prevent further flare-ups in the area.”

But the call to fence hostels has elicited furious protests from Transvaal hostel residents, with one threatening “bloodyshed” if such a move is attempted, reports THEO HAWANA, President F W de Klerk and ANC president Nelson Mandela agreed at their meeting on violence that hostel would be “adequately fenced” and that there would be security patrols and a police presence outside the hostel.

Baragwanath Hospital spokesman Annette Clear said the killing had not only shocked those close to Walter, but had left a feeling of fear and uncertainty that could be sensed throughout the hospital.

It was also possible that the attack would turn away doctors and nurses who might otherwise have applied for jobs at the hospital, she said.

“All staff members fear for their safety wherever they go,” said Clear, adding that the attack had intensified that fear.

“This hospital has been through a trying time in the past few months with the strike and the violence, and this has only made it worse,” she said.

Clear said Walter was shot on a road where many of the staff used as a short-cut through the township.

Hospital superintendent Chris van den Heever appealed to staff members yesterday not to go into areas about which they had any doubts.

Train boycott has Parliaervers in PWV at bay

ANC-aligned organisations in the PWV have agreed in principle to boycott commuter trains because of the failure of police and SA Rail and Commuter Corporation to implement agreements.

The decision was taken at a PWV Action Council meeting which included representatives of Cosatu, the SACP and the ANC, but would have to be vetted by individual organisations before it was implemented, ANC PWV spokesman Ronne-Mamoepa said.

He said it was unacceptable that a new rail guard could only come into operation in April 1992 instead of the end of the year.
Toxic factory a no-go area

By Charmeela Bhagowat and Julienne du Toit

The Midrand Town Council has advised residents to avoid the area around the Rhone-Poulenc chemical factory— which burnt down 10 days ago— until tomorrow, when toxic debris from the site would be completely removed.

The decision was made at an urgent meeting between the Midrand Town Council, Rhone-Poulenc and Waste-Tech—the disposal company hired to remove the toxic rubble— after a second inspection of the site.

Waste-Tech said the clean-up operation of the 50 chemicals which "pose a health hazard to residents and offices in the area" would take up to two weeks.

In a statement, the company said the rubble at the factory was "severely contaminated" and because of the "high level of danger, all staff working on the site had been supplied with protective clothing and gas masks."

Meanwhile, three companies from Midrand's Constantia Park complex, next to Rhone-Poulenc, have moved their staff to other premises after some employees displayed disturbing symptoms.

Constantia Park owner Felix Meyburgh has hired a private research company to conduct tests in the area.

Mr Meyburgh engaged Protechnik on Friday after a number of employees in the complex began complaining of itchy skin, blocked noses, severe headaches, nausea, diarrhoea and burning eyes.

Protechnik research and development manager Dr Philip Coleman said organophosphates were used in pesticides and could be lethal in large enough quantities.

Businessmen who moved their staff said repeated requests to the Midrand Town Council for more information about the polluting chemicals were unfruitful.

The owner of Stream Computer Service and Cablecom, Bob Sugrue, said the attitude of the council—which has hired a public relations company to deal with the crisis—had been "cavalier."

"They refuse to tell us what is happening. They are risking our lives because of their ignorance," said Mr Sugrue, who has moved his staff into his home.

Movie world producer Paul Raleigh and Panorama Sound manager Sandra Bemidenhout said they would both be sending their staff home.
Death drips were infected, tests show
By Monica Oosterbroek

Tests have proved that the intravenous drips given to the seven babies who died in Johannesburg last week were contaminated.

Four babies died of septicaemia at J G Strijdom Hospital, two at Johannesburg Hospital and one at Park Lane Clinic after they were put on drips supplied by Isotec Nutrition.

A baby girl is still critically ill in Johannesburg Hospital.

Isotec managing director Ian Rosekilly confirmed yesterday that the results of intensive microbiological tests had shown the drips had been contaminated by bacteria.

These initial results were only the first phase of a thorough and intensive investigation being conducted by Isotec, Lancet Laboratories, the South African Institute of Medical Research and Saphax — the company which supplied all the drip components, according to Mr Rosekilly.

Each component in the drip would now be tested to find out exactly how the drips were infected, he added.

Mr Rosekilly said there was no reason for pregnant women to panic because the highly specialised solution, Total Parenteral Nutrition, was prescribed and administered only to newborn babies who were already critically ill.

The solution provides life-sustaining nutrients vital for premature babies who would otherwise die, Mr Rosekilly said.

Any baby put on the drip was first closely examined by a paediatrician before a doctor issued a prescription.

"Due to the highly complex nature of these solutions, a terminal sterilisation process cannot be performed on these products. Therefore, the components are mixed in a totally isolated, sterile environment and sealed prior to distribution to the patient," he said.

Since November last year more than 10,000 units have been supplied by Isotec Nutrition based on doctors' prescriptions.
ANC blamed for release of Malaza

CORRECTIONAL Services yesterday accused the ANC of putting gangster Lucky Malaza's name on a list of political prisoners whose release was agreed at the weekend summit. Malaza, who was jailed after killing a policeman in a bank robbery, was released at the weekend after posing as a necklace killer.

A Correctional Services spokesman said the ANC had originally submitted a list of 152 names, including that of Malaza, for consideration for release as political prisoners. The spokesman was unable to say what checks had been made of the ANC list after meetings between the Human Rights Commission and the department, to "audit" claims to political prisoner status, were broken off last year. An announcement by Correctional Services officials on the release of political prisoners is expected today.

Correctional Services spent yesterday in discussions with legal advisors on how to resolve the crisis, which has soured the goodwill generated by the weekend summit.

ANC spokesman Gill Marcus said a final list of about 800 names was drawn up jointly by the HRC, ANC regions and the prisons service. It has been established that 21 of the 148 prisoners released at the weekend were placed on the list by the ANC and Correctional Services, while the remaining 127 were supplied by the HRC.

Marcus said she did not have time to comment on allegations made by Correctional Services that Malaza had been placed on the list by the ANC.

Sapa reports that a Correctional Services spokesman said Malaza could not be summarily re-arrested as he had been released unconditionally.

Meanwhile, ANC spokesman Carl Niehaus yesterday retracted a statement he made earlier in a Radio 702 interview that the SA Police had manipulated a "Mr Lagorder" into targeting Mago's Bar for the 1986 bombing for which recently released Robert McBride was jailed.

A brief ANC statement said Niehaus regretted "the incorrect statement made regarding Mr Lagorder, colleague of Robert McBride, and apologises for any inconvenience, embarrassment or misunderstanding caused."

Police spokesman Maj-Gen Leon Mellet earlier rejected Niehaus's suggestion that security police were linked to the bombing, describing it as "a calculated effort to vilify the SA police."

Ray Hartley
Chemicals removed from Midrand factory

By Jolene du Toit

All chemicals and potentially harmful substances have been removed from the Rhone-Poulenc factory and warehouse at Midrand, the works manager of the factory and warehouse, Mr. van Gijzen, said recently. The waste site at Rietfontein near Germiston was being moved to a new site at Brakpan.

The walls of the structure will be leveled in a week, according to Rhone-Poulenc spokesman Blake Wilkens. The loss suffered by the pharmaceutical company will be assessed next week, but managing director Simon Grimbeek said stock of chemicals in the warehouse amounted to about R6.2 million. This excluded machinery, equipment and the structure.

Midrand town clerk Henry Lubbe said there were no immediate plans to rezone the many chemical and pharmaceutical factories at Midrand, even though, in one instance, the only buffer between factories and residential areas was the four-lane Old Pretoria Road.

At least one resident told The Star he was no longer happy to live over the road from Rhone-Poulenc.

Mayor Alan Dawison said that as a local authority, Midrand Town Council could not impose stricter safety regulations than the Government, but was encouraging factories to investigate contingency measures in case of disaster.

Rhone-Poulenc has indicated that its insurance company would consider "on merit" medical claims from those who suffered from organophosphate poisoning. Anyone with medical or other inquiries can telephone (011) 510-2427.
Our correspondent reports from Cape Town that the Correctional Services Department confirmed that 431 ill-mannered inmates were on a hunger strike in protest against the release of political prisoners.

**Chemical fire death probed**

**STÉPHANE BOUTHMA**

POLICE opened an inquest docket yesterday into the death of a Midrand worker whose body was found near the site of a gutted chemical warehouse.

The fire occurred on September 19 at the Roode-Poullenc warehouse and consumed about 74 chemical substances — five of which were considered potentially harmful.

Frans Ngoma, 35, died on Wednesday night.

A Roode-Poullenc spokesman said yesterday they would receive the post-mortem report today. But he added that at the time of the fire and afterwards, several employees had been at the site without protection or gas masks without showing ill effects.

Meanwhile, the company has offered to pay the costs of tests for residents affected by gas from the fire.

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**Army chief accuses MK of sabotage plans**

**STEPHANE BOUTHMA**

"Not only will the use of members of special teams ensure good security during these operations, but also hammer attempts to trace these actions back to ANC members. It rather seems that these so-called 'special operation teams' are just another term for the infamous self-defence units," Mzimba told the parade.

He said acts of violence had already been committed against government buildings in the Cape, which indicated members of these teams would most probably be deployed in future.

"Apparent these actions would be extended to SA as well.

Similarly, "pseudo operations" were obviously being used to place the blame for murders on the shoulders of the SADF, SAP or the government. According to Mzimba, only two alternatives existed in SA's future.

"We can attempt to negotiate for a joint future with built-up protection of minority groups, or we can settle our differences by using violence — in other words get involved in a civil war or bloody battle."

However, the Defence Minister had given an undertaking that government would rest until a new and just democracy was in place, and that government would continue to negotiate to achieve this goal, Mzimba said.
Hoechst, Noristan merger

Hoechst SA is to merge its pharmaceutical and diagnostic business with Noristan, one of the largest locally controlled companies in the health care industry, Hoechst MD Reinhard Traub said yesterday.

The R50m merger will see Hoechst SA, subsidiary of Hoechst AG of Germany, acquire a 60% stake in the new Noristan, while the remaining 40% will be held by the Snyckers family.

Traub said part of the investment would be covered by Hoechst AG. He declined to disclose the amount of foreign investment.

The transaction, expected to generate a yearly turnover of about R200m, was made possible by W&A agreeing to convert its 21% holding in Noristan from ordinary to preference shares to be redeemed at R1.16c a share before the end of 1992.

Noristan, the holding company of Normed, would be delisted on or about November 27 and 110c would be paid to shareholders for each Noristan preference share.

Hoechst recently acquired Coopers Animal Health and subsequent to the merger with Hoechst veterinary division, formed a new agro-veterinary organisation, Hoechst Ag-Vet. Other recent investments include a R100m joint expansion at Safripol and a R60m expansion of its film production facility in Chandor.

In its half year to end-June 1992, Normed reported reduced earnings, which MD Hugo Snyckers ascribed to pressure on margins, higher finance costs and tax.

While turnover rose 17% to R67m (R57m), income before finance charges was up only 1.7% to R11m (R10.5m).

Increased finance charges and tax rate saw earnings a share drop 17% to 5.2c (6.3c).

However, reduced working capital and capital expenditure was expected to stabilise gearing and financing costs in the short term, said Snyckers.

Investments in operational efficiencies and manufacturing facilities would benefit the group in the medium and longer term, he added.
SOLCHEM (182) FM 2/10/92

Looking for stability

The question on investors' lips will be whether Solchem can maintain its good 1992 profit performance. The 27% rise in earnings was coupled with an improvement in the balance sheet and management of cash flow. But this follows an erratic profit performance.

Activities: Makes printing inks
Control: CTP 76.75%
Chairman: E M Jankelowitz
Capital structure: 40.2m SDRS Market capitalisation: R14m
Share market: Price: 35c Yields: 5.7% on dividend, 17.4% on earnings, p/e ratio: 5.7, cover: 3.0 12-month high, 40c, low, 20c
Trading volume last quarter: 113 900 shares

Year to March 31

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Solchem (1911)

The debt equity ratio to 21%
While the 1992 results are encouraging, the share price is still languishing at 35c. Even with the low p/e ratio of 5.7, there is little reason to expect much upward movement in the share price, given current market conditions and low trading volumes.

Louise Patell
AECI provides land for staff housing

AECI would make about 2,000 sites north of Modderfontein available for affordable housing, property manager Pat Stirling said yesterday.

Many AECI employees are housed in hostels and the move would enable them to buy property, but if employees wished, they could remain in the hostels.

"We will soon go out to tender on this scheme, which is mainly meant to offer employees the opportunity to acquire their own property," he said.

The township would be known as Klipfont View and a town planning application had been submitted, which would probably be approved before the end of the year.

The 130ha site would be able to accommodate about 2,000 stands. AECI would service the sites and install the infrastructure while vacant sites would be sold to individuals or private developers, he said.

Staff and shop stewards had been consulted about the development.

US firm to test drip ingredients

By PAT SIDLEY

SOME of the basic components of the intravenous drips suspected of being implicated in the deaths of several newborn babies were imported from the United States from the company which supplies Sabax with its technical know-how.

And Sabax has asked the US company, Baxter Health Care, to re-check the bacterial contamination of the batches from which the components were exported to South Africa.

This raises the possibility that Baxter could become liable if the drips are found to be the cause of the deaths.

In the past two weeks eight newborn babies have died mysteriously. All were on drips, the contents of which had been mixed at a firm called Isotec in the components supplied by Sabax.

Two years ago several babies died under similar circumstances but an inquest court found that "nobody was to blame" for the deaths. At that stage a scapegoat was found in a worker at the pharmaceutical factory said to have had dirty cuffs on his sleeves.

A Baxter spokesman told The Weekly Mail the company had a "technology swapping" agreement with Sabax — not a licensing agreement — and that the company also supplied certain basic ingredients to Sabax. Asked whether any of these products were used in the batches of drips implicated two years ago and in the present batch of baby deaths, the spokesman said "This goes to liability, and the question should be asked of the South African company."

Sabax said "certain sterile empty bags and transfer sets" which emanated from Baxter were used in the batches of drips suspected of causing the problems two years ago and had also been supplied to Isotec, the company which mixed the "cocktails" in the present drip bags implicated in the recent deaths.

Sabax added: "Regular tests conducted on these products revealed no contamination."

However, responding to questions on why Baxter had been approached, Sabax said: "We have approached the Baxter plant supplying these components to re-check product from the same batches as those supplied to Isotec and used in the preparation of the admixtures under investigation."

If any of these batches were found to be contaminated, it would raise the possibility that the US company may have to shoulder some blame for the deaths.

This week the Transvaal Provincial Administrator announced that it was inquiring into the deaths in its own hospitals. However, the Department of Health in the House of Assembly, which is the government department responsible for regulating the behaviour of private clinics (like the Park Lane) where babies have died, has not yet launched an inquiry.
Tycoon twins face Reserve Bank probe

The Times 11/10/92

Decision on charges to be made soon

By CATHY STAGG

Two tycoons, Solly and Abe Krok, are being investigated for possible contraventions of exchange control regulations.

The probe, initiated at the request of the Reserve Bank, is being conducted by the Office for Serious Economic Offences.

The investigators are looking into the possibility that the 63-year-old twins did not get Reserve Bank approval for guarantees apparently given to a UK shipping house.

The probe was sparked when the Kroks approached the exchange control authorities for permission to settle offshore liabilities in rand, payable in South Africa.

This led to questions about the transactions, and to the investigation. A preliminary report was completed this week and will be sent to Justice Minister Robie Coetsee.

Advocates from the Waterkant and Attorney-General's office will also be studying the report next week.

A decision on whether the twins will be prosecuted is expected soon.

The Krok brothers founded Twins Pharmaceuticals, run the Milhoonex charity fundraising scheme and have links with US companies, one of which produces the Epilady hair-removal device.

This product was at the centre of an American financial drama which had its sequel in South African courts this year.

American businesswoman Patricia Elizabeth Jones, who successfully sued Solly Krok and his two daughters for $25.6 million (about R71.7 million) in the US, was told last week she could not appeal against a South African Supreme Court decision that the foreign judgment could not be enforced here.

The case centred on Miss Jones's claim that she had entered into a joint venture with Mr Krok and his daughters, Arlene Krok and Sharon Feuer, which entitled her to 20 percent of the profits of Epilady USA Inc.

Flaw

The company "had generated enormous profits," she said in papers.

In the US court judgment on July 31 last year, Mr Krok and his daughters were ordered to pay Miss Jones $13.67 million (about R38.3 million) as "compensatory damages".

In addition, Mr Krok was ordered to pay "punitive or exemplary" damages of $12 million (about R33.6 million) — bringing the total to $25.6 million.

While leave to appeal against the US decision was still pending, Miss Jones then launched a claim for the money in South Africa.

Transvaal judge Mr Justice Roux ruled that the South African claim was based on an incomplete hearing, which meant her case had a fatal flaw. He also questioned how the amount of damages had been arrived at.

"It would appear as if the jury enjoyed the luxury of fixing a sum without it being obliged to justify its award," he said in his written judgment.

Whether this was akin to a lottery or whether there were guidelines, he did not know.

"Punitive damages are certainly not part of our law, I find the concept wholly repulsive," he said.

Leave to appeal against Judge Roux's decision was refused last Thursday.

The brothers, who are identical twins, started in business in 1963. Their pharmacy in Nood Street, Johannesburg, grew into the pharmaceutical company Twins, which merged in 1980 with the Premier Group's Propan.

The brothers resigned from the board of Twins Pharmaceuticals in October 1980, denying speculation that their departure was linked to a legal dispute over US bank loans to members of the Krok family over alleged misuse of funds.

Twins Pharmaceuticals, which accounted for R35 million of the R78 million annual sales of skin-lightening cosmetics, went to court over Health Minister Rina Venter's ban on the products.

The controversy had dragged on for more than a decade, with manufacturers fighting to keep the products on supermarket shelves.

Banned

The government had originally planned to ban the creams in June 1989, but postponed the move until early 1991.

The products were eventually banned on August 10, and Twins said it was stuck with goods worth R15 million. The company approached the Transvaal Supreme Court in a last-ditch attempt to stop the ban, but lost.

In 1997, the twins launched Milhoonex to raise funds for charity by asking the public to invest in "shares" and stand a chance of winning big prizes.
Mandela hailed as 'hero' on his first visit to China

BEIJING — Nelson Mandela arrived on his first visit to China yesterday for talks with Chinese leaders. "In China you are regarded as a hero," Chinese President Yang Shangkun told Mandela when he welcomed him at Beijing's Great Hall of the People. "We all know of your suffering and your long fight against apartheid," he said.

Mandela will meet Premier Li Peng and Chinese Communist Party general secretary Jiang Zemin. Mandela said in Pakistan on Saturday that the ANC and government had made progress towards combating violence and preparing for full-scale constitutional talks. "The foundation for further talks has been laid. We are facing the future with confidence," Mandela said.

Mandela said that among the major issues still to be resolved was the release of about 500 political prisoners.

But earlier, in a lecture to government officials and diplomats at the Institute of Strategic Studies in Islamabad, Mandela said "we have made very solid progress in the latest talks.

Earlier, Acting President Wasim slogan awarded Mandela Pakistan's highest civilian award. Pakistan does not have diplomatic relations with SA. However, Pakistani government officials have said privately that the country's policy on SA is under review.

- Sapa

Hospitals battle to make own drips

SINCE Isotec drip solutions were withdrawn from all hospitals after the deaths of eight babies, allegedly due to contaminated drips, hospitals had been forced to prepare their own solutions, often in very unsuitable conditions, hospital sources said on Friday.

Johannesburg Hospital paediatrics department head Prof Alan Rothberg said the hospital had contracted Isotec to supply the drip solutions because its own pharmacy could not maintain the necessary level of sterility. But with the withdrawal of all Isotec paediatric intravenous products, hospitals were again having to mix their own solutions.

Rothberg said Isotec had developed procedures, which were more stringent than the international standards followed by Saba, when it took over the manufacture of the product, and it was impossible for the hospital to meet the same levels. Saba stopped producing the solution after 13 babies died in 1999, and Isotec is the only company producing the solution locally.

Rothberg said that in 1999 and in the present cases, the babies were over the critical stage, but he emphasised that hospitals in these cases were dealing with patients with a very high mortality rate.

Meanwhile, allegations that witnesses were forbidden to give evidence at the inquiry after the Saba drip deaths, have been described as "strange" by the TPA's communication services. reports Sapa.

It was alleged that prominent witnesses, including professors, pathologists and microbiologists, were forbidden by the TPA's Hospital Services director to make any public statements or give evidence in court.

In a statement issued in Pretoria on Saturday, the TPA said allegations that an official had banned prominent witnesses from making public statements or giving evidence in court, "sounds strange."

"It is common knowledge that when a person is subpoenaed by a court of law to give evidence, then nobody else can prevent him or her (from doing so)

Furthermore, it is common practice that when a case is sub judice, nobody is entitled to comment on that case."

KATRHYN STRACHAN
Aspirin sales soar during hard times

KATHRYN STRACHAN

The recession may have caused headaches for most companies, but not for aspirin manufacturers.

Aspirin sales rose by 10% after years of decline and were expected to continue increasing. SA’s largest aspirin manufacturer Noriscel divisional director Wolf Snyckers said recently.

Representatives of other major aspirin manufacturers Reckitt & Coleman and Roche attributed the growth in sales to the increase in political and economic turmoil.

“In these stressful times you sometimes need one to get through the day,” Roche product manager for analgesics Rosanne Dold said.

The increase was also due to the fact that aspirin was cheaper than other competing medicines, Reckitt & Coleman assistant product manager for aspirin Amanda Reekie said.

She said that much of the bad publicity concerning some side effects of the drug had subsided.

Prof Harry Seftel, president of the recently formed Southern African Aspirin Foundation, said that aspirin had become an important medicine in a variety of disorders, including diseases of the heart and blood vessels.

Several studies published recently in the medical journal Lancet have shown a whole new spectrum of potential uses for the age-old remedy, leading some to hail aspirin as the “new miracle drug”.

FOCUS
Rhone-Poulenc faces police probe

French pharmaceuticals giant Rhone-Poulenc, already under threat of possible civil suits following a blaze at its warehouse north of Johannesburg, now faces a police probe, the Morden Town Council announced on Wednesday.

In a letter to residents, the council said it would ask police to investigate the fire on September 19 in conjunction with the National Health Department, which issued the licence for Rhone-Poulenc to store chemicals.

Morden town secretary Tom Pieters said the police and the department should make sure any party involved in the "disaster" had complied with the regulations.

The council has complained that Rhone-Poulenc did not warn its fire brigade about the chemicals on site until about two-and-a-half hours after fire crews arrived, and did not make a full disclosure until six days later.

Eighteen firemen were taken to hospital suffering from nausea, vomiting, skin irritation and diarrhoea, and six were found to have non-lethal amounts of organophosphates in their blood.

On Monday, Rhone-Poulenc appointed the Atomic Energy Corporation to conduct soil and air tests and put together a dispersion model to see where a cloud formed during the fire might have deposited toxins.

The scientists were looking for dioxins, which may have been formed when phenol-related products in the warehouse burned, said warehouse general manager Simon Grumbeck.

Grumbeck said the samples may be sent to the US for analysis. Results would take at least three weeks to come back.

Tests for organophosphate, benzene and other chemicals poisoning carried out on Rhone-Poulenc's 49 workers and some 27 people in neighbouring offices have come back negative.

The council has advised the nearby offices to have their air conditioning systems cleaned out.

Code of conduct approved for the timeshare industry

THE Harmful Business Practice Committee had approved a code of conduct for the timeshare industry, and committee chairman Prof Louise Tager.

The code of conduct had been drawn up by the Timeshare Institute of SA and would allow the industry to regulate itself.

Tager added that a newly established industry watchdog, the Timeshare Standards Council would administer the code of conduct, and could turn to the committee for enforcement against unscrupulous timeshare operators.

Retired Judge Cecil Margo would act as industry ombudsman and head the council. The code would apply to all timeshare companies and developers to ensure that consumers were protected within five days, should they feel they have been pressured into buying.

"This is one of the most significant changes as salesmen are going to have to become far more creative in their selling methods," he said.

Among other things the institute would offer a 15-year warranty to provide holidays to timeshare buyers whose resort had been liquidated, or who had lost their occupation rights, Grussel said.

Satoru director Kobus Roux endorsed Timeshare 2000.

"The far-reaching changes will ensure the continued growth of this vital part of the tourism infrastructure, while at the same time eliminating undesirable practices."
Tests on Sabax products
find no contamination

NO EVIDENCE of contamination has been
found in tests conducted on Sabax compo-
ment products, used as ingredients in Isotec
intravenous drips which are believed to
have caused the death of at least eight
Johannesburg babies recently.

This was confirmed in a statement yest-
erday by the SABS and the SA Institute of
Medical Research (SAIMR), which conduc-
ted the tests.

The tests, commissioned by Sabax, were
conducted on component products taken
from the same batches as those supplied to
Isotec Nutrition for the preparation of drip
admixtures, the statement said.

H van Reensburg of the SABS confirmed
there was no contamination of Sabax com-
ponent products tested. He stated the test-
ing had been done according to inter-
nationally recognised British
pharmacopoeia methods.

Prof H Koorn of the SAIMR said "No
evidence of contamination was found on
the testing of batches representing Sabax
component products used as ingredients in
the Isotec admixtures, which were sup-
plied to us by Sabax."

Reacting to the results, Sabax CE Ian

Strachan said: "The results of these tests
indicate that the Sabax component pro-
ducts are free from contamination and do
not appear to be the cause of contamin-
ation of the admixtures."

He said all Sabax products were manu-
factured in accordance with exacting
Medicines Control Council registration
requirements.

The tests were called for after reports
suggested the eight babies' deaths could
have been caused by contaminated drips.

Earlier yesterday, Transvaal Provincial
Administration director-general Andre
Cornelissen appealed to people with infor-
mation on babies who had died after im-
pure intravenous feeding at hospitals to
come forward.

Cornelissen said he urgently needed in-
formation so that a full investigation could
be made.

He said all cases had been reported to
the police for investigation and the find-
ings could not be anticipated.

He said those with information should
send it to the Director-General, Private
Bag X64, 0001 Pretoria — Sapa.
Drug price mark-ups criticised

THE Competition Board has criticised high mark-ups in the pharmaceutical industry.

Board chairman Pierre Brooks yesterday said established nominal margins in the industry had become so entrenched that prices determined in this way for products had become the benchmark.

Wholesalers automatically put a mark-up of 21% on prices charged by manufacturers, while retailers added another 30%.

This meant a R10 increase at the manufacturing level led to a cost of R18,30 at retail level.

As a result, the medicine component of total medical expenses in the private sector was greater than similar conditions abroad, he said.

Dispensers in many instances ignored actual acquisition costs of prescription medicines, relying rather on retail prices as their pricing guide. Most contracts between pharmacies and medical schemes were based on discounts from retail prices, he said.

The board had told the pharmaceutical industry to "get their house in order". The board's current investigation into the pharmaceutical industry had concentrated on allegations of price discrimination between purchasers in respect of equivalent transactions.

A price structure based on manufacturers' prices with no equivalent transaction discrimination would comply with competition policy, he said.
On the face of it, Noristan minorities might appear to be getting the raw end of the Hoechst deal. After all, they have not been given the same options as Noristan's controlling shareholders, the Pretoria-based Snykers family.

Hoechst SA is to take out the Noristan minorities as well as a small part of the Snykers' family holding, at 110c a share. The share will then be delisted, with Hoechst's pharmaceutical business then being injected into Noristan.

From Hoechst's viewpoint, the deal provides it with access to more consumer-oriented products such as over-the-counter medicines, toiletries and cosmetics. Noristan gains direct access to products requiring substantial R & D. Significant backing is important when developing new drugs.

But the merger benefits do not help Noristan minorities, who do not have the option of retaining a stake in the enlarged operation, as it is Hoechst AG's policy that all subsidiaries remain unlisted. The Snykers family will retain a 40% interest.

However, the deal has to be ratified by at least 75% of Noristan's minorities, as the Securities Regulation Panel insists in these circumstances that majority shareholders may not vote.

W&A, which holds a 21% stake in Norstan, has indicated it will support the transaction. But, as W&A needs to reduce its debt, its management was unlikely to spend too much time haggling over the exit price.

The 110c/share exit price is lower than the 121c/share NAV but higher than the 105c net tangible asset value.

In taking a view, minorities need decide how far ahead they want to look. Norstan management is optimistic some time down the road, as shown by comments in the interim report. "In the longer term and as the economy improves, real growth in sales and improved operating margins are expected, and investments into new areas should begin to contribute towards group results."

From a short-term standpoint, though, the offer looks reasonable. The offer price is significantly above Norstan's last traded price of 70c before the deal was struck. Norstan finance director Graham Jones reckons 1992 EPS will be about 13c, 1993 EPS 17c, and 1994 EPS closer to 20c, excluding Hoechst's contribution. This gives a forward P/E of roughly 8.5 on 1992 earnings, which seems fair considering the outlook appears bleak even two years forward.

William Giffilis
HOW FAR YOU CAN GO ... This graphic shows how far you could have driven on R10 worth of petrol over the years in a medium-sized car, and how far you can go now with the latest increase.

Far away and long ago

Staff Reporter

THE distance one can travel by car on R10 worth of petrol has declined dramatically in the past quarter-century.

According to calculations based on the petrol consumption of a medium-sized car, one could have travelled from Cape Town to Bloemfontein on R10 worth of petrol in 1970.

Yet from today, R10 of petrol in an equivalent car will be consumed by the time you get to the Huguenot tunnel.

Calculations were made by the Cape Times on the basis of a car using 10 litres of petrol to travel 100km.

In 1970, petrol cost 9,9 cents a litre.

For R10, one would therefore get 10 1/2 litres of petrol. This would take you beyond Bloemfontein, which is just over 1 000km away.

In 1980, the same R10 would get the motorist as far as Tous River, 183km away. In 1985 you would get just past the Worcester turn-off.

And from today, with 97-octane petrol costing R1,55 a litre, you get 6 1/2 litres for your R10, which takes you as far as the tunnel.
Angry Midrand residents demand answers

Staff Reporter

Some Midrand residents, concerned about the possible effects a fire at a chemical factory last month might have on the environment and their health, have called for answers from the Midrand Town Council and some business organizations in the area.

At a meeting convened by the Glen Austin Ratepayers Association and the Midrand Green Group on Thursday, residents wanted to know:

- Why Rhone Poulenc, did not reveal what chemicals were present.
- Why experts were not called in to clean up once it was established that highly toxic chemicals were present.
- Why the Midrand Town Council did not act decisively during the crisis.

Representatives from Rhone Poulenc, Waste-Tech, the Midrand Town Council and chamber of commerce as well as specialists faced a barrage of accusations from members of the public afraid of damage to their health.

Responding to questions, Rhone Poulenc general manager Simon Grimbek said his company had not tried to hide anything. It had been unable to give the Midrand authorities a comprehensive list of chemicals immediately because it was unable to retrieve the information on the computer as the fire had cut off the electricity.

The company has employed a team from the Atomic Energy Corporation to make a comprehensive environmental impact study. Grimbek promised to give regular reports back on the findings.

He said anyone who needed medical attention for chemical poisoning should forward accounts to the factory.
Midrand task group chemical fire probe

THE Midrand Town Council on Monday night initiated a task group in response to inadequacies in dealing with the Rhone-Poulenc chemical fire last month.

A council spokesman said the fire showed a number of gaps in dealing with the disaster, and steps had to be taken to ensure the situation was not repeated.

Representatives from chemical companies, residents' associations, pressure groups and various experts came together to work out a strategy so that any situation such as the Rhone-Poulenc fire might be averted, or, at least, that its impact be reduced.

The task group's primary function is to identify deficiencies in legislation concerning chemical companies and to put together an initiative which would ensure that residents and businesses in the area are better protected.

Midrand mayor Alan Dawson said the main problem his council faced in dealing with the crisis was the lack of information as to what chemicals were stored on the property.
Engen earnings up 18% despite tough trading

ENGEN, the Gencor group's energy arm, reported a 18% jump in earnings a share in spite of a year of difficult operating conditions, MD Rob Angel said yesterday.

Engen, which sells a wide range of oil products from petrol to speciality lubricants and jet fuel, turned a sales of R9,6bn in the year ended August 1992, 7,6% higher than R9,1bn in 1991.

Angel said the group had expected no area of real growth, given the domestic recession and slow economic growth internationally, so Engen's 3,7% increase in operating income of R390m (R379m) was "gratifying." It included a R44m transfer from the group's inventory reserve.

Total petrol sales grew 4% in SA in the year, Engen's market share was static — which was a sign of the resilience of the fuel sector, considering SA was in the middle of a deep recession.

Inland sales rose 2,6%, with demand for liquefied petroleum gas up more than 7% and jet fuel 10% higher, due to the increase in international flights to southern Africa.

However, cutbacks in local industry and the drought hit diesel sales, which fell for the third year in a row. Farming sector diesel sales were 3% down year-on-year and 14% down in the past three years. In contrast, Engen's exports had leapt five times in the same period, and rose 80% in 1991/92.

Engen's Genref refinery operated at full capacity, but refining yields and saleable yields were flat, and the plant was knocked by erratic power supplies, which the group was investigating with Eskom and the Durban municipality.

Refining margins, the key to Engen's profitability, fell $2 to $2,50 a barrel in the year because of slow economic growth worldwide.

Engen's increase in margins on local petrol sales rose by an average of 2c a litre.

Angel said the group was battling to contain costs, rising consistently above the CPI, in addition to the R150m change in the inery necessitated by the group's links to Mobil, whose brand name it could not longer use.

Finance income jumped to R140m from R62, after Engen's 1991 rights issue. Pre-tax income rose to R533m (R421m), while tax paid fell to R167m (R184m), reflecting a lower tax rate of 20% (33%). After-tax profit rose 48% to R464m (R280m), on top of which Engen earned R5m from share sales.
Engen’s earnings jump 50%.

Engen

MODERATE increases in local fuel sales, sharply higher exports, interest on its R1.1bn rights issue and a lower tax bill drove Engen’s attributable earnings 50% higher in the year ended August 1992.

Engen, the Gencor group’s manufacturer and distributor of fuel products, reported attributable income of R429m compared with R286m in 1991.

That was equivalent to an 18% increase in earnings a share to 275c (233c), diluted by the large number of shares in issue.

Engen declared a total dividend of 137.5c, 18.8% higher than the previous year’s 116c.

CE and MD Rob Angel said at a news conference yesterday that growth in the local fuel market depended on SA pulling out of recession. The year’s highlight was the completion of the R670m phase one of the Genref refinery expansion, which came in under budget and on schedule. But the plant was taken out of commission for six weeks to upgrade, knocking revenue.

Chairman Bernard Smith said that the Genref expansion placed Engen in a good position for the current year. Genref’s refining capacity had grown 20%, its refining yields and access to high-quality oil products were better, and there would be no enforced stoppages this year.

However, there was the prospect of sharply lower finance income as the group’s cash reserves had fallen to R186m from R510m in 1991, when they were bolstered by the rights issue.

Angel said the group increased its exploration spending to R36m (R25m).

Engen would welcome deregulation in the industry. However, this was unlikely before an interim government was in place. Engen’s stations were ready for conversion to self-service operations at the company would be forced to cut costs.
Sentrachem keeps it tight and right

By JULIE WALKER

Sentrachem's two joint ventures — Sanachem and Safizpol — both excelled, but this did mean a larger slice of the net income passing to outside shareholders Farm-ag and Sasol respectively.

Disposals and write-offs meant R15-million in extraordinary losses. Sentrachem paid 20c of the 62c a share earned as dividend. The share price of 866c is nine times earnings.

Capital

Dr Job says that the opportunity to buy AECT's carbide business came early in the financial year but had not been budgeted for. It cost R25-million, and required R50-million of working capital. So it is an extra feather in the cap to have brought gearing down from 63% to 44%.

On prospects, Dr Job says that Sentrachem should grow at twice the rate of gross domestic product, but does not foresee a near-term improvement of recessionary conditions. Provided things get no worse, Sentrachem will tread water in the current year.

SENTRACHEM'S adherence to its core business and tight operational control helped the chemicals giant to a 15% rise in earnings a share in the year to August.

Managing director John Job is pleased that exports are growing, but says that the amount of R588-million — 11% of turnover — would need to double before becoming a significant factor.

"Parts of Sentrachem were built for reasons of strategic importance or import replacements. Although we are looking to export it must be profitable, and we are not always competitive."

"For example, there is no chance of selling rubber overseas at a profit, so we have concentrated on value-added products, such as automotive components, certain plastics and agricultural products," says Dr Job.

Hardly helped by the weak economy, turnover edged up 7% to R2,4-billion, operating income by 6% to R229-million and finance costs were down by almost a quarter to R81-million. Pre-tax income was up a third at R145-million, but tax jumped even more to R48-million.
Engen opens Dubai office

SOUTH AFRICAN energy company Engen is to set up an office in Dubai within six months. CEO Rob Angel says the main aim is to source crude oil for Engen's refineries and source downstream products which would fit in with the group's expansion markets in sub-Saharan Africa. 10/10/92
Exports boost Sentrachem

SENTRACHEM increased attributable earnings by 15.3% in the year to end-August in spite of experiencing the worst trading conditions in the group’s 25-year history, MD John Job said in a statement at the weekend. Reflecting the poor state of the domestic market, turnover was 8.5% higher at R2,4bn from R2,3bn in 1991, with operating income 6.9% higher at R225,5m from R214m.

Reduced capital expenditure because of previous years’ upgrading and cash and asset management had resulted in finance charges falling by more than a fifth to R41,8m from R106,1m, said Job.

Pre-tax income had improved by more than a third to R145,1m from R107,8m, but increased profit attributable to outside shareholders and an increase in tax paid to R48,5m from R30,2m previously had whittled away the effect of the improved interest bill at attributable level.

Attributable profit increased to R71,6m from R68,1m and the dividend was lifted by just over a tenth to 20c a share from 18c a share previously. An extraordinary item of R15,1m for the closure and sale of non-core businesses was declared.

Job attributed the group’s performance to the focusing of its core businesses, the disposal of peripheral activities, export successes and tight control over operations.

He expected the group to be able to maintain earnings in the year ahead, although there was no sign of a recovery of the domestic recession and low international chemical prices.
Engen prepares to set up Dubai office

ENGEN is to set up an office in Dubai within the next six months in an effort to source raw materials and downstream products.

Engen CEO Rob Angel said last week he was impressed with Dubai and the facilities offered by the Gulf state when he visited it earlier this year.

He said the Middle East was an area of great interest to Engen particularly for acquisitions, exploration and joint ventures.

Sourcing crude oil for Engen’s refineries and sourcing downstream products, which would fit in with the group’s export markets to sub-Saharan Africa, would be the main aim of setting up the office in Dubai, he said.

Angel added that during his visit to Dubai he made contact with a number of people with a view to setting up some kind of business link.

If Engen should set up in Dubai, it would require a local partner with a majority shareholding to conform to Dubai regulations, he said.

But, if it were to set up in Dubai’s free trade zone, Jebel Ali, it could retain 100% ownership and enjoy total autonomy. — Sapa
Thor orders CSIR study

THOR Chemicals has commissioned the CSIR's Graham Noble to conduct a comprehensive environmental impact study of the company's Cato Ridge site and surrounding neighbourhood, spokesman John Macdonald said at the weekend. S3)

Thor became the centre of a controversy last year when three employees were hospitalised with severe mercury poisoning, two of whom have remained comatose.
SA DRUGGISTS (SADrug) — now in the Malbakh stable — wrote off R64,9m in the 17 months to August 31.

Confirming this yesterday the directors explain that the write-off was due to the costs of rationalization following integration with Malbakh's pharmaceutical interests, and because of "the stricter application of the group's existing accounting policies."

They say the serious shrinkage problems experienced in 1991 "have been curtailed through stricter discipline and controls."

SADrug lifted turnover by 42,1% in the 17 months to August, to R1 508 627 000, compared with R1 063 880 000 in the 12 months to March 1991.

But operating profit rose by only 21% to R101,8m (R84m). And attributable earnings rose by only 7% — lagging inflation — to R35,4m (R33m).

Earnings at share level were 19,6% lower at 94c (117,2c), with 23,4% more shares in issue. But the final dividend will be maintained at 26,25c following an interim dividend already paid of 22,75c, making an unchanged pay-out of 50c for the year.

The interest bill rose by 79% to R38,9m (R21,8m) but the proportion of interest bearing debt to permanent capital had fallen by August to 38,6% from 67,7%, and the net asset value per share had risen to 729,5c (710,8c).

The directors say the group has been reconstructed and refocused completely since its acquisition by Malbakh with effect from September 1 last year.

"The balance sheet has undergone material changes with the issue of 22,6m new shares for the acquisition, and the exclusion of all debt on the balance sheet."

They say all the pharmaceutical factories improved productivity and output over the last four months. "This trend is continuing and is matched by market off-take."

But "the chemical division suffered from lower volumes in the export market due to actions taken by the US Food and Drug Administration against certain major customers. New customers have now been obtained."

"The medical equipment divisions have also suffered from reduced volumes due to public sector expense cutbacks and the hospital labour dispute."

CE Peter Benningfield said the extensive restructuring and refocusing of the group had positioned it strongly for future growth.

It would achieve real growth in earnings during the current financial year.
Streamlining improves results at SA Druggists

Marcia Klein

SA DRUGGISTS (SAD), acquired by the Malbakh group in September last year, has started to feel the benefits of a massive restructuring programme.

Since the Malbakh acquisition, the group reorganised, significantly downsized its staff, bought Malbakh’s pharmaceutical and related interests, changed its year-end and strengthened its balance sheet.

The group wrote off R61.7m in an extraordinary item, largely due to rationalisation costs and a stricter application of accounting policies.

Results reflected all of these changes, making comparisons with the previous year meaningless, CE Peter Benningfield said.

In the 12 months to end-August, turnover was R1.97bn, operating income R127.6m and attributable earnings R45.8m.

Results comparing the 12 months to end-August with the year to end-March 1991 showed a 7% rise in attributable earnings to R35.4m from R33.1m. Earnings were reduced by 19.8% to 94c (117.8c) a share on a 22.6-million increase in shares in issue.

The new shares were issued for the acquisition of the Malbakh interests and the inclusion of all debt on the balance sheet.

Turnover increased 42.1% to R1.5bn (R1.1bn) while operating income, which included some major rationalisation costs, rose 21% to R101.6m from R84m.

Benningfield said results were distorted by one-off rationalisation costs. The results reflected “the extent and expense of the necessary surgery performed, as well as the rigours of the trading environment.”

A 78.1% higher interest bill of R39m included a significant increase in working capital in the first part of the year and the higher level of interest-bearing debt from the acquisition.

But gearing was reduced to 38.6% from 67.7% through the share issue and strict control of working capital in the past few months.

A final dividend of 26.25c was declared to bring the full year dividend to last year’s level of 50c. Benningfield said this was evidence that the group was confident of an improved performance in the next year.

He said all of the group’s activities had been converted into self-financing business units, and it now comprised three core divisions, pharmaceutical, distribution, and medical and equipment.

The vast product range was rationalised and refocused, pharmaceutical factories had improved productivity and increased output, and manufacturing capacity was being expanded and upgraded. Benningfield said productivity had increased by more than 30% in the last four months. Serious shrinkage problems in the distribution division had been curtailed.

Capex of R185m related mostly to a new Inframed plant and Akremed infant nutritional products facility.

Trading conditions in the pharmaceutical industry were unlikely to improve in the next year, but Benningfield said the group would achieve real growth in earnings.
R64.9 million

Wrote Off

SA DRUGGLIS

Business Report

By Andrew Danceo

10 Cape Times, Tuesday, October 20, 1992
Engen teams up with Chevron

WINDHOEK — Engen yesterday signed an agreement with the Namibian government to begin offshore petroleum exploration.

This is the fourth oil exploration licence Namibia has granted this year.

The consortium, 60% Chevron Overseas (Namibia) and 40% Engen through its subsidiary Eagle Energy (Namibia), is to spend about R50m and drill two test wells during the first four-year period.

Chevron Corporation vice-president Richard Matze, who signed the agreement on behalf of his company, said seismic work was to begin within the next few weeks and Chevron would open a Windhoek office before the end of the year.

The 18 500sq km exploration area, block 2/815, is off the southern Namibian coast adjacent to the Kudu gas field Chevron discovered in 1974.

The consortium is also to spend about R500 000 on training Namibians each year of the contract.

Matze paid tribute to the agreement negotiators in the Namibian government.

"What you have done is sent an unmistakable message to the whole world that Namibia is a good place in which to invest," he said.

Chairman Bernard Smith signed the agreement for Engen.

Namibian Mines and Energy Minister Andimba Toivo ya Toivo said his government attached great importance to the presence of Chevron and Engen in Namibia because of the long-standing historical bond between the parties and with Africa in general.

"Now, more than ever, it is vital that we maintain and develop these links for our mutual benefit," he said.

Chevron also has interests in Nigeria, Congo, Zaire and Angola.

Namibia has granted exploration licences to a Norwegian consortium, a Canadian-British consortium, and Sasol. — Sapa
Professor Henne Suyman, principal of the Port Elizabeth Technikon

METROPOLITAN DIGEST (Johannesburg)

(a) Vol 9 no 3 1991
(b) Food Gardens Unlimited
(c) People are encouraged to plant their own food
(a) February and April 1992
(b) South African Fashion Designers' Association
(c) The organisation and its founder president Mrs Esther Molish

VISION (Durban)

(a) Februay 1992
(b) ASSIST Association Supporting Survivors of Incest and Sexual Trauma
(c) The work that this organisation does
(a) March 1992
(b) Advice Desk for Abused Women
(c) Where abused women can obtain advice

KARET (Cape Town)

(a) 14 February
(b) Women's Bureau
(c) Report on seminar 'Taking charge of your life'
(a) 13 March
(b) Kontak
(c) Women must build on peaceful future
(a) 13 March
(b) Women for South Africa
Women's Bureau
National Council of African women
Orange Free State Women's Association
(c) Group photograph
(a) 1 September
(b) Women for South Africa

ORGANISATIONS CO-OPERATE TO ESTABLISH TRAINING CENTRE FOR WOMEN IN STELLENBOSCH

(a) 1 October
(b) Women for South Africa
(c) National president, Ms Jenny Malan, talks about human rights
(a) 1 November
(b) Kontak
(c) Ms Pauline Mkalpe, chairperson, speaks about the aims and objectives of the organisation

LIGHT/KHANYA ( Pretoria)

(a) January 1992
(b) Pretoria Friendship Forum
(c) Function held by this organisation
(a) April 1992
(b) Thethwana Women's League
(c) Activities of the group
(a) May 1992
(b) Telset
(c) Negotiation seminar held by this group
(a) September 1992
(b) Itsoeng Women's Club
(c) Club receives financial aid from private sector

LUX FEMINA, women's magazine, Pretoria Regional Office

(a) December 1991
(b) Athereedgeville Ladies' Club
(c) Founding of the organisation
(a) December 1991
(b) SA Vroue Federasie
(c) Interview with the president
(a) March 1992
(b) Kontak
(c) Kontak emphasises nation-building
(a) June 1992
(b) Women's prayer day

A FUNCTION IN MAMELodi

(a) June 1992
(b) Telset

NEGOTIATION SEMINAR FOR MEMBERS OF THE ORGANISATION

(a) September 1992
(b) Sindelwana Women's League
(c) The activities of the group

PUSANO (Bloemfontein)

(a) October 1991
(b) Women for South Africa
(c) Profile of Dr Elize de Beer
(a) October 1992
(b) Women for South Africa
(c) Women in various communities must learn to understand one another

4A RSA POLICY REVIEW
RSA-BELEIDSDOORGANG published the following

(a) September 1991 p 56
(b) The South African Nursing Association
(c) Nursing Centenary An interview with the president of the Association, Dr Ann-Marie Brewer
(a) September 1991 p 67
(b) The sections Vocational Matters and Community Health Care of the Department of National Health and Population Development, and the South African Nursing Council
(c) Nursing geared for challenges An article based on interviews with Ms Odela Muller, Deputy Director Vocational Matters, and Ms Iris Roscher, Director Community Health Care of the department, and representatives of the South African Nursing Council
(a) October 1992, p 94
(b) Natal women's congress of the National Party
(c) An announcement by the State President in Amanzimtoti (Natal) stating that the Government will sign international conventions relating to women and women's rights

FORUM ON CURTAILMENT OF COST OF MEDICINE

403 Mr M J ELLIS asked the Minister of National Health

(1) Whether, with reference to her reply to Question No 348 on 19 June 1992, all interested parties have commented on the record of the proceedings of the forum held on 28 February 1992, if not, when is it anticipated that this will be, the case, if so, what parties
(2) whether she is in a position to commission any investigations as recommended at this forum, if not, why, not, if so, what are the relevant details?
(3) whether my such investigations have been commenced at all, if not, why not, if so, (a) by whom and (b) when
(4) what investigation is being conducted by the registrar

The MINISTER OF NATIONAL HEALTH

(1) Only 8 (eight) interested groups submitted comments on the report of the forum The groups are
The South African Pharmacy Council
The Medical Association of South Africa
The Pharmaceutical Manufacturers Association of South Africa
National Association of Pharmaceutical Wholesalers
The South African Nursing Association
Norstan Group
Patients Rights Organisation of South Africa
Pfizer South Africa
(2) yes, no investigation excepting those by the working groups have until now been commissioned,
(3) no, a working group has been appointed to investigate the recommendations of the forum and to report back,
(4) no

IMPORTATION OF PARALLEL MEDICINES

404 Mr M J ELLIS asked the Minister of National Health

(1) Whether the Medicines Control Council has considered, is considering or intends considering regulations to allow the importation of parallel medicines

HOUSE OF ASSEMBLY
The MINISTER OF NATIONAL HEALTH

(1) Following the discussion held on the 28 September 1992 with certain roleplayers on financial questions in the held of health I released a press statement entitled "Announcement of a strategy to manage health services in the present economic climate"

The main participants and professional groups involved in these discussions were

Dr E H Venter MP
Minister of National Health and of Health Services
House of Assembly

Rev A A Jakes MP
Minister of Health Services and Welfare
House of Representatives

Dr A S Jacobs
Department of Finance

Mr J W H Meiring
Minister of Health Services and Welfare
House of Representatives

Mr D E T le Roux
Member of the Executive Committee
Cape

Mr J H A Beukes
Director-General Provincial Administration of the Cape of Good Hope

Dr G S Watermeyer
CPA Branch Hospital and Health Services

Mr C J van R Bokha
Administrator of Natal

Mr P M Miller
Member of the Executive Committee
Natal

Dr N E Howes
Director-General Provincial Administration of Natal

Dr L van der Watt
Administrator of the Orange Free State

Dr P J C Nel
Member of the Executive Committee
Orange Free State

Dr J H Kotze
PAO Branch Health Services

Mr S E S Ferreira
Member of the Executive Committee
Transvaal

Mr A Cornelissen
Director-General Provincial Administration of the Transvaal

Dr H van Wyk
TPA Branch Health Services

Mr P D McEnery
Director-General Administration
House of Representatives

Dr L J Nel
Ministerial Representative

Mr R Derickson
Ministerial Representative

Dr M H Veldman
Ministerial Representative

Mr H J Smith
Ministerial Representative

Mr R E Redanger
Ministerial Representative

Dr J H Kruger
Supervisory Board, Bloemfontein

Mr B B Humphris
Supervisory Board, Witwatersrand

Prof G Everingham
Supervisory Board, Cape Town

Prof J V Leat
University of Natal

Prof J R van Dellen
University of Natal

Prof G J de Korte
Medunsa

Prof J Terblanche
University of Cape Town

Prof C W J Pieterse
University of Pretoria

Prof J V van der Merwe
University of Pretoria

Prof H P Wasserman
University of Stellenbosch

Prof C J C Nel
University of Orange Free State

Prof A D Rothberg
University of the Witwatersrand

Dr P S Maharaj
Administration House of Delegates

Dr E Pieterse
Administration House of Assembly

Dr C F Slabber
Director-General National Health and Population Development

Professional Groups

Dr D A Green
Medical Association of South Africa

Mrs S J du Preez
Nursing Council of South Africa

Dr A M Bruwer
Nursing Council of South Africa

Prof M E Muller
Nursing Council of South Africa

P R de Kock
Environmental Health Officers Association of South Africa

R D Kennedy
Medunsa

Mrs L Munro
Society of Radiographers

Ms M Horak
Society of Radiographers

Ms A Hugo
Society of Radiographers

Dr M Adam
Society of Dispensing Family Practitioners

Cndt H C Grobler
SA Association of Bioethics

Mr M Tepper
Society of Medical Laboratory Technologists of South Africa

Prof B van Os
Dental Association of South Africa

Mr W Kriel
Pharmaceutical Society of South Africa

G N Lyne
Pharmaceutical Society of South Africa

E D Smith
South African Society of Physiotherapy

M W Cheyne
Orthotic and Prosthetic Association of South Africa
portation of parallel medicines, if not, why not, if so, when,

(2) whether the proposed regulations have been or are to be (a) made known to and/or (b) discussed with interested parties, if not, why not, if so, what are the relevant particulars.

(3) whether she will make a statement on the matter?

The MINISTER OF NATIONAL HEALTH

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The main participants and professional groups involved in these discussions were:

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Administrator of the Cape of Good Hope

Mr D E T le Roux
Member of the Executive Committee
Cape

Mr J H A Beukes
Director-General Provincial Administration of the Cape of Good Hope

Dr G S Watermeyer
CFA Branch Hospital and Health Services

Mr C J van R Botha
Administrator of Natal

Mr P M Miller
Member of the Executive Committee
Natal

Dr D E Hounes
Director-General Provincial Administration of Natal

Dr L van der Watt
Administrator of the Orange Free State

Dr C J Nel
Member of the Executive Committee
Orange Free State

Dr J H Kotze
PAO Branch Health Services

Mr E S Ferrera
Member of the Executive Committee
Transvaal

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Medical Association of South Africa

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Nursing Council of South Africa

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Dr M Adam
Society of Dispensing Family Practitioners

Cndt H C Grobler
SA Association of Biochemists

Mr M Tepper
Society of Medical Laboratory Technologists of South Africa

Prof B van Os
Dental Association of South Africa

Mr W Kriel
Pharmaceutical Society of South Africa

G N Lyne
Pharmaceutical Society of South Africa

E D Smith
South African Society of Physiotherapy

M W Cheyne
Orthotic and Prosthetic Association of South Africa

HOUSE OF ASSEMBLY
Poised to benefit from economic revival

That the world oil market is feeling the effect of recession in the major industrialised nations is clear from the low refining margins (estimated at about US$5 a barrel, compared to about $7 in April) Engen is getting. Similarly, a meagre 7.6% rise in turnover shows a deteriorating local economy. Yet the group, which will be converting its remaining 110 Mobil service stations to the new Engen livery over the next 20 months, managed to produce solid results, mainly through astute financial management.

CE Rob Angel says there was little doubt that financial 1992 would be difficult, and is gratified with the 3.7% gain in operating income to R393m. This was smoothed by a R24m transfer from the inventory reserve set up two years ago, but shareholders won’t complain about the 18% hike in dividend.

What stands out in the income statement is the 20% increase in net income to R429m, boosted by R140m (1991: R42m) received in financing income as the group gained the full 12-month benefit of last year’s rights issue. The result would have been even better, but Engen transferred R57m to the tax equalisation reserve created in 1990.

Obviously, Engen cannot count on always using reserves and invest interest to help get through tough times, but Angel does see a glimmer of hope in the fact that petrol sales grew 4% during the financial year “Down the track we see that as a positive sign, indicative of our present negative GDP, of what petrol sales can do when the economy takes off.”

When that happens, Engen will be well-placed to take advantage. It has completed the first phase of its R670m expansion of the Durban refinery, which will raise capacity by about 30% and boost production of high value white oil products by more than 50%.

Upstream activities also hold promise. Production at the North Sea Alba oil field—of which Engen holds 22%—is projected to start at the end of next year and reach full production of about 70 000 barrels a day the following year.

Exploration spending increased to R36m (R20m) as Engen continued the search in the North Sea, West Africa and the Middle East. Civil unrest in a neighbouring country put a last-minute hold on what could still be a lucrative contract. Engen is showing keen interest in the Middle East, possibly trying to negotiate with a direct supplier.

So prospects look encouraging, though a lot will depend on some recovery in the local economy. The share, off last month’s high of R47 to R43.25, is nonetheless following the upward trend of the past year.

The 3.2% yield is demanding, but may be worth paying for what is increasingly considered a valuable growth stock.


diluted earnings

<table>
<thead>
<tr>
<th>Six months to</th>
<th>Sep 30</th>
<th>Mar 31</th>
<th>Sep 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (Rm)</td>
<td>188.7</td>
<td>27.6</td>
<td>362.2</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>130.0</td>
<td>20.2</td>
<td>22.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>62.8</td>
<td>82.6</td>
<td>77.5</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>28.0</td>
<td>42.0</td>
<td>35.0</td>
</tr>
</tbody>
</table>

The appetite for property syndications. He believes, however, that property business will recover in the second half.

Also hit were trade finance activities, partly through being more cautious in a tough climate and through slack demand. But in line with the wider margins banks are enjoying, Investec netted R5.4m interest income, reported for the first time as the group moves, slowly, towards fuller disclosure. Provision for bad debts, on the other hand, widened by 28.2% to R9m.

Kardol is satisfied with the results and says providing there is no further deterioration of the economy, year-end earnings should be in line with historic growth trends, which have averaged an annual compound 25% over the past 10 years.

The recent R185m acquisition of London-based Allied Trust Bank is not reflected in the interim and Kardol says it should not have much effect on full-year results. Next year, it should start to have an impact on the bottom line, providing further diversification.

The price, at R22.75, has not moved much in the past six months. These results should underpin what has in recent years been a strong performer.

LENO HOLDINGS

Beating forecast

Lenco has beaten the earnings forecast made at the time of the acquisition of Hendler & Hart in September. It was then looking for EPS of 24.3c in the six months to August 31, this has turned out conservative, with actual first-half EPS of 25.8c.

Turnover for the six months was 16.6% higher than for the same period in 1991. As with earnings, this includes Hendler & Hart. However, while growth in turnover is gratifying, its lack in pre-interest profit indicates either that Hendler & Hart made no contribution or that Lenco as a whole suffered a drop in productivity.

A rise in pre-tax profit reflects reduced finance payments, possibly because of higher liquidity until the Hendler & Hart takeover absorbed most of it. Post-acquisition debt equity has risen from just over 0.19 to 0.37, but financial director Stanley Stubbs expects it to be below 0.25 by year-end.

Considering that Lenco trades in shoes, clothing and plastics (much of which is used for the consumer market as components in shoes and packaging), it would not have been surprising if, in the current economy, earnings had turned down. No divisional breakdown is given at half-time but Stubbs says all operations remain profitable.
Change of control in offering at Roychem

CONTROL of the Royal group's chemical arm Roychem could change as a result of Royal's acquisition of European food group Del Monte International (18.3). Speculation in the market is that this would probably take the form of a management buyout at NAV, at present about 180c above the market price of 155c. The share rose to 300c in November last year, and dropped to 140c last week. The share was bid at 155c yesterday.

It is believed Chemserve has shown some interest in acquiring the company.

Roychem's businesses include pharmaceutical and industrial chemical company Holpro-Lovass, high-performance materials company Ferro Industrial Products and Laser Pharmaceuticals.

Market sources said Roychem could be delisted before or after it was sold.

The Royal group announced today that the JSE had agreed to extend the suspension of shares of Royal Corporation, the Royal Group Holdings and Royal Foods until the close of trade today.

The shares have been suspended since Monday. Royal said a further announcement would be made on Monday when the shares would be relisted.

The announcement would include details of the Del Monte acquisition which involved funding of around R2.8bn. About R2.4bn of this amount would be equity funded.
Twin weaknesses

The chemical industry is facing the double disadvantage of a weak international market and depressed local economy. This, according to Sentrachem, made trading conditions last year the worst in its 25-year history.

Yet Sentrachem, despite meagre increases of 6.9% in turnover and 5.9% in operating profit, managed to boost earnings 15.3% and dividends 11.1%. Biggest help was reduced finance charges, down 23.3% to R81.4m, from what MD John Job calls a sound cash flow, tight control of working capital and lower capital spending.

With little sign of any improvement in trading conditions this year, Job says Sentrachem will try to improve results through management actions: "If markets pick up, though, we are well placed to take advantage," he says.

BACK TO BASICS

<table>
<thead>
<tr>
<th>Year to August 31</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>2 275.4</td>
<td>2 498.2</td>
</tr>
<tr>
<td>Operating income (Rm)</td>
<td>213.9</td>
<td>226.5</td>
</tr>
<tr>
<td>Attributable (Rm)</td>
<td>82.1</td>
<td>71.6</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>53.8</td>
<td>62.0</td>
</tr>
<tr>
<td>Dividend (c)</td>
<td>18</td>
<td>20</td>
</tr>
</tbody>
</table>

Earlier spending should help. The asset base has been expanded to R1.1bn, and the balance sheet is further strengthened by a 28% reduction in interest-bearing debt to R390.3m. This has brought gearing down to 44% from 63%, and it seems likely the target of 40% will be reached this year.

All divisions raised their exports, which now comprise 11% of turnover and helped to compensate for poor domestic markets. Job says while margins are lower for exports, they remain attractive and useful.

Solid results and what seems a clearer focus should stop the decline in the share price, down from a mid-year high of 675c to 550c. The yield of 3.3% is demanding compared to other big groups in the sector, but growth prospects seem fair. — Shani Harris
become a new business. Old elements, like principal manufacturer Lennon, are still there, but a restructuring and rationalisation face lift has changed the group's appearance.

New pharmaceutical and related parts have been added from 84%-parent Malbak, settled by the issue of 22.6m consolidated shares, which in turn has changed the structure of the balance sheet, mainly by reducing gearing from an uncomfortable 68% to 39%.

New CE Pietor Benningfield also began intensive surgery to get the balance sheet in line with Malbak's accounting practices.

No more writeoffs

The clean-up, plus rationalisation costs, knocked R64.9m (R51.5m after tax) off the bottom line, but Benningfield says there is now no off-balance-sheet accounting and all write-offs have gone through.

So where is the growth heading? Structural changes and different year-ends make historical comparisons of little value. Annualised earnings have fallen about 20%, and the operating margin, while up to 6.5% from the March low of 5.8%, is still off the pre-acquisition margin of about 7.9%.

Benningfield is aiming at an operating margin of 8%, and cites the maintained dividend as confidence of improved performance.

He says all pharmaceutical factories have improved productivity and increased output, by as much as 30% in the past four months.

A R135m capex programme has expanded manufacturing capacity through the commissioning of the Intramed parenterals plant and a new Akromed baby food facility.

The marketing focus has also shifted. SAD has become increasingly selective towards the tender market, and is moving towards what Benningfield says will be a better balance between the generic and highermargin patented drug market.

But, certainly short-term, manufacturing will primarily be weighted towards generic products, which offer good growth opportunities.

In rand values, about 25% of the SA market is generic products, compared to about 45% in the UK and 60% in the US.

Benningfield says conditions this year will be difficult, but predicts real growth in EPS.

SAD's share price has been stagnant over the past year. At R13 it seems to be on an upward trend but at twice NAV could be fully priced. Prospects are good but a cautious investor will probably wait for the interim to see evidence of this.
Engen: investing in education for change

Engen places a high priority on investing in education to promote change and development in South Africa. According to its social investment co-ordinator, Dr Des Roberts, this investment takes several forms and is aimed at both supporting education and encouraging other companies to become involved in this form of social investment.

This is particularly noticeable in the Engen Education Programme, which aims to provide extra tuition in maths, science, and English to pupils from Std 6 to Std 10 for 20 Saturdays a year. Of the more than 500 pupils who attend these classes, about 13% are children of employees at the Engen head office in Cape Town and refinery in Durban. The rest have been selected from local community schools such as Stembelo Manso in New Crossroads in Cape Town, or from other companies who pay for children of their employees to attend the Engen classes.

"In Cape Town, there are now 167 students from 20 different schools and 20 different companies attending these classes," said Roberts.

It makes sense for other companies to piggy-back on the basic courses and tutors we provide, making use of University of Cape Town faculties, rather than trying to start their own programmes," Engen has also started a programme in Worcester and has advised companies in other parts of the country on how to set up similar programmes.

The main rationale for the programme was the fact that research by Roberts had shown while there was an over-supply of black, coloured and Indian matriculants, few had studied maths or science and many had trouble with spoken and written English. Those who did study maths or science were hampered by a lack of laboratory equipment with which to conduct experiments and basics such as textbooks.

The three subjects were seen as being vital to enabling black students to secure training and employment opportunities at a time of rapidly changing technologies and to meet South Africa's future labour needs.

During their Saturday sessions, which last from 9am to 1pm, students are given intensive tutoring, provided with study notes to make up for the lack of textbooks at their schools and can use laboratory equipment at UCT or the University of Natal to carry out experiments.

"From next year, we hope to take the programme to areas such as Crossroads as well, where we could provide a resource centre with all the necessary equipment and cater for more students," said Roberts.

"Not surprisingly, there is a great demand for the classes and Engen cannot take on all the students selected by companies. As a result, any student who fails to attend classes for three weeks in a row is automatically disqualified and another is taken on. A winter school is also organised for the unofficials in the programme. This lasts a week and covers included career guidance and study skills. Engen's other investments in education include:

EDUCATIONAL ASSISTANCE FOR EMPLOYEES

- This takes place at two levels:
  - Grants to help employees educate children
  - Grants to help employees themselves to study part-time

Engen pays its employees up to R6 000 a child at university or technikon, R5 500 a year for each child in secondary schools, R3 000 a year for each child in primary school and R1 500 a year for each child in pre-primary school.

"Our motivation is that we want all of our employees to be aware of the importance of education and to make it easier for them to educate their children," said Roberts.

Engen is supporting the education of more than 1000 children of employees in this way in Cape Town alone this year.

Employers are also encouraged to do part-time studies related to their work, with Engen paying all their fees. If they pass their courses, the fees are written off as grants — but if they fail, they have to pay the money back.

BURSARIES

The Engen bursary scheme was started in 1985 and this year supports nearly 80 students country-wide at a cost of about R16 600 each (depending on where they are studying).

The bursaries are granted for either commerce/computer science-related degrees by the Engen marketing division, or for chemical, mechanical and electrical engineering degrees by the Engen refinery.

Students supported by Engen are expected to work for the company once they graduate, but are not tied down for any set period. This is because they have so far been quite happy to stay on with Engen. If a student wants to study further in another discipline once the degree is completed, Engen has been very understanding, the bursary can be written off as a grant. In the few cases where Engen cannot place graduates, the disciplines they have studied enable them to easily find jobs elsewhere.

A mentoring programme was introduced last year to help students develop time management, study methods and, observe relevant skills. This has improved the pass rate of the bursary holders.

ENERGOS FOUNDATION

With a budget of more than R10 million a year, this foundation is funded by Engen but operates independently under its own board. About 50% of its annual budget is spent on education projects around the country, with the rest going to community and entrepreneurial development programmes.

This makes the foundation one of the biggest funders in the education field and projects supported include the South African Association for Early Childhood Educare, Learn and Teach, READ, Teacher Opportunity Programmes, Careers Research and Information Centres and a wide range of community-based education projects.

The foundation believes that transformation in South Africa will be best achieved through a holistic approach to development. It therefore aims to integrate the activities of its education, entrepreneurial development and community development units, and will encourage a similar approach in communities with which it co-operates. All projects and programmes are undertaken in close consultation with communities...
SA DRUGGISTS' shares moved up 50c to R15.50 this week, not so much on results but on perceived potential.

The group, one of the largest distributors and manufacturers of drugs and medical equipment in the country, has been restructured since joining the Malbank stable a year ago.

Malbank's Peter Bengalfeld was appointed chief executive of SA Druggists and gave a presentation to the Investment Analysts' Society on the group's results and prospects in Johannesburg this week.

A maiden year of restructuring and refocusing inevitably hurts somewhere. Although turnover grew by 43% to R1.3-billion in the year to August as a result of taking Malbank's pharmaceutical interests on board, and operating income was up a fifth to R181-million, a much higher interest bill wiped out most of the advantage.

Working capital peaked at R173-million in March, Bengalfeld's team has acted to bring interest-bearing debt down to R143-million, which with further improvements should lead to a R10-million reduction in the financing costs.

Borrowings to permanent capital fell from 65% to 38% and return on funds employed was 24%. "Less than we expect; we would like it to be nearer to 30%," says Bengalfeld. Distribution makes up half the group's turnover, pharmaceuticals 28% and chemical and medical equipment 20%. By far the best results come from pharmaceuticals.

Every day its factories make more than 1.5-million capsules, 10-million tablets, thousands of litres of medicine, kilograms of nutritional stuff, suppositories and aerosols. SA Druggists is investing heavily in a plant for ultrasonic products as well as in other areas.

The chemical and medical equipment division makes fine chemicals for use in the drug. Tons of paracetamol, artificial sweeteners, anti-oxidants, anaesthetics and others are made daily, as are hundreds of thousands of needles and syringes.

The distribution arm generates nearly 15,000 invoices a day. Bengalfeld estimates the group has a quarter of the wholesale market, and is a major in deliveries to pharmacies, notably the Lank chain. The problem of shrinkage is now under control — well down from a high of 1% of turnover to about a quarter-percent.

SA Druggists stands to benefit from the growth in generic medicines. Here, the generic market share is less than 25% — about R1-billion — whereas in the United Kingdom it is 80% and booming.

The advantage in price — and SA desperately needs cheaper medicine. If we follow the path trodden by manufacturers in the UK, SA Druggists will be in the pound seats.

Its brands are household names enjoying prominent market positions, from antacids to enzymes. "We enter for everything. What we miss out on Durex sales, we pick up in infant-care products," jokes Bengalfeld.

He does not expect trading conditions in the pharmaceutical industry to improve in the current financial year but does expect that SA Druggists' improved positioning and performance will lead to real growth in earnings a share.

He warns that dividend cover of 1.8x is about half the level he would like to see.

SA Druggists listed in 1987, just before the equity-market collapse, and reached a dizzy R20 — a price it might hit again, conditional on a buoyant JSE and a management that delivers.
Adcock earnings ahead of inflation

EARNINGS growth at Adcock Ingram (Adcock) slowed in the year ended September, but the pharmaceutical group in the Barlow Rand stable beat inflation with a 19% increase in attributable earnings to R78,5m.

CE Don Bodley said the performance could be attributed to improved focus on customers and markets as a result of the group's restructuring process, effective strategies which resulted in sound organic growth, the successful introduction of new products and sound human resources management.

He said the group's pharmaceutical and critical care (Sabax) business units — which accounted for 46% of turnover at the interim stage — had shown real growth.

The much smaller generic division also achieved real growth.

The consumer and self-medication businesses had been affected by the recession and reduced consumer spending, but market shares for these branded products had been maintained or increased.

The group's largest business — the wholesale division — had achieved satisfactory growth in a highly competitive market.

The six business units' contributions to turnover and profit were not disclosed in the preliminary profit statement.

Turnover was up 18% to R915m (R779,6m) and operating income 19% to R140,9m (R118,4m). Bodley said operating margins had improved slightly because of attention given to manufacturing and operating cost control.

Interest payments eased to R5,8m (R6m) and income from investments rose to R4,1m (R3,1m). Pre-tax profit improved by 21% to R139,2m (R115,4m).

The tax rate increased slightly and attributable income came to R74,8m (R64,2m), equivalent to 27c (25c) a share.

A final dividend of 72c a share was declared, which, together with the interim payout of 36c a share brought the total for the year to 108c — 19% up on the previous year's 89c a share.

Cash generated from operations increased by 28% to R154,3m from R120,5m.

Finance director Wally Holmes said Adcock had shown sound growth since 1985 — earnings a share had grown at a compound annual rate of 29% over the period.

He said the previous rates of growth had been influenced by acquisitions and, more recently, by a spate of new products introduced by the company.

It was not realistic to expect similar rates of growth in the near future although the company expected to show real growth in financial 1993.

Bodley said growth in the pharmaceutical industry was not at the same rate as in previous years because of the recession, attempts by governments to reduce spending and increased pressures on prices.

However, Adcock was well placed to capitalise on opportunities that would emerge in the changing health care environment. Real growth would continue, although at a lower rate than in the past, he said.

Bodley said the group had continued to invest in plant, facilities and information systems.

Major projects during the year included the completion of a new pharmaceutical tablet facility which provided increased capacity and flexibility while meeting international manufacturing practice guidelines.

New installations at the critical care business unit included an automated plastic blending process, a large capacity steam steriliser and computer integrated manufacturing systems.

A new production site for manufacturing effervescent tablets was now fully operational at the group's Durban-based self-medication business unit.

Research and development remained a key priority. Considerable success had been achieved in local development work and the group planned to maintain its investment in local facilities.
Afrox secures gases contract

AFROX technology played a major role in finalising the company's latest supply agreement with the SA Mint.

Its success results from its gases applications technology and its access via BOC Group affiliates in Europe, US and Japan to the latest developments in furnace atmospheres.

A 10-year contract covers the supply of the Mint's entire gas requirements.

Afrox will supply bulk propane, bulk extra high purity argon, bulk technical and electronic grade nitrogen, as well as miranument grade gases and mixtures.

Mint GM Neels Danhauser says, "After studying various mints overseas, the design team for the new Mint called in Afrox at the planning stage to advise on placing gas lines and recirculation systems."

Controlled

Afrox will essentially provide the Mint with controlled atmospheres for bright annealing of its coin range.

Northern Transvaal GM Patrick Dunseith says Afrox has been assisting the Mint to improve the production quality of coinage since 1982 when it modified three heat treatment furnaces at the old premises in Pretoria.

Two rotary scroll furnaces and a mesh belt furnace were modified to develop a less expensive and more reliable atmosphere system for the consistent production of coins with a bright finish. The modified system provided a 25-30% financial saving compared with the Mint's old exothermic gas generator system.

Pioneering

The mesh belt furnace was installed in the Gateway complex in August 1991 and Afrox was on hand to recommission a protective nitrogen-based atmosphere system for the annealing of Krugerrand gold blanks to ensure the finish required for proof coins.

This pioneering work began in 1982 and has since been developed further by Afrox for other industry uses.

The technique is now widely known as Afrox nitrozane, a process that enables the furnace atmosphere composition to be optimised in different furnace temperature zones by use of a special Afrox atmosphere injection technique, thereby saving its users money.

Afrox was the first gas company in SA to obtain the SABS ISO 9002 quality systems listing for its bulk air separation products (argon, nitrogen and oxygen) and special gases work.

Entrance to the security block.
Diversity pays off for Afrox

EDWARD WEST

DIVERSITY paid off once again for gases, welding and health care group Afrox and inflation-adjusted earnings and dividends increased 12% in the year to end-September 1992 compared with the previous year.

Turnover increased 6.6% to R1.11bn (1991: R1.04bn) and profit before interest increased by R217m (R206m) after charging an additional R17.1m depreciation to reflect current asset costs.

Interest paid rose 12.4% to R35.2m (R31.3m) leaving pro-tax profit only 4.1% higher at R181.9m (R174.7m). Tax was lower at R64.7m (R83m).

To Page 2

Afrox

Attributable profit was 11.7% higher at R94.3m (R84.4m).

Earnings per share amounted to 31.9c (27.8c) and a final dividend of 11.8c (10.7c) was declared which brought the total dividend payout for the year to 190c (177c).

Chairman and MD Peter Jouber said the performance was due to the diverse nature of the company’s businesses.

The gases division was particularly resilient in recession due to long-term supply contracts and good revenue flows from fixed facility charges, he said.

However, the welding business had been hit hard because of the lack of major infrastructural projects.

The drop in demand was exacerbated by stayaways and strike action, particularly in August when a large number of the group’s customers were virtually at a standstill because of the NUMSA strike.

However, the division partly compensated by improving export sales and using existing facilities to diversify divisional activities and develop new products.

Among these new products was a rescue pack for miners — to enable the breathing of uncontaminated air — which was to become mandatory equipment in terms of newly-proposed legislation, said Jouber.

A portable solar lighting kit for rural markets was also developed.

The health care division, which owned and operated 19 private hospitals, improved profit in spite of a downturn in bed occupancies toward the end of the year.

The division had embarked on the provision of managed care services through joint venture company Medomo which was expected to contribute to profit in the next financial year.

Several hospitals were refurbished or expanded, Jouber added.

He predicted earnings would be maintained in real terms in the current financial year.

From Page 1
Embarking on new adventures

Activities: Ship owning and operating, air transport, ships agencies, freight movement, bulk and containers handling, warehousing, transport and travel, casino and hotel resort operations and general leisure activities

Control: SA Mutual 40%

Chairman: G A Macmillan, MD
D A Hawton

Capital structure: 54.2m ordinary shares
Market capitalisation R4.5bn

Share market: Price R8.3 Yield 3.1% on dividend, 7.4% on earnings, y/e ratio, 13.8, cover 2.4 12-month high, R10.1, low, R7.9

Trading volume last quarter, 646,000 shares

Year to June 30 '89 '90 '91 '92
ST debt (Rm) (20.8) (49.3) (25.4) 40.1
LT debt (Rm) 650 752 822 1,006
Debit equity ratio 0.40 0.14 n/a 0.23
Shareholders' interest 0.40 0.41 0.45 0.48
Int & leasing cover n/a 38.5 n/a 25.9
Return on cap (%) 17.8 18.0 14.5 12.7
Turnover (Rbn) 3.66 4.00 4.37 4.70
Pre-tax profit (Rm) 614 740 883 743
Pre-tax margin (%) 16.7 18.5 15.4 15.7
Earnings (c) 411 487 555 617
Dividends (c) 180 210 237.5 255
Net worth (R) 12.9 17.4 21.2 25.1

Ships, and the men who go down to the sea to sail in them, have always been infused with a sense of mystery and romance. And ships, cargoes, far-off destinations and stormy seas are what Safren used to be about — and how the company is most often perceived.

No longer — or at least not significantly so. The photograph in this year’s annual report of the board of directors illustrates the point. Two wooden figures have been assembled in the shadow of the life-size statue of famous Kruger Park elephant Shawu, set in the cloister of The Palace, the Lost City hotel where Sol Kerzner says will become the world’s finest.

They are there because Kersaf, which effectively owns Saut International, is the most important contributor to Safren’s turnover and profits and the smiling directors, by their presence, emphasise it. Fully 60% of Safren’s operating profit — R459m — comes from its investment in the entertainment and leisure game.

However, it’s interesting to note that the preponderance of outside shareholders in Kersaf’s operations has the effect of reducing its contribution to Safren’s attributable earnings to 41% of the total R331.5m. It is on the bottom line where Safren’s traditional predominance continues to prevail — the shipping operator’s contribution of R147.7m was 45% of Safren’s total.

The year’s bad news is in note 9 to the accounts, which provide for extraordinary items of a net R62m, the bulk of which (gross R72m) is unexplained by the curious description “sale and write down of investments”. By burrowing through the rest of the report, shareholders discover, tucked away in deputy chairman Buddy Hawton’s review, that Safren has written off its R78.5m, 49%, investment in CMB Transport of Belgium (CMBT), made only last year.

Hawton says when Safrenimate made the investment “it was known that CMBT was incurring substantial losses” and it was going to take three to four years to turn it into profit. That is a startling admission. It certainly was not disclosed in last year’s annual report. On the contrary, chairman Alastair Macmillan’s statement that “there is no doubt it (the acquisition) will provide additional scope for the expansion of its international operations” was full of confidence.

How things have changed in a year! Shareholders will wonder if this is about to turn into another of SA’s famous — and ill-fated — international financial excursions.

When asked about the matter, Hawton’s response was that Safren was able to buy a 49% stake of a major European operation for only US$2.5m. “This isn’t the kind of opportunity which presents itself if the operation is highly leveraged. Of course we were aware of that, but we know that a great deal of management time will be necessary to pull it right. But we’re quite satisfied we can do it.”

“Another consideration is strategic,” adds Hawton. “We decided it was necessary to secure for Safren a significant European base. There are good reasons for this, not least positioning the company in respect to its shipping business. And we believe we’ve achieved this at very low opportunity cost.”

The best part of Safren’s business is Safmarine. The company gets good tax allowances for its investments in its ships, the operation is largely written in hard currency so it has a most useful rand hedge element and, since the demise of sanctions, new geographical areas have opened up. But the cadd Safmarine has played with such conspicuous success over the years has been its ability to balance its fleet portfolio with demand. This has been no easy achievement in a worldwide industry characterised by boom and bust cycles.

Kersaf, of course, is the apparently glamorous end of Safren’s business, but even it has found the going appreciably tougher over the last year. The rash of casino operations across the country, spawned by loopholes in the controlling legislation, had Kersaf’s management worried, until government drove through appropriate amendments to the Act.

It has committed itself to huge capital expenditures, most of it devoted to the Lost City adventure which is consuming around R850m. So Kersaf’s ability to continue its remarkable record of achievement now hinges on the extent to which it succeeds with Lost City in a time of deepening recession, unstable international tourism traffic, with grinding violence and political unrest.
Sites owned by the companies are leased to individual operators for their own risk and reward.

The industry contends that even a partial liberalisation of the retail market would benefit hypermarkets at the expense of small operators. International experience, goes the argument, has shown that it is difficult to retain restrictions on self-service once retail price maintenance is removed.

The industry argues that Ratplan has demonstrated unit cost advantages by maintaining turnover which helps to hold down margins.

The publication of statistics about petroleum is still heavily restricted. The scales of consumption and imports are generally believed to be in the region of 450,000 bpd (barrels per day) of crude oil consumption and 300,000 bpd of imports. The first figure is notional, because Sasol does not produce crude oil as such but makes refined fuels from gasified coal. For comparative purposes, Sasol may be considered to have an output of refined fuels equivalent to a refinery processing around 150,000 bpd of crude oil. Mosgas will produce liquid fuels with a crude oil equivalent of around 45,000 bpd.

Sasol at present enjoys a significant measure of price support in the form of guaranteed floor price at US$23 a barrel, based on Dacau crude, but it has to turn over to government 25% of revenue attributable to oil prices over $25 per barrel.

**Oil majors**

The cost of Sasol’s support at the present oil price of $20 a barrel for Brent crude is around 3c/litre spread over the entire volume of consumption of petrol and diesel.

At a delivered oil price of, say, $21.50 a barrel, SA’s oil imports cost around $2,35bn or R6,6bn/year. The savings in foreign currency from Sasol’s output are around R3,3bn a year and from Mosgas around R1bn. The cost-saving through local refining is around R1,5bn/year, compared with the cost of importing refined products. But savings in foreign exchange must be balanced against the cost of price support and other overt and covert protective measures.

Crude oil is processed at the three coastal refineries (two at Durban and one at Cape Town), which are owned and operated by international oil majors Shell and BP in partnership. Engen (as successor to Mobil in 1999) and Caltex are the leading brands, followed by Shell. In recent years, SA’s share of the market has declined due to increased competition from multinational operators.

The constraints on SA’s refining capacity and the need to import crude oil are caused by historical factors and the government’s attempt to diversify the country’s energy sources. The lack of refining capacity has led to an over-reliance on imported oil, which is costly and subject to price fluctuations.

In recent years, SA’s oil industry has undergone significant changes, including the privatization of state-owned petroleum companies and the introduction of new regulations to promote competition.

**Offshore Comparative Pricing**

From the 1988 to 1992 period, the offshore price of refined products was consistently higher than the onshore price, indicating a lack of price competitiveness. This suggests that the industry may be facing challenges in competing with international markets.

The offshore market is characterized by higher prices due to additional costs associated with offshore production and transportation. The government is working to address these issues through various policies and initiatives, including the development of new refineries and the implementation of tax incentives.

**Conclusion**

While there are challenges in the SA oil industry, the government's efforts to promote competition and diversify the energy sources are crucial in ensuring the country's energy security. The industry needs to adapt to changing market conditions and leverage technological advancements to remain competitive.

24 • FINANCIAL MAIL • OCTOBER • 30 • 1992
Ready to rock and roll

The benefits of deregulation would outweigh short-term job concerns

In the new climate of world freedom, economics in theory, principle and practice dictates deregulation of the retail petrol and diesel markets. The recent 7c increase in the petrol price (Economy October 16) was needed to meet various increases in administered prices, notably the retail margin, but it too suggests that deregulation, as supermarkets have been urging, needs swift consideration.

The accumulation of inefficiencies resulting from tariff or other forms of protection or from administered prices, adds up to an Argentinian economy. Consensus is emerging that to achieve a rapidly growing export-oriented structure, these destructive elements must be worked out of our system.

SA’s oil industry makes much of the argument that deregulation could cause the loss of up to 50 000 forecourt jobs. Even Pick ’n Pay chairman Raymond Ackerman has been reported as saying that forecourt jobs should be protected by outlawing self-service.

One possible approach to rebuting this argument would be to test deregulation in a self-contained urban area some distance from a main metropolis. We might well find the results differ from those claimed by the industry.

Lourens van den Bergh of the Department of Mineral & Energy Affairs says the former National Energy Council investigated deregulating the oil industry during 1990-1991. Apart from freeing the refining margin, other policy steps initiated were:

- Scaling down minimum requirements regarding repair services which service stations must render, and
- Implementing international market-related adjustments of fuel prices at ministerial and departmental level without reference to Cabinet.

In addition, government has applied a strategy to deregulate crude oil acquisition.

Deregulation of retail pricing and marketing has been accomplished in a few countries — with varying consequences. In a large country such as SA, price regulation has ensured that rural areas do not have to pay more for petrol than cities. But the cost of misallocated resources has been severe.

Recently there have been attacks on the so-called Ratplan or Service Station Rationalisation Plan. According to industry sources, this arrangement has existed since 1960 and predates any oil embargo. It aimed to provide a national network of sites, ensure essential services for motorists, encourage higher turnover per site and prevent proliferation of service stations.

Ratplan does not serve as a mechanism for retail price maintenance. That is done through the Petroleum Products Act of 1977. But price maintenance dates back to around 1937.

The industry disputes the idea that Ratplan achieves market sharing. All oil companies received the same number of quotas for the development of service stations, irrespective of their size and market share. The companies do not operate service stations, though they own 22% of the total number.
Senstrachem will make its biggest offshore acquisition if negotiations and a due diligence investigation into Australian styrene producer Chemplex Holdings prove favourable. The SA chemical group published a cautionary statement on Monday to advise shareholders of the potential deal.

Senstrachem is providing no further details, though the statement does say Chemplex is Australia’s largest styrene producer and “significant synergies” exist between the groups.

Senstrachem used to have investments in Australia and the UK which were sold in the sanctions era. It still has small interests in several African companies. Should the deal, understood to have been initiated from Australia, go through, it will represent Senstrachem’s first major international acquisition.

Styrene, the major raw material in production of several Senstrachem product groups (polystyrene, latex, rubber and polyesters), was made by Sasol until about 10 years ago. Stopping production affected Senstrachem’s business, and all styrene has since been imported.

The high-impact polystyrene facility was closed last year and Senstrachem spent R4m on a plant to produce thin-walled expandable polystyrene.

It makes sense for the group to gain an interest in a large styrene producer like Chemplex. While no details of the price Senstrachem might pay are available, last week’s preliminary results (Fax October 23) show the group with cash resources of R77,5m and borrowings down 22% to R390m.

Shane Harris
140 to be laid off

EAST LONDON - Johnson and Johnson announced yesterday that it would retrench 140 members of its staff here, starting from December until March next year.

No new policemen

LONDON - lan, one of the Royal Geographers, has been invited to the Royal Academy's annual dinner.

Choreo
Japan’s refiners under the whip

By KEVIN DAVIE

WHILE the Government and the oil industry cling to regulation, Japan is aggressively deregulating, bringing fuel prices down in some areas by 25%.

Lake SH, Japan had a decades-old system of regulation whereby the Government allowed the oil companies to operate as a cartel.

The companies liked the price-fixing so much that they fought to maintain it. The Economist reports.

But now the Ministry of Trade and Industry (MITI) has decided the opposite; it wants competition to force the creation of a Japanese oil giant capable of competing against the world’s biggest.

“As a result, Japanese motorists look like getting some relief from the artificially high petrol prices for the first time in decades,” The Economist says.

The Japanese pay four times — some, but not all, in taxes — what Americans do for their fuel.

“MITI’s moves have already pushed prices in parts of the country down by 25%.”

The Economist says that although the Japanese oil industry has operated with slim refining margins, it has been allowed to sting the motorist with margins four times larger.

Sting!

“Japan’s oil companies liked the price-fixing formula so much they tried to maintain it.”

But, says The Economist, MITI has not only abandoned its support for the practice, it is investigating pricing with the zeal of a veterinary price buster and publicizing its findings.

“Now that such price fixing has been pointed out to them, Japanese motorists are no longer willing to tolerate even modest rises at the pump, legitimate or otherwise.”

“With the recession beginning to bite, they are on the prowl for discounts.”

“Japan’s hapless oil companies, obedient to MITI’s commands for so long, may be forgiven for wondering what they have done to deserve this fate.”
Squeeze is on polymers

LOW international polymer prices were squeezing local polymer suppliers' profits, but lower product prices were forcing market share gains from traditional materials, Plastomark MD Wolfgang Raffalsky said.

Plastomark, a Hoechst SA subsidiary, has a 50% joint venture stake with Sentrachem in Saffripol, a high density polyethylene, polypropylene and compounded polypropylene plant.

Raffalsky said worldwide capacity utilisation of high density polyethylene and polypropylene was 80%, a sure indication of low prices and oversupplied markets.

Worldwide international demand for polypropylene slumped due to recession and production increased to more than 17-million tons compared with demand of less than 14-million tons, Sasol said in its 1992 annual report.

The world polypropylene market increased only 6% in the year to end-June 1992 and the growth rate was expected to remain low until 1995, Sasol said.

An AECI public affairs spokesman said local plastic polymer prices had fallen significantly over the past two years in line with world trends. PVC prices had fallen more than 10% and polyethylene about 10%.

Plastomark said the low prices would lead to rationalisation within the polymer industry worldwide with extended maintenance shut downs, closure of older units and other deliberate steps to reduce oversupplies.

Raffalsky added that many international producers were already making losses. Tight margins had forced plastics companies to increase volumes and keep prices low to remain competitive.

The result was that plastic material packaging product price indices, using 1990 as a base, was substantially lower than producer inflation and lower than products made from traditional materials such as steel or paper board, Raffalsky said.

He said SA was protected to a degree from the world oversupply of polymers by antidumping legislation, necessitated in no small degree by the fact that a third of all high density propylene suppliers were state owned.

However, AECI pointed out that there had been an increase in polymer imports during the past two years, some of which had been at abnormally low prices due to the ineffectiveness of past anti-dumping mechanisms.

AECI said an SA economic recovery would lead to an increase in the demand for plastics and the group would continue investing in its PVC and polyethylene businesses.
PREM PHARM

Dispute over price

There appears to be tension between Premier Group and the Kroks over the purchase price of pharmaceutical businesses of Gresham Industries and PDC Holdings, being acquired by Premier Pharmaceuticals (Prempharm), formerly Twins Pharmaceuticals.

Prempharm, controlled by Premier, is negotiating to acquire wholesaling operations from Gresham and PDC, also controlled by Premier. It's understood the Kroks brothers — who recently sold 5m Prempharm shares but remain significant shareholders in the pharmaceutical group — claim Prempharm is overpaying for the assets.

Premier Group chairman and CEO Peter Wrighton admits "There is a dispute in progress." Solly Kroks says "We are trying to determine the correct price for the wholesaling assets, based on a due diligence test."
**CHAMPAGNE RESULTS**

<table>
<thead>
<tr>
<th>Year to Sep 30</th>
<th>1990</th>
<th>1991</th>
<th>1992</th>
</tr>
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<tr>
<td>Turnover (Rhm)</td>
<td>1,044</td>
<td>1,104</td>
<td>1,111</td>
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<tr>
<td>Operating income (Rhm)</td>
<td>180</td>
<td>208</td>
<td>217</td>
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<tr>
<td>Attributable (Rhm)</td>
<td>67</td>
<td>84</td>
<td>94</td>
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<tr>
<td>Earnings (c)</td>
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<td>311</td>
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<tr>
<td>Dividends (c)</td>
<td>125</td>
<td>170</td>
<td>190</td>
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</table>

AFROX FM 4(111972

**Gaseous glories**

**Afrox's latest results** are the kind that cause shareholders to order the bubbly. This transparently well-managed company, which reports its results after accounting for inflation, has turned in a performance that fully justifies its rating as a deep blue-chip stock.

Afrox's 1992 audited results are a stream of undiluted happiness. Turnover increased nearly 7%, profit before interest but after inflation accounting rose 5,4% to R217m, the after-tax profit rose 12,1% to R97,2m and the total dividend rose 12%. Afrox's managers made the assets work to the extent they produced a bottom-line return, in nominal terms, of roughly 27% — an extraordinary achievement.

It is, of course, inappropriate that we should find nothing about which to complain. The interest bill rose nearly R4m because of an increase of R23,1m in borrowings. These now stand at R244,5m and, on an otherwise impeccable balance sheet, cause a slight flickering of the eye.

On the other hand, the investment in long-term assets rose R26,4m. Financial manager Keith Bonneng says an investment of about R20m was made in the Afrox Unit Trust scheme, this scheme has enabled 1,300 Afrox employees to become shareholders and the new infusion will confer shareholder benefits on another 1,000 employees, each with service exceeding 10 years. This is part of Afrox's plan to ensure share ownership extends to employees, since it is so clearly successful, investors should be pleased.

Afrox's business is concentrated in three areas: gases, welding and health care. Emphasising the unperturbable nature of the gases division, chairman and CE Peter Jou-

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*David Glenew*
Pricing Pressure

<table>
<thead>
<tr>
<th>Year to Sep 30</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>774</td>
<td>916</td>
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<tr>
<td>Operating Income (Rm)</td>
<td>116.4</td>
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<td>Attributable (Rm)</td>
<td>64.2</td>
<td>76.8</td>
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<tr>
<td>Earnings (c)</td>
<td>235</td>
<td>279</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>88</td>
<td>106</td>
</tr>
</tbody>
</table>

Products under licence. In Adcock's case about 40% of its pharmaceutical products are made under licence.

As a result of this pressure, 1992's price increases were generally kept below the inflation rate, partially explaining why 1992 EPS growth was "only" 19%, against last year's 29% and 1989's 27%.

Finance director Wally Holmes says, compared with the past, fewer new products were launched, also contributing to the lower EPS growth.

But demand for Adcock's products has increased, as turnover jumped 18% despite the real drop in prices. The critical care (Sabax) and pharmaceutical divisions "enjoyed particularly good growth," while self-medication and consumer products came under pressure.

Though declining to give a divisional breakdown at trading level, Holmes says low-margin wholesale activities accounted for 39% of group turnover, critical care 23%, pharmaceuticals 17%, self-medication 12%, and consumer products 9%.

CE Don Bodley reckons pressure felt in the self-medication division reflects the economic climate: Given the way medical aids are structured, sick people are more inclined to use medical aid schemes through visiting their doctors rather than going the nonprescribed self-medication route.

Bodley also notes that wholesalers and chain stores destocked, with the effect the whole market contracted significantly, but he adds Adcock maintained market share.

Results at the consumer products division would have been worse but for the introduction of new hair care products.

In the past SA Druggists (SAD) concentrated on lower-margin generics, while Adcock's expertise lay in higher-margin branded and patented products. This is changing in a curious way, as SAD is increasing its exposure to branded and patented drugs and Adcock is moving into generics.

Presumably, both are aiming to have their product ranges reflect more or less the industry structure. In the past Bodley has said generics comprised 25%-30% of the total prescribed market in the US.

As long as local groups supply relatively cheap generics in the new SA, they will...

In a dilemma

Adcock Ingram seems to be caught in a dilemma — earnings should not increase too rapidly as this could be politically sensitive. Health care groups in the US are coming under severe pressure after recent surges in costs. Back home blue-chip Adcock is probably also feeling the pressure regarding in...

William Giffen
Engen to upgrade its Durban refinery

Engen is to upgrade its Genref refinery in Durban at a cost of R800m, CE Rob Angel announced at the weekend.

He said the project would be financed by a combination of foreign supplier credits, favourable foreign and local financing structures, and from the proceeds of a rights issue in April last year. It was expected that the project would be completed by the end of 1994.

The first phase of the Genref expansion programme was completed earlier this year within the R670m budget.

Angel said the second phase's main objectives would be to improve substantially the yield and product quality of high-value transport fuels, enhance environmental protection, particularly through air pollution abatement, and improve refinery reliability. About 3,000 jobs would be created in the engineering industry during the 26-month construction schedule.

The upgrading project would significantly increase Genref's production of unleaded petrol and low sulphur diesel fuel.

Angel said 40% of the project cost would be devoted to facilities for environmental protection and product quality improvements.
Preparing to go to the market

Activities: Makes industrial and mining chemicals, plastics, agricultural products, foodstuffs and rubber
Control: Sanokorp 33.8%
Chairman: D N A Hunt-Davis MD J L Job
Capital structure: 115mords Market capitalisation R835m
Share market: Price 550c Yields 3.6% on dividend, 11.3% on earnings, p/e ratio 8.9, cover, 3.1 12-month high 675c, low 515c
Trading volume last quarter, 303 000 shares

Year to Aug 31

<table>
<thead>
<tr>
<th>Year</th>
<th>'89</th>
<th>'90</th>
<th>'91</th>
<th>'92</th>
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</thead>
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<td>ST debt (Rm)</td>
<td>164</td>
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<td>156</td>
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<td>LT debt (Rm)</td>
<td>305</td>
<td>487</td>
<td>416</td>
<td>386</td>
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<tr>
<td>Debt equity ratio</td>
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<td>0.71</td>
<td>0.63</td>
<td>0.44</td>
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<tr>
<td>Shareholders' interest</td>
<td>0.40</td>
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<td>0.33</td>
<td>0.35</td>
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<tr>
<td>Int &amp; leasing cover</td>
<td>3.0</td>
<td>2.1</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Net worth (Rm)</td>
<td>12.7</td>
<td>12.3</td>
<td>11.7</td>
<td>12.8</td>
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<tr>
<td>Turnover (Rm)</td>
<td>1,45</td>
<td>2,16</td>
<td>2,28</td>
<td>2,43</td>
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<tr>
<td>Pre-tax profit (Rm)</td>
<td>224</td>
<td>245</td>
<td>235</td>
<td>256</td>
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<tr>
<td>Earnings (c)</td>
<td>81.1</td>
<td>66.1</td>
<td>62.8</td>
<td>62.0</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>26</td>
<td>24</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>557</td>
<td>480</td>
<td>439</td>
<td>521</td>
</tr>
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It's encouraging to watch a large, complex group like Sentrachem successfully change its corporate culture and profitability at the same time. Though never afforded the level of government backing that competitors such as Sasol enjoyed, Sentrachem was encouraged to enter what was the strategic import-replacement industry during the sanctions years.

For a while it worked well, especially during the energy crises of the early and late Seventies. But, fundamentally, the import-replacement market was a false market. Consequently, Sentrachem has been moving from an import-replacement producer to the Karbochem plant at Newcastle, not only profitable for the first time since being commissioned but now the second-largest contributor to earnings. Karbochem, established mainly as a producer of rubber, is now focusing on elastomers, carbide products (after acquiring AECI's carbide business at the beginning of the year), industrial and monogranular chemicals.

In the past year, rubber accounted for only 51% of divisional sales (1990 65%). Job expects this to fall to about 34% this year.

Sentrachem's business mix has not changed much since last year (see chart), with the biggest percentage increase in contribution to profit coming from Agrifluid. This was largely from the joint venture Sancrachem, which increased exports to compensate for the drought.

All other divisions also raised exports, which now account for 11% of Sentrachem's turnover.

The balance sheet was strengthened by a 28% reduction in debt, bringing gearing down from 63% to 44%. Hunt-Davis says management will continue to concentrate on lowering debt, but past year-end developments show Sentrachem is not going to retreat into its shell to ride out the recession.

Talks and due diligence investigation are underway into acquiring Australian styrene producer Chemplex (Fox October 30). Job will not reveal the price but it's certainly much more than the R775m cash on hand.

If shareholders approve the transaction, Sentrachem will go to the market to raise equity funding for the acquisition, probably early next year. The rights issue is likely to be a big one, around R250m. Apart from raising capital for the Australian acquisition, Sentrachem will probably want additional funds to further reduce borrowings.

Latest results have reversed the decline of the share price, down from a mid-year high of 675c to a low of 515c at end-September and now at 550c. The 3.6% yield is below the sector average and those of competitors such as Sasol and Chemical Services. After these results, it seems unlikely to fall further, at least not more than any further decline in the market. Sentrachem's profits are sensitive to economic conditions and it could be one of the first chemical groups to climb out of the trough.

Shawn Harris
Disasters make for a new chemistry

The fire which spilled a cocktail of chemicals into the air, soil and water near Johannesburg marks a milestone in the creation of an environmental movement in South Africa, reports EDDIE KOCH.

THE chemical fire in Midrand, near Johannesburg, has jogged a variety of environmental organisations — from the government's Department of Environment Affairs to Earthlife Africa members — into action.

Last month's fire at the Rhone-Poulenc chemical plant has been greeted with a political reaction almost as heated as the blaze which burnt down the factory and left the air, soil and residents' lives contaminated with a cocktail of toxic poisons.

Midrand residents report they are still suffering the after-effects of the fire at the Rhone-Poulenc warehouse, where more than 140 toxic chemicals were stored, which caused respiratory problems for scores of people and lasting pollution in the soil and water.

A spate of other chemical spills and accidents followed the Midrand disaster.

Early last month five employees were killed in an explosion at the Karbochem factory in Newcastle. Days later two labourers died and another 28 were left with lung damage when toxic materials blew up at a waste dump in Springs.

And throughout the month two employees were lying in a coma after being exposed to mercury poisons at the Thor Chemicals plant in Natal.

"The Midrand fire attracted a lot of attention mainly because there were protests by local communities, worker organisations and environmental groups as crises arose."

It is managed by the Group for Environmental Monitoring and represents activists from Earthlife Africa, the Biotox Foundation, the Congress of South African Trade Unions (Cosatu), the National Council of Trade Unions (Nactu) and the National Centre for Occupational Health.

The spate of fires and spills has also resulted in the launch of two new branches of Earthlife — one at Midrand and another in Springs where, according to Lukey, farmers were demanding "mass action of the type run by the ANC to block plans for the building of a toxic waste dump in the area.

The government has not left itself out of the act. In a strongly worded statement the Department of Environment Affairs acknowledged bluntly that the country has a woefully inadequate system for the management of toxic waste.

Under the heading "Polluters must get their act together", the statement announced that the department was launching a concerted drive to create a "national holistic policy on integrated pollution control" over the next two years.

Environment Affairs official J Stander, replying to criticisms that this response was too cumbersome and slow to deal with an emerging crisis in the chemical industry, said his department wanted time for a thorough process of consultation with public bodies in order to give legitimacy and effectiveness to new legislation.

Big business has been active to ensure that its image is not tarnished by the disasters.

"The big boys have got their act together. They just can't afford to have accidents like the one at Midrand," said one consultant. "Large corporations are doing their best to ensure effective management and control of their products given the almost total weakness on the part of the Department of Environment Affairs."

Included in their thinking is a novel concept called "product stewardship."

Companies recognise that their products can be hazardous long after they leave the warehouse and are beginning to insist that customers demonstrate a capacity to handle these carefully before selling them.

"That's okay," says Lukey. "There's an interesting part that takes place. The government and businesses are beginning to take the issue seriously. But we believe that the best way to ensure effective legislation and preventative action is for public pressure groups to keep them on their toes. Laws must be driven by the public. Otherwise they will simply remain on paper."
Tariff protection ‘unacceptable’

Engen faces tough choice on Mossgas

CAPE TOWN — The likelihood that Mossgas would need substantial tariff protection would make it difficult for Engen to follow its rights in the giant project, Engen CEO and MD Rob Angel said last week.

Engen has a 30% stake in the equity of the project, and has an option to follow this participation up to six months after the start of commercial production, probably towards the end of next year.

It has said that it would not invest in Mossgas unless it was a commercially sensible thing to do.

“Engen has always said it would require a real return of the order of 8% to follow its rights. Our achieving this on the back of substantial tariff protection may make it unacceptable for Engen,” Angel said at a presentation to the Investment Analysts’ Society on Friday.

“However, should we not follow our rights we believe it would be in the best interests of all stakeholders for Engen to continue to manage Mossgas.”

It is understood that discussions point to Mossgas becoming a public utility owned by the Central Energy Fund and operating under Engen management.

Angel said negotiations were far advanced regarding the development of West African exploration opportunities.

A number of options to acquire oil production in West Africa, the Middle East and the North Sea were being pursued with the aim of developing a substantial, stand-alone exploration and production business.

He said Engen was seeking opportunities to develop and acquire a distribution infrastructure to support its growing export business in sub-Saharan Africa and the Indian Ocean islands.

“It is the group’s firm intention to secure distribution outlets and capture marketing niches, and to utilise coastal and inland tankage as springboards for further marketing initiatives,” Angel said in Engen’s annual report released at the weekend.

The development of an offshore logistics organisation to optimise product sourcing and transportation of products, and subsequently crude oil, would be an integral part of these plans.

Last year Engen exported oil and oil products to 16 African countries and Indian Ocean islands and has been pursuing an aggressive drive to increase these exports in 1992:

Exports increased 18% to 539-million litres (383-million), representing more than 10% of domestic sales.

Acquisition opportunities would arise as a result of the restructuring of major international oil companies, which might shed smaller operations and relegate Africa to a low priority status.

Engel said new exploration activities in Namibia and Gabon would get underway this year, but exploration in the Bredasdorp Basin was being scaled down.

“West Africa will be a core area for Engen upstream and it was rewarding to be able to enter into new exploration acreage opportunities with Chevron in Namibia, Canada Total and OMV in Gabon. Discussions with other partners and countries are well advanced,” Angel said.

He told the investment analysts that he had expected the investment analysts to have warned of the importance of healthy cash resources within Engen and had led the board to look into the possibility of declaring a medium-to-long term dividend to secure the listing of Engen on international stock exchanges.

To achieve this an international marketing campaign to institutions and potential investors would be undertaken.

Changing the Mobil brand name to Engen was a three-year project costing R120m to R150m.

Angel called for the lifting of secrecy provisions governing the oil industry. Only in the long-term would information on the sourcing and transportation of crude oil needed to be restricted, he said.
DELEGATION MEANS NEVER HAVING TO WORRY ON THE GOLF COURSE

ONE of the strengths of Maziex Plastics is its management's ability to delegate to the extent that MD John Maziex can play golf without worrying.

He says news of the firm making the Non-Listed Company Award finalists reached him on the golf course and he reacted as if he had scored a hole-in-one.

But unlike achieving a hole-in-one, "to achieve success in business requires a unified effort by Maziex's directors and staff."

He says in spite of sanctions and a depressed economy, the team has managed to consistently increase turnover.

The company is a major distributor of plastics to 2,440 account customers in the engineering, signage, mining, construction, transportation, chemical and food and beverage industries. Its major clients include Sasol, Atomic Energy Corporation, Eskom, Samcor and Transnet.

Fabrication

To maintain turnover and profit in a shrinking market, the company has added value to its plastics materials through engineering and fabrication.

It has provided replacements for some expensive imported finished plastic products, and has opened new geographical areas which has expanded its base and increased its market.

But an important survival tactic was building up personal relationships with local and overseas suppliers.

In 1947, Richard Maziex set up a one-man engraving business in Pretoria. In 1953, his son Richard, now chairman of Maziex, joined his father as an apprentice.

The business was importing perspex from ICI in England, and soon became ICI's perspex agent in Pretoria. The Atomic Energy Board, which was using the company's perspex, assumed Maziex supplied all plastic materials.

Not wishing the business to go elsewhere, it began to source other materials. Plastics expanded fast, and 10 years later became its core business.

Today, the company is national, with branches in Pretoria, Johannesburg, Wadieville, Welkom, Middelburg, Cape Town and Durban, and agents in other areas.

It distributes mainly to wholesalers and distributors of semi-finished plastics, sheets, rods and tubes.

Its three main areas of operation are commercial, industrial and engineering plastics.

The company sources half of its 2,000 items locally and imports the other half. While it buys wherever possible from local manufacturers, Maziex says many plastics products were not available in SA.

A large amount of its materials are sourced from all over Europe, but they are containerised in Antwerp, reducing shipment costs and resulting in a streamlined purchasing system, where goods are ordered just four months ahead of requirements.

The company's flagship centre is in Wadieville, where it also has an engineering company, where it machines from its own materials.

Value

Maziex Engineering, which machines the company's own gears, sleeves and bearings adds value to the company's engineering plastics. Apart from the financial benefits, the main reason was so that the company could control the quality of the finished product.

Directors believe firmly in empowering employees. Chairman Richard Maziex says he has withdrawn from the day to day management in favour of the younger directors, managers and staff, whose average age is 35.
SA DRUGGISTS (SAD) forecasts real earnings growth in financial 1993 . CE Peter Bennigfield said the trading conditions were unlikely to improve in the short term, but achievements in the past few months took the group well on the way to reaching its potential. Since it was acquired by Malbak in October 1991, and acquired Malbak's pharmaceutical and related interests, SAD was restructured and refocused .

Results to end-August were not comparable with the previous year due to the reorganisation of the group and to a change in the year-end. Turnover in the 12 months to end-August was R1.5bn and attributable earnings stood at R58.4m.

Bennigfield said results reflected the extent and expense of the surgery performed and the rigours of the trading environment. Group operations had been structured into autonomous business units in three core divisions: pharmaceutical, distribution and medical equipment. The research and development function was focused on being market driven, rather than production driven, and the product range had been rationalised. SAD had also cut its workforce by 20%.

Productivity was significantly improved, particularly at its Lemon factory in Port Elizabeth. Shrinkage had been brought under control, the manufacturing capacity was being expanded, and the distribution division was being resized and reshaped, Bennigfield said.
Drive to promote generic medicines

Local pharmaceutical manufacturers are launching an education drive to encourage people to ask their doctors or pharmacists for more affordable local generic medicines, rather than accepting expensive foreign products.

Lennon Generics CEO Dave Stubbs said SA health care costs would be reduced significantly through the wider use of generic medicines — and this trend would be accelerated by the expected deregulation of the health care system.

He said deregulation was likely to be the reintroduction of generic substitution — the pharmacist’s right to supply a generic equivalent to the branded original prescribed by the doctor, should the patient want it.

A commonplace practice elsewhere in the world, Stubbs said substitution was permitted in SA briefly in 1996 until pressure from the multinational manufacturers forced the Pharmacy Council to ban it again.

While generic medicines — typically up to 60% less expensive than the branded products — were widely used in SA’s public health care sector, there was considerable scope for their increased application in the private sector, he said.

Generics accounted for almost 25% of all medicines dispensed in SA, while the comparable figure in the US was 60%.

“Since 1993, the annual increase in medical scheme contributions has been 10% ahead of the inflation rate, primarily due to the rise in medicine prices.”

Earlier this year National Health director-general Coen Slabber noted that SA medicine prices were now higher than in virtually all Western countries. “The burden of the cost of medicine has become severe,” said Stubbs.

Meanwhile Health Minister Rina Venter last night told members of the Pharmaceutical Association of SA that substitution would play an ever increasing role.

As the patents of branded medicines expired, more alternatives would become available and the cost saving to the consumer was likely to be significant, she said.

Venter said the Medicines Control Council was satisfied that all registered medicines complied with standards in terms of quality and efficacy. She added that post-registration monitoring was carried out continually by the council.
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PLAYS IT SAFE

with big, big Cake.
Sentrachem buys Chemplex for R420m offshore

From MARCIA KLEIN

JOHANNESBURG — In a multimillion-rand deal Sentrachem has signed heads of agreement to acquire media tycoon Kerry Packer's Australian petrochemical company Chemplex.

Although the price of the acquisition has not been released, indications are that the negotiations are based on a purchase price of between A$100m and A$150m (R330m to R490m at the current exchange rate). This compares with Chemplex's current annual turnover of A$200m (R400m at the commercial exchange rate).

The Sentrachem move follows overseas acquisitions by Sappi, which took control of German paper company Hanover Pulp; Standard Bank which took over the African operations of Australian/New Zealand banking group ANZ Grindlay; FNB which bought control of UK banking group Ansbacher; and the Royal/Del Monte deal.

Based on the turnover figure, local chemical industry analysts believe that a purchase price of more than A$50m would be appropriate if the Australian firm were to be valued on a comparative basis to Sentrachem itself.

Sentrachem CE John Job said yesterday that less than half the purchase price would be settled in finnrand, and the rest would be funded by loan.

He said Chemplex was equivalent to any one of Sentrachem's divisions in terms of size, placing an acquisition "well within Sentrachem's financial reach".

He said Sentrachem expected the deal to be completed by mid-December "if all goes well".

International foothold

Job said that as SA opened up to international competition, Sentrachem needed to diversify internationally rather than simply concentrate on defending its high market share.

Chemplex, which is controlled by Packer, has two plants in the Melbourne area. It had no debt and was profitable, Job said. It was also within reach of the Pacific Rim markets.

Its technology and product range were the same as those of a significant part of Sentrachem. Chemplex made styrene, and Sentrachem was the largest user of styrene in SA.

Job said the deal would proceed only once Sentrachem's "due diligence" team was completely satisfied. The team, which included an international firm of accountants and Sentrachem's own technical and environmental specialists, would look at the financial aspects of the deal as well as technological, engineering, environmental, health, safety, statutory and legal aspects.

Job said SA companies investing abroad faced the hurdles of the financial rand and higher price to earnings ratios offshore. "For us, the offset will be synergy between Sentrachem and the Australian company," he said.

He said Chemplex had sound management, and only a few key appointments would be made from SA.

Exports accounted for 11% of Sentrachem's turnover at the August year-end. At that time, the group had cash resources of R77.6m.

It was reported recently that Sentrachem could come to the market soon to raise up to R250m in a rights issue for the acquisition and to reduce borrowings.
Kerry Packer company for sale

Another SA firm goes for offshore deal

IN A multimillion-rand deal Sentraichem has signed heads of agreement to acquire media tycoon Kerry Packer’s Australian petrochemical company Chempix.

Although the price of the acquisition has not been released, indications are that the negotiations are based on a purchase price of between $A100m and $A150m (R330m to R400m at the f/nrand exchange rate). This compares with Chempix’s current annual turnover of $A200m (R400m at the commercial rand exchange rate).

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Workers press ahead

ABOUT 200 South African Chemical Workers' Union members marched on the AECI Midland plant in Sasolburg on Friday to press for a resolution to labour disputes at the factory.

The workers protested against management's delay in implementing an agreement reached on the administration of the Provident Fund, SACWU shop steward Joseph Mapheleni said. - Sapa
Dealing with volatile conditions

Engen's large capital spending programme, its exploration ventures for oil and gas, and its enterprising and successful surge in exports — particularly to African countries — all contribute to an exciting, international image. But when the gloss is removed, Engen remains a potentially volatile investment medium. Its 1992 results bear this out.

MD Rob Angel talks in his review of "an improvement in operating income to R393m, or an increase of 3.7%". Yet the income statement lists operating income as R349m, 24.6% lower than in 1991. Not that there was any intention to mislead. The report makes it clear that the figure to which Angel was referring was calculated after drawing on the equalisation reserve created specifically to smooth earnings because the industry is so volatile.

Two factors restrained the profit decline. Proceeds of the R1.1bn rights issue last year, much of it invested in preference shares, generated net income of R140m — an increase of R98m on the previous year, and the effective tax rate fell to 10.2% from 23.4%. But for these two items, attributable income before reserve transfers would have fallen. As it was, R44m was drawn from the stock equalisation reserve and R37m credited to the tax equalisation reserve.

Refining income fell 35% partly because of local factors such as electricity failures at the plant, a two-week strike and the planned six-week shutdown when the refinery Phase 1 expansion was brought on stream. But the reduction arose also because refining margins weakened. Refining's contribution to operating profit fell to 45% from 73%.

Engen's Smith costly expansion programme

Offsetting this was a 204% increase in income from marketing activities. Participants in the SA petroleum market, in collaboration with government, were given an increase in the wholesale margin at the end of the financial year. After standing at 9c/l for 10 months of Engen's financial year, the margin rose to 13.5c/l for the last two months. Marketing's contribution to operating profit rose to 36% from 12% in 1991.

The decline in operating income hampered cash flow. Cash generated by operations fell 22% to R405m. However, net investment income and lower working capital of R160m (R85m) meant cash generated by operating activities rose a marginal 4%. Because of the high capital spending of R811m on expansion in addition to normal replacement expenditure, there was a cash deficit of R634m at year-end.

The Phase 1 expansion of the Durban refinery was completed on time and within budget. It lifted capacity by 30% and should result in a yield increase of petrol and diesel of about 50%. This absorbed R670m, which was funded by borrowings whose after-tax costs were lower than the returns on investments made from the proceeds of the rights issue. However, net investment income for financial 1993 will be much lower. The new lubricating oil blend plant and grease plant were also completed on time and within budget.

Conversion of Mobil service stations to the new Engen livery — at a cost of about R160m — has started.

Progress was also made towards the objective of developing a stand-alone exploration and production business. Engen owns 2.2%, and manages Gencor's 5.8% share, of the Alba oil development in the UK sector of the North Sea. First oil production is expected late next year.

Exploration opportunities were surveyed in the Congo and Gabon, working with major international oil companies as partners and operators. Angel sees West Africa as a core area for Engen's upstream activities. It has become associated with Chevron in Namibia, and Total and OMV in Gabon. But its involvement in exploration of the Bredasdorp basin with Soekor has slowed, as more attractive potential opportunities have presented themselves.

The Mosgas project has advanced well. First product from condensate was manufactured at the end of the financial year, but viability of the project remains in doubt. Engen's 30% of Mosgas was bought for R30m and it manages it for a fee. When production starts, the fee is to be based on turnover. It holds an option to maintain its participation at 30% which must be exercised within six months of full production being reached — estimated at late next year.

Angel says an earnings decline this year is unlikely. Refining volumes could be 30% higher this year. Assuming the refining margin is maintained, and particularly if electricity cuts and strike action can be avoided, operating income from this source should rise substantially.

Moreover, benefits of the increased wholesale margin will be felt for the full year, so operating income from marketing should also be higher. One source is calling for EPS growth of about 15% for financial year 1993, after reserve transfers. That would be close to the range Angel was referring to when he said he would like Engen to become known for producing EPS growth of about 20% a year. But that was before the full severity of the recession and the drought had become obvious.

Even so, some analysts feel the share is fully discounting any forecast growth in EPS. Moreover, there is always the possibility that Engen could again come to the market for additional funds. In any event, investors have welcomed the 14% increase in the dividend.

Gerald Hirsch
Dealing with volatile conditions

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Poor stock market impacts on Anglo

By Derek Tommey

Attributable earnings of Anglo American fell by R74.8 million (11 percent) to R581 million in the six months to September.

Earnings a share fell from 26.2c to 23.8c, but the interim dividend has been maintained at 50c a share.

Anglo American worked hard to maintain its earnings at a time when, says chairman Julian Ogilvie Thompson, the economy continued to suffer under the impact of a prolonged local recession and the delay in the expected upturn of the international economy.

Figures show that Anglo would have increased its attributable earnings but for a slump in profits from the realisation of investments.

Income from this source dropped from R120 million to R11 million — reflecting the sorry state of the JSE and the lack of investment activity.

More encouraging, investment income rose from R630 million to R641 million.

And although trading income slipped from R250 million to R229 million, this was offset by a jump in "other" income to R47 million from a loss of R5 million last year.

Net attributable income before tax was R67 million lower.

However, it would seem that unless there is a major improvement in Anglo's earnings in the next six months, the company could find it hard to maintain its dividend at 25c and a satisfactory dividend cover as well.

The balance sheet shows that Anglo's total assets rose from R23.8 billion to R25.9 billion in the six months, with deposits and cash increasing from R2.92 billion to R2.98 billion — indicating considerable liquid funds are available for any new projects.

Ogilvie Thompson draws attention to the group's continuing commitment to major new projects in South Africa, despite the downturn overseas and turbulence at home.

The projects include the Venetia diamond mine, the start of shaft sinking in October at Moab, a large investment in China in copper mines, the R1 billion Namakwa Sands project and the expansion of the Columbus stainless steel business, which remains profitable despite the record low prices for stainless steel.

However, he regrets the violence in SA, saying that the leaders of all major political groupings have failed to rise sufficiently above party concerns to confront the problems bedevilling both economic and political progress.

Afrox names new MD

By Derek Tommey

Afrox has appointed Royden Vice, a former senior executive, as its new managing director.

He succeeds Peter Joubert, who retains his position as chairman.

South African-born Vice was a general manager at Afrox until his appointment in 1986 as vice-president, finance at Arco, a North American subsidiary of BOC, which holds a majority interest in Afrox.

He rose to become president of Arco Industrial Gases, which produces and distributes liquid (bulk) atmosphere gases and helium and hydrogen.

"Royden brings back to Afrox a wealth of international experience," says Joubert. "I believe he is well equipped to manage the company in the present challenging times."
Finrand curbs jeopardise offshore deals

SA companies' plans to invest abroad— including Sentrachem's purchase of Australian petrochemical group Chemplex—have been thrown into disarray by the announcement at the weekend of strict curbs on foreign investment.

Reserve Bank Governor Chris Stals said "a quite a few" companies waiting for responses from exchange control authorities would have their requests turned down. However, deals already in the pipeline would not be affected.

Sentrachem declined to confirm that its deal was in the balance in terms of the new rules on foreign investment announced by Finance Minister Derek Keys.

Edward West reports Sentrachem spokesman George Broekhuisen said yesterday "constructive" negotiations were in progress for the group's multimillion-rand acquisition of Perry Packer's company Chemplex, and he preferred not to comment on Keys's announcement.

Stals welcomed the new measure, saying he hoped it would restore foreign investor confidence in SA. "Foreign investors were worried that such large amounts were leaving the country via the finrand."

According to Keys's statement, companies requesting approval to invest overseas would have to prove the investment "would yield an immediate benefit" to the country. Funding of new investments would be funded mainly by loans raised abroad, with the payment met from income generated by the new investment. Deals already approved would have to be financed with foreign loans, with arrangements to stagger the repayment over a period of time.

Stals said even companies that could prove a short-term benefit would find it difficult to invest overseas because of the problems in obtaining foreign finance.

Asked whether the Reserve Bank would continue its policy of intervening in the finrand market from time to time, Stals emphasised that intervention depended on whether the level of foreign exchange reserves was rising rapidly. When there were large foreign exchange inflows, intervention in the finrand market achieved the dual objective of appreciating the currency and reducing liquidity in the money market. He pointed out, however, that the current account surplus was falling.

The finrand surged by 5.7% in early trade on Friday on rumours that a statement was to be released, but eased from its day's high of R4.7360 to finish at R4.8550. With the commecial rand at a record low.

Finrand discount

To Page 2

From Page 1

against the dollar, the firm's investment unit yielded a discount of well below 40%. It was at 40% at the beginning of the week when the Sentrachem announcement put pressure on the currency.

The discount between the two currencies reached a low of 7% on positive sentiment towards SA in 1991. It widened again to nearly 30% on fears that government wanted to tax non-resident interest earnings. This was followed by the Reserve Bank's announcement this year that it could intervene in the finrand market, which pushed the gap down to 15%. But a spate of foreign investments, notably Royal's purchase of a stake in UK-based Del Monte foods, pushed the discount to a high of 48%.

Royal has not yet disclosed the financing arrangements for its deal, and there was speculation last week that it would have to reduce its stake. This would mean its partner in the deal, Anglo American, would take a bigger share than its initial 40%.

An announcement on the Royal/Del Monte deal is expected this week.

Speculation is that the Bank, anxious to see the discount narrow to a level where SA could have only one currency, requested the exchange control changes announced on Friday. The Bank did not have the power to make the changes itself, as exchange control is Keys's domain. It was further speculated Keys was reluctant to tighten controls.

Comment, Page 8
Anglo, Afrox in deal to exploit helium source

AFROX’s gas division had signed an agreement with Anglo American to exploit a significant source of natural helium in the Free State gold fields, said Afrox public affairs spokesman Kevin MacGregor.

The gas field would enable Afrox to satisfy local demand from the balloon industry and welding shielding gases markets and high-tech medical applications, and also provide significant cost savings.

Available reserves were enough to replace helium imports — all helium is imported — but Arox, however, to divest the value of the deal or the extent of the available reserves — not yet fully known — for competitive reasons.

MacGregor said the field — 50km north of Kroonstad with a lifespan of between 10 and 20 years — did not require significant infrastructure as the gas was pumped directly from the ground into tanks.

Anglo American spokesmen said the agreement with Afrox was relatively small. Gas would be extracted from farms and sold to growers at a new annual high of R500 on Friday as 909 shares traded hands in three deals. Its annual low of R85 was recorded on December 23, 1991. The earnings yield was low at 3.83.

Arox’s gas division was hit by low demand from some of its major customers, particularly in the mining and engineering sectors, in its past financial year ended September 30, 1992.

However, chairman Peter Joubert noted in his latest annual report, released at the weekend, that the division had still managed to perform well because of the diverse nature of the operation.

However, he pointed out that a return to earnings levels experienced in 1991 could only be expected when stability returned to SA. In the 1991 financial year, Arox’s inflation-adjusted earnings climbed 12% over 1991.

During the past year, R130m was invested in plant and equipment, mainly for the gas and healthcare businesses. Subsidiary Industrial and Petroleum Valves was sold immediately after year-end as part of the company’s policy of focusing on primary business interests. The welding products division suffered most from recession in the past year, and management concentrated on the introduction of new markets, such as Africa, to compensate for dwindling local demand.

The health care division experienced a downturn in demand for beds at some of its hospitals. This was particularly significant in H帝国row, where the nature of the adjacent high-density flats had led to a decline in the number of patients making use of private hospital facilities.

To compensate for this, the division took advantage of the new dispensation allowing doctors to open limited private practices.
Engen contributes largest single part of Gencor's assets

ENGEN remained the largest single contributor to Gencor's assets and Sapp replaced Samancor as the group's second largest investment, the latest annual report showed. Gencor's stake in Engen had a market value of R4.06bn, followed by Sapp at R2.64bn and Samancor on R1.13bn.

Malbakh moved into Gencor's top five investments due to increased investment in the company and the improvement in its share price over the year. Gencor's stake in Gemtec and Impala Platinum amounted to R1.13bn or 8.1% of the group's investments.

Gory remained Gencor's most important gold investment, in spite of the decline in the share price over the year, as a result of the increase in the shareholder loan to the company.

Gencor's financial and investment review for the year ended August 31, 1992 showed the group to have total assets worth R13.46bn, making it one of the largest resource-based groups in the world.

Its 10 largest individual investments, which had not changed since 1991, constituted 77% of total assets and contributed 81% of total earnings in the 1992 financial year.

As a result of its R2bn rights issue, Gencor's total surplus funds at the year end were valued at R2.39bn compared to R1.59bn in the comparable period last year.
NEWS IN BRIEF

APLA BEHIND CLUB KILLINGS

A MAN claiming to be an Azanian People's Liberation Army cadre telephoned the SAP radio control room in East London yesterday to claim responsibility for the machinegun and hand grenade attack on a Border golf club at the weekend.

Police spokesman Colonel Christo Louw said the man phoned at 8.21am to say Apla, the armed wing of the Pan Africanist Congress, had launched the attack in which four people died and 17 were wounded.

WORKERS PICKET AECl

MEMBERS of the SA Chemical Workers Union employed by AECI held a lunch hour picket at the company's premises in Modderfontein yesterday to press for demands in wage negotiations.

The union is demanding a R250- or 14 percent, whichever is the greater - across-the-board increase. Workers are also seeking assurances on job security as well as a reduction in working hours from 45 hours a week to 40 without loss of pay.

DP PRESSES FOR ELECTIONS

A CONSTITUTION making body should be elected as soon as possible and the present Parliament be allowed temporarily to discharge the legislative function, the leader of the Democratic Party, Dr Zach de Beer, said yesterday.

He said the DP further strongly supported the idea, recently revived, of a multiparty government of national unity to run South Africa for some years.
Premier should still outperform market

By Stephen Cranstoun

Earnings from the Premier Group will increase by 21.3 percent in the year to April 1993 and by a further 36.4 percent in the following year, says Bor- kum Hare analyst Manny Pohl.

Pohl says the demand for Premier’s mass market food products lends assurance to long-term growth and profitability.

Earnings will be boosted by the increased contribution expected from Metro Cash ‘n Carry, which has a market edge in its strategic distribution channels and dominant market share.

Premier Food is no longer encumbered by underperforming poultry and animal feeds businesses, and benefited substantially from the lower interest burden resulting from these disposals.

Over the longer term, the bread market is expected to grow at a rate approximately equal to the population growth.

At present, significant price escalation which deregulation created at the retail level, together with a depressed economy and unrest and violence has given rise to a static bread market.

And because of the surplus of baking capacity there has been intense competition and pressure on margins.

Premier reversed the losses it had made in its edible oils division as sales volumes of its products, principally Blossom and Kraft margarines, increased substantially.

Consumers buy down as disposable income reduces, which has benefited Premier, and opportunities exist for the sale of base foods into countries in the north.

Much of Premier’s growth prospects in milling and baking depends on government fiscal policy.

The drought has necessitated the import of massive quantities of maize and wheat, on which the government exacts a tariff giving it a Rand 50 to Rand 60 a ton profit margin.

This will give the government a Rand 5 million profit which could be passed on to consumers or primary producers.

In the longer term any future government will initially be less enthusiastic to raise floor prices or to resist price controls. Accordingly, there is a reasonable chance of lower input prices for Premier.

There is also pressure for the reintroduction of subsidies on bread and maize and for the zero rating for VAT of basic foodstuffs, which will stimulate volume growth and enhance divisional profits.

Premier’s pharmaceutical interests will be stimulated by group strategy to provide cheaper products as the country becomes more cost-conscious.

State expenditure levels on health care are expected to rise significantly.

Pohl says that if Premier’s wholesaling interests can return to the profit margins of the mid-1980s, in which there was a pre-tax margin of 3.5 percent, pre-tax profits will surge from Rand 55 million to Rand 65 million.

Since earnings and dividend growth should exceed that for the industrial companies in general it should continue to outperform the market.
UK firm ups Manro stake

EDWARD WEST

HICKSON International, a Yorkshire-based speciality chemicals multinational, has increased its shareholding in JSE-listed Manro Chemical Holdings to 80% from 67%, a statement said yesterday.

Manro was unlisted yesterday at 80c, off its high of 67c on October 16 when the share price shot up 37c after 57m shares, or about 12% of the company's issued share capital, worth R3.7m, changed hands in three deals.

The increased shareholding preceded a rights offer on November 18 to raise R11.5m — details of which were published on November 27 — primarily for the installation of new technology at the company's Wynberg plant.

Manro chairman and H Hickson performance product MD Bruce Murray said Manro was installing a sulphonation reactor at Wynberg to produce raw materials for the detergent and personal care markets.

The money would also be raised to provide a firm base for further expansion of local subsidiaries, all of which supplied speciality chemicals for local and export markets, said Murray.
AECI undertakes major restructure
By Stephen Cranston

AECI Explosives and Chemicals is to be restructured from January 1.

A stand-alone explosives company, AECI Explosives, has been created as an independent operating company within AECI.

The chemical interests of E & C will be taken over by Kynoch Fertiliser, also an AECI company.

AECI Explosives will then be focused entirely on the mining industry.

The new company will be headed by MD Vernon Liddiard, sales and marketing by Mike Lancaster and production by Rod Prior. Dave Bromley will be commercial director.

Bromley says the new structure will allow better control over costs and a more rapid response to customer needs.

Research and development will be more closely linked to marketing.

"This will enable the full weight of AECI and ICI resources to be applied to product issues.\"
Restructuring gears
Malbakh for growth

EDWARD WEST

MALBAK’s restructuring provided a sound platform for future growth and, with social and political stability, strong profit growth could be expected in the longer term, said executive chairman Grant Thomas.

Commenting on the short-term outlook in the 1992 annual report, he said Malbakh had budgeted for improved pre-tax profit, and a significantly increased tax rate. Given economic uncertainties, Malbakh forecast earnings would be maintained.

Malbakh had been restructured over the past two years. Beaness focus had been sharpened and the thrust was in clearly delineated areas.

In spite of the short-term effect of the depressed economy, Thomas said medium to long term prospects for each of the group’s operations were excellent.

Thomas was pleased with Malbakh’s results for the year to end-August 31 and earnings were slightly better than the reduced forecast at 113.5c a share. The dividend was increased to 33.2c a share.

Proceeds from the sale of non-strategic holdings coupled with the results of the rights issue resulted in the group holding more than R300m cash. Gearing, excluding cash on hand, had fallen to 29% from the adjusted 46% at the start of the year.

At 54 and 56 days, debtors and stock were well controlled. The past year saw interests in Kanbym consolidated with those of Fedfood to form Foodcorp.

Foodcorp’s diversification and focus on value added products shielded earnings and the group had embarked on a major expansion project to capitalise on international market potential.

The acquisition of SA Druggists and the merger of Malbakh’s healthcare interests in SA Druggists had transformed the company into the largest pharmaceutical group in SA.

Packaging and paper company Holdaams also had a successful year. The partnership agreement with Crown Cork & Seal of the US was signed after year-end. This move would give Holdaams a meaningful entry into the beverage packaging market.
State-owned Foskor to retrench 900

Own Correspondents

STATE-owned phosphate rock producer Foskor would retrench 900 employees in a rationalisation programme, MD John Stanbury said yesterday.

Foskor's beneficiation plant had the capacity to process 30-million tons of phosphate ore a year at a grade of 3.7% phosphorus pentoxide (P2O5) to produce a 4-million tons of 36% P2O5 concentrate for the domestic market and 40% P2O5 for export.

But annual concentrate production would be less than 3-million tons by February because of weak local and international phosphate markets.

Stanbury said current stocks of 1.5-million tons or 6 months supply were "unacceptably high".

"Foskor has changed its production plans to allow for greater flexibility to meet changing market conditions."

International trade in phosphate rock declined by 33% between 1988 and 1991 and no improvement was expected before 1994. World consumption would reach 1988 levels again only in 1996, Stanbury said.

Local phosphate fertilizer consumption had been falling for the past decade and had decreased by 22% in the six months to June 1992, from the comparable period last year.

This was as a result of periods of drought, the end of fertilizer price control in 1984 and farmers' worsening financial position.

Rationalisation

"The result of the rationalisation will be to ensure that the company can operate from a position in which it is internationally competitive to the long-term benefit of the SA agricultural sector."

Phosphate pentoxide was sold to the Fedmis plant at Phalaborwa, which was owned jointly by AECI's Kynoch and Sasol, the Omnia plant near Rustenburg and other Kynoch factories.

The privatisation of Foskor, which was first talked about four years ago, was "not in the offing."

Meanwhile, about 5,000 members of the SA Chemical Workers' Union (Sacwu) plan to march on Sasol 1's offices in Sasolburg on Friday to protest against retrenchments at the petroleum company.

Joseph Mghekeni, vice-president of Nactu, to which Sacwu is affiliated, said yesterday retrenchments at Sasol 1 had resulted in evictions of workers who could no longer pay their bonds. A further 1,000 jobs were threatened, he said.

He said the march by workers from AECI, Omnia Fertilizer, Kharbochem, Satropol, Sasol 1 and Sigma was intended to protest against retrenchments at Sasol 1 and the engagement of contractors to take over jobs of dismissed workers.

The workers would also demand the reinstatement of workers dismissed from Sasol 1 in 1977 during a "illegal" strike.

No comment could be obtained from Sasol at the time of going to press.
AECI to restructure in 1993

AECI Explosives and Chemicals (E & C) would be restructured next year and its explosives operations hived-off into a stand-alone company.

The new company, AECI Explosives, had been created as an independent company within the group. The chemical interests of E & C would be taken over by Kynoch Fertilizers, a statement said.

AECI's six main operating companies were AECI Chlor-Alkali and Plastics, E & C Chemical Services, Dulux, Kynoch Fertilizer and SA Nylon Spinners. The Chlor-Alkali division was being divided into four.

The statement said E & C's reorganisation would force closer integration of key functions and allow better cost control. Restructuring will enable particularly clearly defined businesses like explosives to be more customer focused without being involved in the group's other nitrogen-based chemicals businesses, a spokesman said.

Research and development activities would be closely linked to marketing and smaller business units would facilitate easier management. The mining industry could look forward to further innovation at AECI Explosives, the statement said. Mutual benefits through "partnering" would become a strategic necessity in the difficult times being experienced in the mining industry.

A spokesman said the "partnering" concept would mean the development of shaft-head deliveries to reduce handling and stockholding of explosives at mines.
Johnson Matthey extends Rustenburg deal

LONDON — Johnson Matthey has signed an extension of its platinum market agreement with Rustenburg Platinum Mines. Johnson Matthey said in a statement accompanying its first half financial results: “This secures the future of this vital contract into the next century,” Chairman David Davies said. Davies gave no other details of the deal, which extends the relationship between the two companies dating from the 1920s. Johnson Matthey sees strong post-recession growth.

Johnson Matthey supplies more than a third of total world demand for autocatalysts. The company said results in both its materials technology division and its colour and print division were close to last year’s despite depressed markets. But profit in the precious metals division fell to £30.5m from £11.9m, largely because of a drop in the sterling price of platinum and rhodium by 11% and 36% respectively, the company said — Reuters.

Introduction

Europe’s most exciting new PARFUM pour FEMMES et HOMMES.

Loss of tyre operations deflates Darmag results

Chairman Donald Buchanan said the results showed the consequences of a period of trading tarnished by the deepening recession and industrial dispute. Turnover declined by 18% to R11.3m (R13.8m) and operating profit by 26% to R1.1m (R1.4m). Interest payments dropped sharply — due to better asset management. Buchanan said.

Attributable earnings came to R822 000 (R1.1m), equivalent to 4c (5.1c) a share.

Buchanan said Darmag, with its high market share in the business of supplying the battery industry, remained closely linked to the fortunes of this sector and, indirectly, to that of the car industry.

Although some improvement in demand was expected, the market was still very competitive and opportunities to recover rising costs remained limited.

Entry into new markets would not make a meaningful contribution during the current financial year.

Forecast earnings would, at best, be marginally below the previous year.

Joop's profit falls
The toad that became a prince

IT IS uncommon for the share price of a company that reports a loss of R3-million after extraordinary items to show the greatest appreciation over 12 months. But that is what Natal agricultural chemicals company Farm-ag did in the year to September 1992.

Furthermore, Farm-ag had net current liabilities of R22-million and was 200% geared in August 1991. In the 12 months to August 1992, Farm-ag sold all but two of its investments outside the core holding of Sanachem in an effort to reduce debt. In doing so, it wrote off R30-million against debtors, losses on disposals and discontinued businesses.

OILS

But its share price has climbed from an all-time low of 83c last October to a peak of 823c.

There is a fundamental reason for the rapid appreciation — the terms by which it will sell its 50% stake in Sanachem to the other shareholder, Sentrachem, in 1993.

The price Farm-ag receives will be the higher of either 50% of Sanachem’s net asset value at February 28, 1993, adjusted for any loan account Farm-ag might have with it, or 50% of Sanachem’s average annual adjusted earnings for the three years to February 1995 multiplied by 60% of the average monthly price-earnings ratios of the industrial holdings and the chemicals and oils sectors of the JSE in that period.

After a below-par start to business, Sanachem started to improve under the management of Farm-ag founder and current managing director Robert Mangard and alternate director Richard McElliott.

In the 18 months to August, it made R32-million, attributable largely to growth in exports.

In the 18 months to August, Farm-ag sold its 25% stake in Bearing Man and the 50% holding in Union Drug as well as the pumps business. Still on the market are the investments in Harvest Chemicals and Glenmore — previously Hacks, SA’s biggest sock-maker.

This will leave Farm-ag with a single investment in Sanachem, which is also pre-sold. In 1993 the group will become a cash shell and the guessing game for investors is as to decide what its worth will be. The idea behind the deferred sale was to allow the business to reach maturity and so command a better price.

As Mr. Mangard says, being in cash in 1995 will give a wide range of options to suit the circumstances of the day.

Sanachem was formed in 1989 when Sentrachem and Farm-ag each sold about R50-million of assets into the joint venture, which took about R50-million of debt.

FOCUS

Mr. Mangard came under some scrutiny because Farm-ag paid him a retransfer of trade payment of R3-million in respect of Sentrachem’s requirements.

Perhaps Farm-ag’s shareholders will now believe he deserved the money because their investments have risen rapidly in value after a torrid few years.

Founded as a backyard business by Mr. Mangard in 1956, Farm-ag’s plant is now up to date. The business thrives on copying products on which the multinationals’ patents expired.

Sanachem is succeeding — in diversifying the business by exporting more than 50% of production in the current year.

The policy was heavily defended at the time by Mr. Mangard in response to critics who accused the group of losing focus.

Among the investments were forays into lawn mowers, packaging, heaters, air-conditioners, gas accessories, patent medicines, toiletries, bossey and yarns, bearings, sprockets and seals. All have been sold or are due for disposal. Almost all went after incurring operating and disposal losses.

SHARPLY

Its venture with Staalchem was most costly. Staalchem was a 1987 JSE-listed, dealing in steel sheet and agricultural chemicals. In April 1989, Farm-ag sold its agricultural chemical wholesaling division and 50% of Agroserve for R10-million — R3.8-million cash and the balance in Staalchem shares to give Farm-ag 46.5% of the company.

By JULIE WALKER
IDC sells Sentrachem stock

The Industrial Development Corporation's 13.3% stake in Sentrachem has been placed with 14 financial managers committed to following a 40-for-100 rights issue if the chemical company's offshore acquisition goes ahead.

IDC senior general manager Gerard Morse says its development role in backing Sentrachem has been fulfilled and it was appropriate that Sentrachem be sold to release money for other developments.

The IDC's two listed investment trusts, Industrial Selections and National Selections, also announced this week that plans to unlock their value were under way.

IDC funds are being called on by several capital projects, including Alabadl, Namakwa Sands and Columbus.

Sentrachem announced two weeks ago that heads of agreement had been signed to acquire Chemplex Australia. Sentrachem chief executive John Job is due to fly Down Under this week to complete the deal.

The price of the Chemplex deal has not yet been announced. Sentrachem's market capitalisation is R664 million and a 40-for-100 issue at current prices would raise about R259 million.
Palladium rises to 18-month high

William's fund expectations

anti-trust policy
IDC plans to keep remaining interests

EDWARD WEST
and PETER DELMAR

THE Industrial Development Corporation (IDC) had no immediate plans to sell its remaining interests in other companies despite selling its 12.7% stake in Sentrachem on Friday, a spokesman said.

More than 14 million of Sentrachem’s 115 million shares in issue traded on Friday in 15 deals valued at R90.9m. The shares changed hands at R78c, 10c lower than 1992’s annual high of R85c, and 35c lower than Friday’s opening price of 88c.

The IDC’s decision to sell its Sentrachem stake came days after it announced that it planned to unbundle its two investment trusts, Industrial Selections (Indsel) and National Selections (NatSEL).

A spokesman confirmed yesterday that the two moves were aimed at raising finance for the Alusaf expansion and other projects in which the IDC is involved, but ruled out the possibility that the corporation would soon sell other interests.

Sentrachem financial director Robert Morris said the IDC sold its JSE-listed shares in the group to various institutions because the parastatal, which had industrial development and promotion as its main

| From Page 1 |

IDC plans to keep remaining interests

IDC announced last week that it intended unbundling Indsel and NatSEL in a move which will free up more than R600m for investment in a number of projects.

The parastatal holds 52% of Indsel and 50% of NatSEL.

IDC financial markets GM Louis Kungma said yesterday the IDC sold the Sentracem shares to raise money for Alu-saf and other projects. The Indsel and NatSEL announcement represented “a move in the same way.”

He said, however, that there was no urgency to raise further funding at the moment.

Kungma said the IDC did not plan to sell its remaining 20% stake in Sasol or its small shareholding in Sappi. Selling its 16% share in Iscor was out of the question because of the share’s low price.

Sentrachem
Share price, weekly close (cents)

(Continued from Page 1)
Rationalisation boosts Prempharm

By Sven Lunsche

Premier Pharmaceuticals (Prempharm) benefited from the successful completion of its rationalisation programme, lifting interim earnings 22 percent to 8c (69.6c) a share. The interim dividend for the six months to end-October has been raised to 13c (10c).

Turnover grew only five percent to R34.7 million (R324.7 million) but substantial cost savings boosted operating profits by 12 percent to R69.4 million (R54 million).

Growth at the attributable level was improved by a turnaround from interest payments of R4.2 million to interest receipts of R3.3 million.

Gresham Pharmaceuticals' results were not consolidated as its acquisition into Prempharm is still the subject of a dispute between the major shareholders, Premier Group and the Krook brothers.

The directors say prospects for the rest of the year remain uncertain.
Tight control boosts Premier

ANDREW KRUMM

PREMIER pharmaceuticals — formerly Twins Pharmaceuticals — posted a 22% increase in earnings to R32.3m (R26.1m) on the back of low growth in turnover for the six months to end October 1992.

The interim dividend was up 30% to 30c a share compared to 15c for the six months to October 1991. Premier pharmaceuticals CEO Phil Nortier said yesterday.

Due to a change in accounting period last year, figures for the seven months to October 1991 have been restated.

Turnover increased by 5% to R244.7m (R234.7m) after an "exceptional" performance in the pharmaceuticals division was diluted by weaker performances in the three other divisions.

"Sales in the pharmaceuticals division in the past six months grew by over 25%. This division is now by far the biggest contributor to both profit and sales — compared to its position as number two in sales 18 months ago."

"However, the other three divisions struggled a bit, with both the consumer products and visioncare divisions slightly down on last year's performance."

The animal health care arm was currently running at a slight loss due to depressed conditions in the agricultural sector.

"However, once the conditions in agriculture improve we will turn the loss around."

Despite the low increase in turnover, operating income had risen by 12% to R32.4m from R26.1m (restated) for the comparable period in 1991.

"This was largely a result of the successful completion of a rationalisation programme which commenced during the previous financial period and saw a reduction in costs," he said.

Unlike last year, the group paid no interest in the period to October 1992.

Nortier said in the past 18 months management had reduced an "inherited" R70m debt burden to a single R17m long-term loan.

He added that cash reserves now stood at R41.7m.

"Good asset management, and tight control of working capital in line with management's objective of reducing reliance on borrowings saw Premierpharm receive R3.3m in interest income, compared to paying out R3.6m in the previous period."

Nortier said besides planning to spend "a lot" on new product developments over the next year, Premierpharm was on the lookout for new products or companies to acquire.

The pharmaceutical division would launch six new products in the near future.
ICI foresees radical changes in its industry

LONDON — The chief operating officer of British pharmaceutical giant Imperial Chemical Industries (ICI) said yesterday that further radical changes were needed in the industry at a time of poor profitability, excess capacity and too many players.

Ronnie Hempel told a conference that essential changes would lead to a chemical industry that would be very different but much healthier by the end of the decade.

ICI is Britain's largest manufacturing company.

"Many of the changes involve difficult and painful decisions but they cannot be ducked if we are to stay the course and be in a position to overcome the threats and take advantage of the undoubtedly opportunities in international markets," Hempel said.

At early afternoon on the London Stock Exchange yesterday, ICI shares were down 15p at £10.12 on slim turnover of 679,000 shares.

Hempel said only a small start had been made in the restructuring and rationalisation that was required of all parts of the chemical industry, with the achievement of competitive advantage more critical than ever.

"A much greater focus on a smaller number of business areas must, I believe, replace the '90s strategies of diversification," he said.

"We are putting our heads-in-the sand if we don't recognise that in all branches of the industry there are too many players.

Without restructuring and rationalisation, which would reduce both the number of producers and overcapacity, Hempel said most areas of petrochemicals, plastics and specialties would be adversely affected for many years.

Successful chemical companies of the '90s would have strategies that focused on a small number of businesses, he said.

"These are businesses in which companies have the strongest competitive advantage and which will deliver the greatest shareholder value," he said.

In the future, Hempel said swaps of businesses among companies would likely be more popular as a way of restructuring operations, not least of all because they did not incur huge costs in the way acquisitions did.

Earlier this year, ICI swapped its nylon interests for rival Du Pont's acrylates business.

Hempel also said the depth and length of the recession had "masked" the effect of the changes ICI had made in its strategic direction and cost cutting in the past two years — AP-DJ
Gresham earnings sharply down

By Sven Lunsche

Premier subsidiary Gresham Industries was hard hit by a continued deterioration in trading conditions with attributable earnings falling sharply to R1.4 million (R3.7 million) in the six months to end-October. This translated to a fall in earnings a share to 26c (7c) No interim dividend is being paid

Turnover was slightly higher at R492 million (R488.5 million) but operating profits dropped to R6.5 million (R11.7 million) as small retailers, the group's major customers, were plagued by the effects of high interest rates and difficult social and economic conditions.

Margins at Gresham Pharmaceuticals came under pressure as a result of "the inequitable restrictive practices prevailing in the pharmaceutical industry," the directors say.

Gresham also provided R20 million to cover possible doubtful accounts at its pharmaceutical subsidiary PDC.

PDC's interim earnings fell to 1.5c (6.5c) a share on turnover of R204.6 million (R289.2 million)
Premier graph

BUSINESS Day yesterday inadvertently published a graph of the Premier Group's share price with a report on Premier Pharmaceutical's interim results. The error is regretted.
Engen roars ahead

Business Editor 10/12/92

Engen, the energy giant that grew from Gencor's £150 million acquisition of Mobil from its American parent company, is now worth more than R7 billion.

This success story emerged from the group's annual meeting in Cape Town.

Assets total about R2 billion and the company's market capitalisation is R7.1 billion, a figure based on yesterday's share price.

Chairman Bernard Smith agreed the net asset value was about R16 a share and that more than R30 a share represented goodwill.

Engen also owned about 30 percent of Mossgas, which cost R30 million, he said in reply to questions by Mr. Iasy Goldberg, chairman of the SA Shareholders Association.

Gencor owned 22 percent of Engen's shares and 95 percent of the rest was held by financial institutions.

The group was now heavily involved in oil exploration off the west coast from the Bredasdorp Basin to two blocks off Angola. The Angolan field looked the most promising.
Premier turns in solid performance

By Stephen Crahan

The Premier group increased earnings per share by 14 percent to 113c in six months to October, compared with the first half of last year.

An interim dividend of 36c has been declared — a rise of 13 percent.

Attributable earnings increased by 23 percent to R80.5 million.

Turnover increased by 21 percent to R542 million, but operating income increased by just nine percent to R212.7 million.

Chairman Peter Wrighton says margins were down in most divisions.

The bakery division was affected by violence, with some parts of the country being turned into no-go areas.

Oils and fats were hit by the drought. Defatted germ meal produced from the maize currently being imported from the US does not meet European Community standards and has to be sold locally, rather than exported.

Highest turnover growth came from Metro and Chicks, which operate on lower margins than the food and pharmaceutical businesses.

Metro now accounts for 49 percent of group turnover and for 18 percent of operating profit.

Interest paid halved from R39.4 million to R17.7 million, thanks to tighter asset management, the proceeds of the rights issue to fund the Metro acquisition, and the cash generated by Metro.

Gearing fell from 47 percent to 18 percent.

Results of Score Supermarkets have not been included because Premier disposed of its controlling investment in May for R15 million.

But the group has retained a 10 percent interest in the ownership consortium controlled by Score's executive management.

The transaction will have no material effect on Premier's earnings.

Wrighton says the results are pleasing and that Premier has kept its earnings growth two or three points ahead of its competitors — its growth of 14 percent compares with 11 percent for Tiger Oats.

But he says trading since year-end has been tough and that prospects for Christmas and Easter trading, both vital for Premier, are not bright.

Economists are predicting Christmas retail sales will drop 2.5 percent in real terms Wrighton says it would be unrealistic to expect profits to improve in the second half at the same rate as the first.

Turning to divisional performances, he says Premier Food performed satisfactorily and that Metro surpassed expectations.

Premier Pharmaceuticals did not achieve real growth in turnover, as it is rationalising its product range, but a reduction in costs and good asset management resulted in a creditable increase in earnings.

The results of Gresham Industries and PDC Holdings, which could soon be taken over by Prepharm, were poor because of trading conditions and persistent pressure on margins.

Premier remains in dispute with the Krook brothers over the proposed takeover, but is proceeding with its offer of R10 a share to Prepharm shareholders.

Wrighton says the deal will bring about rationalisation and cohesion to the benefit of the respective operations.

Of Premier's retail interests, Chicks Stores performed well, despite an aggressive new store opening programme and the absorption of the Musica chain, which had been making losses.

CNA Gallo was affected by reduced discretionary spending and showed slightly lower profits.
Malbak

Still a strong generator of cash

Activities: Diversified conglomerate with main interests
Control: Gencer through Malhold (effective holding 59.79%)
Executive chairman: G S Thomas
Capital structure: 203.3mords Market capitalisation: R4,12bn
Share market: Price R13.75 Yields 2.4% on dividend, 8.3% on earnings, p/e ratio, 12.1, cover, 3.4 12-month high, R15.15, low, R10 Trading volume last quarter, 2.26m shares

Year to Aug '89 '90 '91 '92
ST debt (Rm) 538 656 550 713
LT debt (Rm) 216 171 189 161
Debt equity ratio 0.41 0.38 0.24 0.03
Shareholders' interest 0.46 0.46 0.51 0.52
Int & leasing cover 5.0 3.6 4.8 7.2
Net profit after tax 8.7 8.3 8.1 9.9
Earnings (Rm) 339 698 868 757
Dividends (c) 30.5 20.6 32.5 33.5
Net worth (c) 681 707 776 781

Given the economic environment, in particular the accelerated decline in activity during calendar 1992, executive chairman Grant Thomas has reason to be satisfied with Malbak's performance, notwithstanding the further 8.5% decline in EPS.

Regardless of the economy, the year was going to be difficult because of earnings dilutions inherent in Sankor's asset shuffle, in which Malbak acquired Fedfood and SA Druggists, and simultaneously sold D&H and half its stake in Standard Engineering, as well as last December's rights issue.

At the time of the asset shuffle Malbak calculated a 7c-a-share decline based on 1991 results of the companies involved, while the FM calculated that if the funds raised through the rights issue (R431m net) were to be fallow — as turned out to be the case — the effect would be to reduce EPS by a further 3c, bringing the total potential dilution to 13c. Thus, within a fraction of a cent, is exactly what happened.

In effect, through restructurings and other cost savings, Malbak offset the further decline in the economy and drop in interest rates (which must have hurt investment income on the rights funds), thereby maintaining earnings after adjustment for the above "nontrading" factors.

A second point which Thomas takes obvious pleasure in recording is the strengthened balance sheet. Net borrowings fell from R555.5m in 1991 (before the asset shuffle and rights issue) to a mere R105m, or 3% of the permanent capital base.

Three observations are relevant:

Firstly, the R450m decline in net borrowings exceeds the amount raised through the rights issue by R19m, underlining the strong cash-generating ability

Secondly, as an extension of that, the net effect of the asset shuffle was to take on extra borrowings of R312m, mainly from the overgeared Fedfood and SA Druggists. That lifted the year's opening debt balance (gross) by 42% from R739m to R1.05bn, but by year-end this had been reduced to R874m for a net rise of only R135m.

This was achieved without seriously denting the overall cash pile. The asset shuffle brought in R400m (Malbak paid for acquisitions with shares but received cash for disposals), which, together with the rights issue, brought total cash raised to R831m — of which R769m was still intact at year-end.

Thirdly, net interest paid of R105m exactly matched year-end net borrowings. If borrowings are kept down, this leads to a big interest saving, and may be one reason why Thomas forecasts with some certainty that 1993 pre-tax profit will grow. But this will be offset by a higher tax rate, so the bottom-line forecast is for unchanged EPS.

As the FM pointed out a year ago, full benefits from the strong balance sheet will come only when cash is put to productive use. Cash may be a good asset, particularly in the current environment. But, especially now when interest rates are dropping, it is also an expensive luxury — a point reinforced by finance director Dave Kenneally, who notes that Malbak's gross return on average funds employed would have been two percentage points higher than the 21.5% achieved if cash was excluded from the calculation.

This, indirectly, leads to another point, though Malbak has shown massive growth in size in recent years, benefits to shareholders have been elusive.

The group once had a reputation for creating substantial added value for shareholders from, in particular, acquisitions. But this record is in danger of becoming tarnished. EPS performance since 1989 (when earnings peaked at 136c) shows a distinct lack of sparkle even taking into account the recession.

This is underscored by the fact that even had the group earned its target minimum 25% gross on total average funds employed, this would probably have added no more than 18c to EPS, with the resulting 131.5c still off the high even in nominal terms.

And as regards NAV, according to the FM's calculation, only 90c has been added to underlying value between 1989 and 1992, again a significant decline in real terms.

The market does not seem unduly worried. Since the FM reviewed the 1991 report the share price has added a net 120c to R13.75 (after topping R15 in June), reducing the historic dividend yield from 2.6% to 2.4%.

But there may be a warning in that pyramid Malhold has lapped. With the change in
the underlying relationship between the two (Malhold is backed by 2.8 Malbak), its R34 share price is 12% below the equivalent Malbak price, which means either Malhold is a bargain, or the Malbak price has overreached itself.
Siding with consumers

Consumers hit by the high cost of drugs got a break from the courts recently. The Appellate Division ruled against a pharmaceutical manufacturer trying to block software that makes it easier for pharmacists to sell generic — and usually cheaper — equivalents of prescribed drugs.

The saga began when the UK-based Beecham pharmaceutical group discovered that Superscripts, a software program that helps pharmacists in dispensing medicines, showed that the seven Beecham drugs listed were in most cases more expensive than their generic equivalents. Beecham tried to stop Superscripts' sales effort by claiming that the software firm was infringing its trademarks by listing its branded drugs for the purpose of price comparisons.

The court's rejection of the application was unanimous. Chief Justice Michael Corbett described Beecham's argument as leading to results that would border on the absurd. In the landmark decision for trademark law, the judge suggested that to include information about Beecham's products in an index of this sort was not the same thing as all trading in those products and did not infringe the trademarks.

Says David Boyce, chairman of Medikredit and Superscripts, which are both wholly owned subsidiaries of the Pharmaceutical Society of SA or its branches: "The decision is a resounding victory for consumers. Had Beecham succeeded with its application, pharmacists, doctors or in fact anyone, would have been prohibited by law from informing consumers about the availability of any alternative product or providing price comparisons to the public." Superscripts was designed 10 years ago but didn't take off until 1985 with the advent of Medikredit's Maximum Medical Aid Pricing system. The system, to which medical schemes belong voluntarily, sets a maximum price that schemes will pay for an active ingredient — whether this is contained in a branded drug or a generic equivalent. Beneficiaries can accordingly request their practitioner or pharmacist to prescribe or dispense the cheaper equivalent. Today, Superscripts operates nationally with about 500 pharmacists using the program.

Subscribers to the system have also boomed. Says Boyce: "In 1990, 250 000 members belonged. Membership (including people in medical aid schemes) has now reached 1m."

Propelling the software and the pricing system has been the growth of generics as more generic equivalents become available and the public becomes more aware of them. Boyce points out that in 1988 generic sales accounted for 2.6% of all private-sector drug sales. This figure now stands at around 12%.

Clearly, this doesn't go down well with the major drug manufacturers. Says Johan Moorcroft, a legal adviser to the Pharmaceutical Manufacturers' Association, who attended the proceedings: "I believe Superscripts is objectionable because it portrays two different products as being equivalent — something that has never been scientifically validated. What wasn't discussed in the case was that the non-active ingredients in drugs are often absorbed by the body differently and, accordingly, react differently, irrespective of the active ingredient common to both the patented drug and the generic."

But, with a 30-year unblemished record in SA's public sector, generics are clearly here to stay and the manufacturers will have to learn to live with them.
Heavyweights square up

A boardroom punch-up has developed at Premier Pharmaceuticals (Prempharm), pitting Kroks twins Abe and Solly against Premier's Peter Wrighton and Gordon Utan. 

Wrighton's acquisition of Premier is now being fought over by a number of smaller pharmaceutical companies and an association of chemists, calling for a public inquiry into the deal. 

Wrighton claims that the Kroks are using the deal to protect their own interests, while the Kroks say that Wrighton is attempting to take over their business without their consent. 

However, it remains to be seen whether the deal will go ahead, as the Kroks have indicated that they will take their case to court. 

Meanwhile, Premier's shares have continued to fall, indicating that investors are uncertain about the future of the company. 

Wrighton is likely to face further challenges as the Kroks continue to resist his attempts to take over the company. 

Overall, the situation remains volatile, with both sides determined to see their preferred outcome prevail.
AFROX

Remarkable real growth

Activities: Manufactures and markets gases, welding products, fluid-handling systems and other industrial products. Also operates 10 hospitals and a day-care clinic.

Control: BOC Group Plc 57.7%. Chairman: P G Joubert.

Capital structure: R28.9m ordin Market capitalisation R2,99bn.

Share market: Price R100. Yields 1.9% on dividend, 3.7% on earnings. P/E ratio 27.2. Cover, 1.96. 12-month high, R100, low, R75.

Trading volume last quarter, 14.5 000 shares.

Year to Sep 30 '89 '90 '91 '92

ST debt (Rm) 88.3 81.2 61.1 110.4
LT debt (Rm) 100.3 137.6 166.6 139.4
Debt equity ratio 0.39 0.35 0.32 0.34
Shareholders' interest 0.52 0.64 0.65 0.55
Int & leasing cover 1.96 1.71 1.57
Return on cap (%) 17 17 19 18
Turnover (Rm) 726 804 1044 1113
Pre-profits (Rm) 149 187 226 234
Pre-Profit margin (%) 20.6 20.7 21.5 21.0
Earnings (c) 170 216 278 311
Dividends (c) 100 135 170 180
Net worth (c) 1478 1872 2081 2206

AFROX’s blue-chip status is reinforced by its 1992 performance, even though the tempo slowed. Turnover was up only 7% (1991 16%) but operating margins were maintained at 20% and trading profit rose 5%.

Chairman Peter Joubert says this was the direct result of strict cost and financial control, identification of several new market niches and diversification into exports.

AFROX remains one of the few groups which compile current cost accounts. On this basis, EPS increased a real 11.9% and the dividend by the same amount. In a time of deepening gloom, this is an astonishing performance. Dividend cover stands at 1.95 times and the payout is covered by earnings of particularly high quality.

The balance sheet remains strong, though the interest bill rose nearly R4m due to a R23.1m increase in borrowings to R244.3m. Investment in long-term assets rose R26.4m, with R130.4m invested in plant and equipment predominantly for gases and healthcare businesses. This is about R7.6m above the 1991 capex and should be similar this year, says financial manager Keith Bonyge, with most of the funds directed at expanding existing infrastructure and facilities.

AFROX’s business is concentrated on three areas: welding, gases and health care.

Welding was pedestrian, in line with declining volumes at a result of weak local spending on construction and infrastructure. Joubert, says notable successes were achieved in the export market, in Africa and further afield.

The gases division was also affected by low demand but its diverse operations ensured it did well overall. The division was helped by the commissioning of storage tanks for liquid oxygen and nitrogen at the Mossgas refinery.

AFROX has invested considerable sums in healthcare, owning and operating 10 private hospitals. It recently expanded into occupational health. Despite a downturn in bed occupancies, the division’s results improved. Minority interests were acquired in Mercantile Hospital, Port Elizabeth, and Crompton Hospital in Pinetown. A contract was signed to manage Lesedi Clinic in Soweto.

Joubert does not hold out much prospect for imminent recovery in trading, rather seeing a further contraction in the economy. But he predicts continued growth in earnings, thanks to the diversity of products and services, though he feels earnings growth on the scale prior to 1991 will be hard to repeat until stability returns to SA.

The share at R100 is at a new high, well above the annual low recorded in late December 1991. Though it isn’t cheap, it should continue to show capital appreciation. The main problem, at least for institutions, is limited tradability.

Marylin Greig
AECI demos  
hand in list of demands

By Abel Mabelane

More than 1 000 employees of the African Explosives and Chemical Industries (AECI) at Modderfontein, near Edenvale, held a demonstration yesterday to demand better working conditions.

The employees, all members of the SA Chemical Workers Union (Sacwu), later handed a memorandum containing a list of demands to AECI production director Boet Coetzee.

The workers demanded a R250 across-the-board salary increase and called on management to stop forced retrenchments.

They also demanded that the working hours be reduced from 45 to 40 a week without a salary cut, payment for all public holidays, including March 21, and the implementation of a provident fund before January next year.

Workers' representative Sipho Ngozi said management had been informed that the demands must be met before Friday.

AECI confirmed the protest action.

They declined to comment on the wage demands which they said were under negotiation in the National Bargaining Forum.
ADCOCK INGRAM FM 11/12/92

Healthy mission

Adcock Ingram's mission, as recorded in its annual report, is as simple as it is to the point: to provide added value for stakeholders through real growth. Even accepting that the pharmaceutical/healthcare industry has been less affected than most by the recession, this philosophy has probably contributed materially to continued prosperity during a period of steady economic decline.

Any company that produces real growth in these conditions must do something right. Part of Adcock's success lies in increased emphasis on marketing which, coupled with selective new product releases, again enabled it to keep turnover growing ahead of record net expenditure on fixed assets of R45,6m, up 23,5% on 1991's R37,1m, which brought the four-year total to R153m — not far off double 1988's total fixed asset base.

Not that this additional expenditure put the Adcock group under any strain. On the contrary, it enabled the year with net cash of R38,3m, a R49,9m turnaround from 1991's net borrowings of R11,6m. While this was strongly influenced by non-trading factors — a profit of R15,7m was realised on the sale of investments by the share trust and there was also a net reduction of R10m in loans outstanding — even if these are deducted it is clear that normal operating cash flow would still have been sufficient to complete the degrading of the balance sheet.

Here again, tight asset management contributed. One example is that net working capital (year-end balances of stock, debtors and creditors) was cut to 13,1% of turnover from 1991's 14,2%. While this did not in itself produce a cash inflow, it does represent a saving in terms of funding requirements of around R10m, contributing to cash balances.

Having entered the new financial year in prime condition, chairman Robbie Williams forecasts with some conviction that 1993 will see another "satisfactory" increase in earnings which, given the group's philosophy, can only mean another year of real growth. But this is already discounted in a share price that has risen by 18% in the year, from R85,50 when the FM reviewed the 1991 report to the current high of R96.

This matches last year's earnings/dividend increases, so that the historic dividend yield of 1,5% and 25 p e ratio remain basically unchanged. These are demanding ratings, but justified while the group continues delivering the goods.

Bruce Thompson

DIVISIONAL TURNOVER

Including inter-group sales

<table>
<thead>
<tr>
<th>Division</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Care</td>
<td>167.0</td>
<td>21</td>
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<tr>
<td>Pharmaceuticals</td>
<td>120.1</td>
<td>15</td>
</tr>
<tr>
<td>Generics</td>
<td>12.0</td>
<td>2</td>
</tr>
<tr>
<td>Self Medication</td>
<td>103.0</td>
<td>13</td>
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<tr>
<td>Wholesale</td>
<td>315.3</td>
<td>40</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>87.9</td>
<td>9</td>
</tr>
</tbody>
</table>

Activities: Manufactures, markets and distributes pharmaceutical and healthcare products
Control: Barlow's through Tiger Date 74,1%
Chairman: R.A. Williams, CE D'C. Bodley
Capital structure: 27.4m ordinary shares, market capitalisation R1,881bn
Share market: Price R69. Yields: 1.5% on dividend, 4.0% on earnings. PE ratio: 24.7.
Trading volume last quarter: 1,1m shares.
Year to Sep 91-92
ST debt (Rm): 26.1
ST debt equity ratio: 0,12
Shareholders' interest: 0.50
Int & leasing cover: 13.8
Return on cap (%): 24.3
Turnover (Rm): 471.6
Profit profit (Rm): 67.8
Profit margin (%): 14.4
Earnings (d): 143
Dividends (c): 53
Net worth (d): 615

The inflation rate

This is not to say that recession has had no effect. For one thing, last year's 18,3% gain

in sales was over 10 percentage points down on the six-year compound average. For another, 1992 was one of the few years that Adcock failed to improve its asset turnover, again pointing to tighter market conditions.

Interestingly, these pressures did not seem to affect the ability to keep costs under control. The trading margin remained stable and earnings, therefore, were able to keep pace with sales, as they have for many years.

Another aspect of the group's success is that recession has not led to cutbacks in expansion. This is illustrated by last year's
IDC to back lysine plant

PETER DELMAR

THE Industrial Development Corporation (IDC) is set to commit more than a third to the cost of a R280m lysine plant expected to be approved as soon as next month.

An IDC spokesman confirmed that the corporation had given its go-ahead for the project which would be managed by AECI.

AECI had yet to take a formal decision on the project, but a spokesman said the company remained positive about it.

A decision on the plant, which would probably be located in Natal, was expected early next year.

Lysine is an amino acid used in the production of animal feeds, particularly for pigs and chickens.

SA is a major lysine importer and it is envisaged that most of the production will be destined for export.

The IDC recently invested more than R2bn in a number of export-oriented projects in co-operation with the private sector.

It committed R970m to the Columbus stainless steel venture and R600m to the Alusaf expansion, and made a R370m loan for the Namakwa Sands heavy minerals project.

IDC senior GM Malcolm Macdonald said the IDC had given the lysine project its go-ahead, but that formal approval would be made by AECI, its managing partner.

He said the project would use new home-grown technology and had exciting downstream potential.

The IDC could put up more than a third of the financing, but was unlikely to provide as much as half, Macdonald said.
Engen set to open
compamy in Kenya

Argus Africa News Service

NAIROBI — Engen has applied for official approval in Nairobi to set up an oil products company, Oil Tanking, in Kenya.

The joint venture would be in the newly established export processing zone in Mombasa.

According to the announcement made here, it would process bulk bitumen to make export products, beginning early next year. The identity of Engen's Kenyan partner in the joint enterprise was not disclosed.

Another South African company looking north is Lintas advertising, linking with Scanad, one of Kenya's top advertising agencies.

Lintas South African managing director Lew Slade was in Nairobi last week to tie up the deal with Scanad MD Bharat Thakrar.

The two say they would target the Preferential Trade Area (PTA), as well as South Africa...
Synthetic black gold has started to flow from the Mossgas fuel plant near Mossel Bay and could save many billions of rands in foreign exchange.

WILLEM STEENKAMP
Weekend Argus Reporter

There is a massive bonanza awaiting South Africa in the new year. The multimillion rand Mossgas plant near Mossel Bay comes on stream at full capacity for the first time, producing about 30,000 barrels of oil a day.

And over the next 30 years—the expected lifespan of the project—it is conservatively estimated that synthetic fuel produced at the plant will save South Africa more than R120 billion in foreign exchange, a saving that could be used to meet the burgeoning cost of housing, education and other pressing welfare needs in South Africa.

Further spin-offs from the project include the savings in transport costs which will run to about R30 million a year.

About 15 percent of Mossgas production will be distributed in the Southern Cape and the rest will be shipped to Port Elizabeth and East London from where it will be distributed elsewhere.

The first shipment of synthetic fuels is expected to be loaded at Mossel Bay within the next few days, bound for the Eastern Cape.

Another spin-off set to earn Mossgas about R5 million a year is the production of heavy and light alcohols for the export market. Mossgas is currently stockpiling alcohols and the first shipment is expected to leave for overseas in March.

Mr. Harry Hill, public affairs manager at Mossgas, said other products that could earn Mossgas millions of rands include liquid oxygen, nitrogen, and carbon dioxide.

He said Mossgas management was pleased with current progress. Production was ahead of schedule and all the systems had been tested and were functioning well.

While Mossgas is now also producing by-products from its natural gas, it has been manufacturing some quantities of diesel and petrol from condensate, found in the gas fields, since the middle of this year.

But, during the first week of January, it is expected that the plant will run for the first time at full capacity, up from the 70 percent capacity at present.

There are 1,800 people employed at Mossgas, of whom 1,100 are permanent employees.

Mr. Hill said the yield and quality of the synthetic oil produced from the synchol process was much better than expected.

The Mossgas project cost about R12 billion to complete and there has been some criticism about the price and the need for the project at all.

But, if the expected savings materialise, the project could be a major financial benefit for the region and the country as a whole.

If newly discovered gas fields off the Southern Cape coast are incorporated into the scheme, the lifespan of the project could be extended by many years and the saving in foreign exchange expenditure could be much higher.

Drilling on the sixth well in the existing FA field off Mossel Bay has reached its final depth of 5,3km and production from this well is expected to start early in the new year.
LAWYERS SEEKING
POISON VICTIMs

Lawyers for workers at the Chemical Plant in Germany are demanding compensation for workers exposed to toxic chemicals. The cases are complex, involving allegations of corporate negligence and violations of labor laws.

The cases are being handled by a team of lawyers who specialize in toxic exposure claims. The workers claim they were exposed to hazardous chemicals for extended periods, leading to serious health problems.

The workers are seeking compensation for medical expenses, lost wages, and pain and suffering. The case is highlighting the need for better regulation of chemical plants and stricter enforcement of labor laws.

Facing stiffer competition

**Tiger Oats**

**Activities:** Makes and distributes food and pharmaceuticals, has fishing subsidiary

**Control:** C G Smith Foods 52.8% Barlow Rand has ultimate control

**Chairman:** R A Williams, MD C Wolpert

**Capital structure:** 150m ards Market capitalisation R2.06bn

**Share market:** Price R47 Yields 1.7% on dividend, 4.9% on earnings, p/e ratio, 20.4, cover, 2.9 12-month high, R48, low, R37

**Trading volume last quarter, 1.7m shares**

<table>
<thead>
<tr>
<th>Year to Sep 30</th>
<th>'89</th>
<th>'90</th>
<th>'91</th>
<th>'92</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST debt (Rm)</td>
<td>369</td>
<td>479</td>
<td>524</td>
<td>304</td>
</tr>
<tr>
<td>LT debt (Rm)</td>
<td>98</td>
<td>128</td>
<td>153</td>
<td>498</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.35</td>
<td>0.39</td>
<td>0.39</td>
<td>0.26</td>
</tr>
<tr>
<td>Shareholders interest</td>
<td>0.43</td>
<td>0.43</td>
<td>0.44</td>
<td>0.48</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>9.8</td>
<td>7.6</td>
<td>6.7</td>
<td>9.1</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>17.4</td>
<td>16.3</td>
<td>17.2</td>
<td>14.9</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>674</td>
<td>678</td>
<td>785</td>
<td>998</td>
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<tr>
<td>Pre-int profit (Rm)</td>
<td>452</td>
<td>504</td>
<td>605</td>
<td>885</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>7.6</td>
<td>7.3</td>
<td>7.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>158</td>
<td>184</td>
<td>207</td>
<td>230</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>54.5</td>
<td>63</td>
<td>71</td>
<td>79</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>889</td>
<td>786</td>
<td>930</td>
<td>1 249</td>
</tr>
</tbody>
</table>

Tiger Oats has long been the benchmark share among the integrated food groups, generally enjoying a rating second only to speciality shares like Cadbury Schweppes.

It must, therefore, be with some humiliation that it has recently had to watch rival Premier surpass first its p/e rating and then its share price (see graph). Tiger's price was probably discounting the good interim results published this week — EPS up 14%, compared with Tiger's 11% — and comparisons are not strictly fair between intermediates and finals.

Still, Premier is finally looking like a comparable investment. But that may be only in the shorter term, with Premier benefiting now from its large exposure to basic commodities.

Tiger seems committed to taking a long view of its investments in food, and with increasing focus on value-added products, the results may be more a symptom of the depressed economy and shrinking consumer spending than any intrinsic weakness in the group.

Executive chairman Robin Williams sees Tiger's product mix as the main source of resilience. He believes Tiger has balanced its acquisitions of recent years into higher-margin brands with continued investment in staple commodities.

That means having to carry poor performers at times, and this is apparent in the latest report. Markets for eggs and broilers remain depressed, with an oversupply depressing prices. Yet Tiger remains committed to these industries. Williams says despite losses in the broiler business Tiger remains confident in the future of white meat and that long-term growth will return to the broiler market.

In addition, he says good quality oilseed crops near both offshore plants (wherever they are) have led to the recent acquisition of a confectionery sunflower seed business. While edible oils and derivatives account for only 3% of operating profit, shareholders are entitled to know more about these investments and what progress is being made by them — and what their liabilities may be.

The pharmaceuticals business, operating 74%-held Adcock Ingram and wholly owned Logos, continue to perform well, increasing contributions to earnings by 20% to R79.1m Adcock Ingram, which benefited from a R14m upgrade to its tablet making facility, increased market share, mainly through five new products.

Potential for branded products to earn better returns in an improved economic climate is backed by Tiger's healthy balance sheet. A big jump in long-term debt pushed up total debt 19% to R802m, but strong cash reserves of R257m, mainly from the well-timed, R370m rights issue in June, reduce net borrowings. Gearing has fallen to a comfortable 25%.

Tiger remains cautious about the year ahead, though Williams says he is budgeting for some improvement in results, probably towards the second half of the year. A feeling remains, however, that Tiger could be getting more out of some of its businesses — for

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48 • FINANCIAL MAIL • DECEMBER • 18 • 1992
example the Spar franchise chain, so successful in predominantly white areas, might be more aggressively marketed in black areas.

Still, Tiger is a long-term investment and, as such, deserves its blue-chip status, though the share seems fully priced. 

Shawn Harris
Sentrachem (183) backs out of Aussie deal

By Stephen Cranston and Sapa

Sentrachem will not proceed with its proposed acquisition of Chemplex of Australia.

Chief executive John Job said yesterday Sentrachem could not agree on price and several other important aspects of the deal with the vendors, Kerry Packer's Consolidated Press Holdings.

Speaking from Sydney, Dr Job explained "We stressed from the beginning that we would do a deal only if it would clearly benefit Sentrachem.

"We are demanding buyers and were not prepared to accept any risk merely to be represented off-shore."

"Chemplex looked like an ideal fit and we were enthusiastic about it. It was the right size, produced the right products, used the right technology and is nicely situated geographically — but in the end no deal was possible."

Sentrachem executive director Ralph Oxenham said the recent depreciation of the financial rand had not impacted on the decision.

"The bulk of the funding was to be sourced offshore on its own merits. The proportion which would have had to go through the financial rand was not that significant."

Sentrachem's products for styrene, Chemplex's main product, are bearish. It expects prices to recover from current lows, but not to reach the price peaks of 1987 and 1988.

Dr Job said Sentrachem would not proceed with its proposed 40-for-100 rights issue to raise R240 million at this time.

A fortnight ago, the IDC sold its 13.5 percent stake in Sentrachem to 14 institutions. That transaction enhanced the quality of the Sentrachem share register and made its shares vastly more marketable.
Changing profit profile

After recently growing earnings at a faster rate than competitors, mainly Tiger Oats, Premier Group's share price is finally showing the benefit. Premier's 14% increase in interim EPS to September, compared with Tiger's 11% for the full year (see Com-
pantes), now has the rival shares on almost the same rating.

At the same time, profit profiles of the respective groups are growing apart. Once the obvious comparison in the JSE's food sector, Premier and Tiger are starting to look more like apples and pears.

For one, Premier received a strong boost from six months' inclusion of Metro Cash & Carry Year-on-year comparisons are not strictly comparable as Metro was only included for four months in the last interim, still, the effect on earnings is quite dramatic.

Metro increased its contribution to Premier's earnings over the year from about R2,9m (on figures restated to six months) to R16,1m, which means it now accounts for about 18% of earnings compared to about 4% a year ago. The strong cash flow generated by Metro has helped Premier reduce borrowings and bring gearing down to a comfortable 18%, against 1991's 47%.

At the same time, the food division has reduced its contribution to earnings from about 58% a year ago (R42m) to 51% (R45,8m).

Premier's deliberate policy of focusing on branded staple foods, while competitors like Tiger followed the value-added route is paying off in the current recession, despite problems in the bakery business, which executive chairman Peter Wrighton says stem from a drop in bread consumption, aggravated by distribution problems to troubled black areas.

But when the economy turns up, will Premier's focus on staples leave it behind competitors who have moved into higher-margin products? Wrighton argues not, saying growth will be in the mass market for some time to come. "We don't believe the A- and B-income sectors will ever grow as fast as the C and D sectors, which we have targeted, even when there is an upturn," he says.

The food division was also boosted indirectly by the disposal of a large part of Premier's poultry and animal feeds interests, which has helped cut the interest bill by more than half to R17,7m.

Wrighton says contributions from Premier Pharmaceuticals are creditable, with earnings from this division up 22%, and now accounting for about 19% of earnings.

But, while the dispute with the Kroe brothers over the acquisition of pharmaceutical businesses controlled by Gresham industries continues, and will probably be settled only in court, contributions from this sector dropped by a disappointing 66% to

about R1,1m. That's a small portion of Premier's earnings, but it remains hard to fathom why the group is so keen to add what appears to be underperforming assets to its pharmaceutical business.

Certainly, there is little apparent reason why the acquisition should benefit Premier Pharmaceuticals.

The share, now seemingly on the rating it deserves, is not cheap at R52,50. Still, Premier seems to be offering more long-term value than it did a year ago.

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CASH BOOST

<table>
<thead>
<tr>
<th></th>
<th>Oct 31</th>
<th>Apr 30</th>
<th>Oct 31</th>
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<td>Turnover (Rm)</td>
<td>11447</td>
<td>5 36</td>
<td>5 42</td>
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<td>Operating (Rm)</td>
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<td>2127</td>
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<tr>
<td>Earnings (Rm)</td>
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<tr>
<td>Dividends (c)</td>
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<td>113</td>
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<tr>
<td></td>
<td>32</td>
<td>49</td>
<td>36</td>
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</table>

† Seven month period restated as six months.
Changes ‘opening new doors’ for SA

POSITIVE political changes in SA and increasing regional economic interdependence are opening new doors throughout Africa, says Engen CE Rob Angel.

Angel said in the new group magazine Energos that a key aim would be the creation of an integrated petro-chemical company able to serve the specialised needs of sub-Saharan Africa.

He believed the potential for major expansion was in exploration, production, and chemicals.

“Progress upstream, in exploration and production, and downstream, in chemicals, are vital to the group’s long-term survival.”

“Opportunities will be pursued whenever considered feasible and strategically important to long-term goals.”

Downstream expansion would focus on the development of a strong and viable chemicals division.

“The timings of the expansion of the chemicals division will depend on demand for chemicals. There is no sense in challenging international players unless market share is available.”

Chemicals currently contributed 5.5% to group revenue. Angel wanted Engen to aim for 50% self-sufficiency in crude oil supplies — the percentage major oil companies generally had.

“It is important, however, to keep the group manageable and maintain the growth of the core business,” he said.

This would be achieved partly by concentrating expansion in exploration and production opportunities in existing development areas rather than undeveloped areas where the cost of entry was considerably higher.

“By the year 2000 Engen will have achieved an average earnings spread of 50:35:15 between marketing and refining, exploration and production and chemicals,” Angel said.

Drain

The R570m first phase expansion of the Genrefex refinery in Durban positioned Engen favourably for further expansion phases necessary to create the capacity to serve local demand and new markets in Africa.

Although exploration and production were exerting a 5% drain on group income, Angel said these activities would become financially self-supporting in a reasonably short time.

In May this year Mobil announced its name would be changed to Engen. Engen paid R550m for Mobil and inherited about R350m in liabilities, and an estimated R180m was spent on changing corporate livery and imaging.
Sentrachem aborts
Australian venture

A PROPOSED multimillion-rand bid by Sentrachem for Kerry Packer’s Australian petrochemical company Chemplex has fallen through at the 11th hour.

Sentrachem chief executive John Job said yesterday the group would no longer proceed with its proposed rights issue to raise R240m.

Sentrachem was a “demanding” buyer and was not prepared “to accept any risk merely to be represented offshore”, he said. “We stressed from the beginning that we would do a deal only if it would clearly benefit Sentrachem. Chemplex looked an ideal fit and we were enthusiastic about it. It was the right size, produced the right product, used the right technology and is nicely situated geographically. But in the end, no deal was possible.”

Sentrachem executive director Ralph Oxenham said yesterday the asking price was about A$440m.

Sentrachem had not made an offer, but would have offered “a lot less than that”, he said. The two parties signed a heads of agreement for the sale last month.

Job travelled to Sydney last week, expecting to sign a deal with Packer’s Consolidated Press Holdings, but the deal stalled over the selling price and the Australians’ apparent refusal to give Sentra-

PETER DELMAR

chem certain guarantees.

Oxenham denied the recent announcement of curbs on foreign investment by SA companies had played a role, saying approval in principle had been granted by the Reserve Bank.

He added that the rand’s weakness had not been a significant factor. The deal would have been heavily funded offshore.

Chemplex has two plants near Melbourne and an annual turnover of A$200m. It is a major producer of styrene, of which Sentrachem is SA’s largest consumer.

Sentrachem sources said yesterday they were unsure of the precise details of why the bid failed. Oxenham described it as “a mix of eight or nine factors”.

Earlier, the company said the sale would go through only once Sentrachem had completed a due diligence survey.

Oxenham estimated that less than half the proceeds from the proposed rights issue would have been used for the Chemplex acquisition. Sentrachem could still proceed with a rights issue at any time, he said “Our strategy still remains that we need to internationalise. Whether there are any other hot prospects at the moment, the answer is no.”
sentrachem passes on bid for chempex

from peter delmar

johannesburg — a proposed multihundred-rand bid by sentrachem for kerry packer's australian petrochemical company chempex has fallen through at the 11th hour.
sentrachem ce john job said yesterday the group would no longer proceed with its proposed rights issue to raise r240m.
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sentrachem executive director ralph oxenham said yesterday the asking price was about a$140m. sentrachem had not made an offer, but would have offered "a lot less than that", he said. the two parties signed a heads of agreement for the sale last month.

job travelled to sydney last week, expecting to sign a deal with packer's consolidated press holdings, but the deal stalled over the selling price and the australians' apparent refusal to give sentrachem certain guarantees.

oxenham denied the recent announcement of curbs on foreign investment by sa companies had played a role, saying approval in principle had been granted by the reserve bank.

he added that the rfr's weakness had not been a significant factor. the deal would have been heavily funded offshore.
Sentrachem will not proceed with its proposed acquisition of Chemplex of Australia.

Chief executive John Job said yesterday Sentrachem could not agree on price and several other important aspects of the deal with the vendors, Kerry Packer's Consolidated Press Holdings.

Speaking from Sydney, Dr Job explained: "We stressed from the beginning that we would do a deal only if it would clearly benefit Sentrachem.

"We are demanding buyers and we were not prepared to accept any risk merely to be represented off-shore.

"Chemplex looked like an ideal fit and we were enthusiastic about it. It was the right size, produced the right products, used the right technology and is nicely situated geographically - but in the end no deal was possible."

Sentrachem executive director Ralph Oxenham said the recent depreciation of the financial rand had not impacted on the decision.

"The bulk of the funding was to be sourced offshore on its own merits. The proportion which would have had to go through the financial rand was not that significant."

Sentrachem's predictions for styrene, Chemplex's main product, are bearish. It expects prices to recover from their current lows, but not to reach the prices peaks of 1987 and 1988.
AECI to split explosives and chemicals divisions

AECI Explosives and Chemicals (E & C) is being restructured into separate operating companies to meet the challenges facing the mining and agricultural sectors of the economy.

E & C MD Vernon Liddard said in the latest edition of the AECI journal Prospect that tough times called for a new, dynamic approach whereby E & C would be split, allowing each division to focus independently on its own markets.

Chemicals had been affected by a sharp deterioration in fertiliser sales and explosives by depressed mining activity.

"By unbundling the company into two separate entities both business units will become more transparent and costs will be more fairly allocated and easier to control. It will also have the effect of keeping the businesses more keenly focused on their key objectives," Liddard said.

In 1991, E & C posted R1.3bn turnover and R10m net trading income.

Liddard outlined extensive plans for expansion in newly formed AECI Explosives Ltd which would come into operation in January.

In line with the restructuring, a site service organisation is to be established which will deliver engineering, accounting, personnel, security, catering and other services on a mutually agreed or negotiated basis.

One area being targeted is electronic detonators which allow for computer-controlled phased explosions.

"There is a worldwide niche market for the product and it is expected to become an important cash generator within three years," he said.

In another development, AECI Explosives is progressing with implementing the findings of comprehensive blasting surveys carried out recently.

Liddard said customers would also benefit from the restructuring as access to ICI patents and technology would still exist. ICI is one of the world's leading explosives and accessories manufacturers.

He said new foreign markets were being targeted as part of an overall strategy for continued future growth.

"I am confident that our production sites will pursue ruthless attention to costs and management ability in order to survive the economic downturn."

In 1991, E & C contributed 34.1% to group turnover and 37.4% to net trading income.
Petrol prices ‘still too low’

JOHANNESBURG
The rate of under-recovery on petrol and diesel continued to grow in November, putting fuel prices under further pressure. The Mineral and Energy Affairs Department said yesterday FWV motorists paid an average 9,905c/l too little for petrol. The Afrikaanse Handelsinstituut warned that prices could increase by 10c/l.
Drug Price Cuts in Drug Prices

Board Rules to Ban
Training needed at plastics firms

SA's plastic companies had the equipment to manufacture quality products, but lacked adequately trained people to run the machinery efficiently, Plastics Industry Training Board chairman Ralph Oxenham said yesterday.

Companies were spending millions on high-tech equipment but giving little thought to maximising the potential of that investment.

Thorough training was imperative if companies were to get their money's worth from staff and equipment, he said.

"For an industry which employs 40,000 people there has been an inadequate level of training."

Quality was also the criterion international buyers judged products on, Oxenham said, adding that the industry had to get rid of any delusions that cheap was a selling point.

"SA has always exported raw materials and imported value-added products at considerably greater cost."

The plastics industry was one of the few which had the technological sophistication and size to compete internationally, he said.

"Next year must be the year in which the SA plastics industry develops the human resources it will need to take on, and conquer, international markets."

(83) Jono Waters
FARM-AG and its subsidiary Peskor have concluded an agreement with Sentracem to change terms of the sale of the remaining 50% of SA National Agricultural Chemicals (Sanachem) held by Peskor.

Farm-AG chairman Reg Sherrell said the new agreement would eliminate the uncertainty and risk attached to a price-earnings ratio dependent on the performance of the JSE by substituting it with a fixed price-earnings ratio.

Both agreements provided for a two-tier purchase price, depending on which figure was higher at the date of purchase.

The original agreement provided for the purchase price on February 28 1993 to be based on its earnings for the three-year period to purchase date, adjusted for inflation and multiplied by a price-earnings ratio linked to the performance of certain sectors of the JSE, or 50% of the net asset value of Sanachem on the purchase date.

The price based on net asset value of 50% of Sanachem on February 28 1993 still applied to the new agreement, but the revised alternative price would be determined on a price computed as the average of the valuations of Sanachem at February 28 1993, 1994 and 1995, based on Sanachem's taxed profit for the three year periods, multiplied by a price earnings ratio of 10.

The Sanachem valuations on February 28 1993 and 1994 would be adjusted according to the interest rate on the Eskom 168 bond to take account of inflation.

The total valuation would be increased by 10% in the event of the valuation exceeding R80m.
Ending doctors’ profit bonanza

Back in 1984, in an effort to contain escalating drug prices, pharmacists were allowed for the first time to substitute patented drugs with cheaper generic equivalents. Drug manufacturers, incensed by the reform, began encouraging doctors to buy drugs from them and then sell directly to the public. For many, the offer, sweetened by huge price cuts, was irresistible — doctors could obtain discounts that undercut wholesalers by as much as 50%. For the manufacturer, the doctor often became a valuable marketing tool, pushing drug lines via the prescription pen.

The party, however, could soon be over. Last week the Competition Board released proposals that, if accepted by Public Enterprises Minister Dawie de Villiers, would force manufacturers to charge the same price to all buyers of prescription medicine.

The board’s recommendations are far-reaching. Describing the special pricing relationship between manufacturers and doctors as uncompetitive, the board proposes that manufacturers should be prohibited from selling or dispensing medicine in any way that discriminates between buyers or recipients of the medicine.

The proposals are certain to become controversial as copies of the report circulate among the industry’s players. So far, the organisations whose members would have the most to lose, representing the pharmaceutical manufacturers and doctors, have been muted in their response. Also sure to raise objections are critics of more government intervention in the economy. They’ll argue that telling companies how to charge for products is none of government’s business, that if manufacturers want to give enormous discounts to doctors, that’s their right.

Says Wouter Meyer, of the board’s investigations directorate: “The principle underlying the board’s thinking is that there should be no discrimination for an equivalent transaction. Put differently, if a buyer purchases 1 000 pills, he should pay less per unit than the person who buys only 100 pills.”

He explains that wholesalers have been particularly aggrieved that doctors, who buy relatively small quantities of medicine from manufacturers, obtain larger discounts than wholesalers, who buy the same medicine in bulk. They argue that little or none of these discounts is passed on to the consumer.

Of course, the nub of the issue is an ethical one. Can a doctor who dispenses for profit be objective?

Medical schemes report having processed claims by doctors who have dispensed more than R800 000 in medicines in a single year. Comparative statistics are also telling. Five years ago, only 10% of all private-sector prescriptions were dispensed by doctors today, this figure stands at around 30%.

A major bone of contention is that many doctors have become more than traders, using their discounts to bypass the full retail drug chain.

They can sell drugs to wholesalers and retailers at less than the manufacturers’ prices.

Welcoming the board’s recommendations, Wolf Furst, of the National Association of Pharmaceutical Wholesalers, explains that this practice merely inflates the price of medicine to the consumer. “If these sales to dispensing doctors continue — lower volumes at lower prices — the consumer price will have to increase.”

Meyer says the board noted that the Medical Act prohibits doctors from trading. The board, however, suggests that the Medical and Dental Council should enforce its own laws in this instance.

Responding to the recommendations, the Medical Association of SA health policy director Reg Magennis says dispensing doctors have been somewhat of a mixed blessing. While they have introduced competition to the traditional distribution chain, there are dangers of fragmenting this rigid chain.

He suggests that a less formal distribution chain could threaten quality and standards. He adds “The association fully supports the values associated with free-market competition, and will therefore continue to support dispensing by doctors, provided it complies with the norms associated with high-quality clinical practice.”

Coupled to this thinking is the board’s insistence that pharmacies be allowed to advertise fully. Now, they can advertise only prices of specific drugs. While this enables consumers to shop around for repeat prescriptions, it does little to inform them about general discounts available on all medicines.

Meyer doesn’t foresee that the dispensing doctor will cease to operate, should the Minister accept the board’s recommendations. He says that most doctors — particularly those practising in remote areas and townships — buy from wholesalers and will continue to offer a valuable service to patients. “The doctor who dispenses and trades as a mini-wholesaler, however, could find that his side-dealings become less lucrative.”

Of course, the difficulty of policing a single exit price could render the board’s recommendations useless. But Meyer disagrees. “We can’t expect to catch everyone, but we could make an example of a few people. Wholesalers are especially likely to monitor deals and could report them to the police.”

A conviction under the Maintenance & Promotion of Competition Act could result in a five-year prison term or a fine of up to R100 000, or both.

On this score the Pharmaceutical Manufacturers Association makes a valuable point. It suggests that a deregulated market, in which group practices and medical aid-run health maintenance organisations operate their own cost-effective dispensaries, could well eliminate the need for the board’s recommendations and the problem of trying to police it.

TELECOMMUNICATIONS

Hello, America

Telkom’s monopoly on international calls will take a beating in the new year when several private companies switch on WorldPhone, the local subsidiary of US telecommunications company Viatel, has been operating for about four months.

WorldPhone CE Jerome Swersky won’t say how many subscribers he’s signed up but he plans to boost the size of his staff early next year. “Our volumes are picking up nicely and more corporates are coming in.”

Other long-distance services due to start in the new year include US telephone giant MCI and New York-based International Discount Telecommunications (IDT). AT&T says it won’t come in until the ANC calls for an end to sanctions.

WorldPhone and IDT offer cut-rate international services by giving subscribers access to the US telephone network. Subscribers to either company dial assigned numbers at switchesboards in the US and then hang up.
MARCELNO says a change in accounting methods was behind the unusually high interest bill, which more than doubled. EPS were diluted by the expanded share capital.

Following a name change in 1991 and acquisition of four subsidiaries, namely Furquay, Medex, SA Medical Supplies and Transkei Medical Supplies, management chose to move into a geared position. Last year, Medhold negotiated new borrowing facilities with its bankers. This was intended to remove the reliance on often extremely expensive financing and, as it was hoped, would stimulate trading profits — but it failed to prevent a steep rise in financing costs.

The effective tax rate increased from 39% to 44%, being affected by changes in exporters' allowances and available assessed losses. Next year's rate should remain at 44%.

Financial director Jasper Simons is rightly concentrating on debtors this year. They increased by just R1m, to a steep R4.3m at year-end, the plan is to reduce collection periods. Chairman Rodney Dackcomb adds that inventories are under close scrutiny.

There is a R653 000 contingent liability relating to tax on a film venture embarked on in 1988. Directors are confident expenditure and tax will be granted, so no provision has been made. Until the final decision of the courts is known, payment will be financed by borrowings on a deferred basis.

Most divisions performed "satisfactorily," with manufacturing contributing 56% of net income. Dackcomb is confident EPS will be at least 6c this year and the dividend will be reviewed at the halfway stage.

The market has shown little confidence in the stock, with the p/e at 5.4. It offers potential for investors interested in a high dividend yield.

MD Jack Marcelno predicted turnover would top R17m and earnings would increase by a quarter in financial 1992.
null
Anger at PVC price

By Ciaran Ryan

PVC consumers complain that they are forced to pay double the international price for PVC because of import protection for SA’s sole producer, AECI.

‘PVC is obtainable at RI 360/ton on world markets compared with AECI’s E2 700/ton. Ad valorem duties are only 10%, but with anti-dumping duties effective protection is closer to 40%, says one AECI customer.

‘And that is after freight charges of E150/ton. What it means is that, even though we can buy PVC overseas for half what AECI charges, we end up paying the same as if we bought the local PVC because of the freight charges and duties.”

This has led to charges of import parity pricing.

‘Also questioned is the extent to which monopoly protection benefits local consumers.

‘An AECI spokesman said “Every nation protects its industries against disruptive dumping. These prices tend to set the lower price level in a market and local producers have to meet them.” This is often mistaken for import
Colin Legum looks at Africa, politics and oil

Opportunities for new investment

The possibility of new investment by multinational oil companies in African countries was envisaged by M.A van den Bergh, a group managing director of the Royal Dutch/Shell Companies in an address he delivered to the Oil and Monetary Conference in London. He said that although progress on the economic front remained patchy, an increasing number of African countries had embarked on reforms which offered some hope for an economic reawakening.

The presence of oil in the Blue Nile province of Southern Sudan continues to prove to be one of the major stumbling blocks to ending the country’s bitter civil war. The Khartoum regime has insisted in confidential talks with would-be mediators that it would resist any idea of losing control over the rich oilfields in the Blue Nile province, which falls within the Southern Sudan, in negotiations for either a federal or confederal constitution.

Strapped for oil — and indeed for most other urgently required imports — the Khartoum regime has entered into extensive agreements with Iran. In exchange for regular shipments of oil, as well as for military supplies, exclusive rights have been granted to an Iranian syndicate to take over the management of Port Sudan. Radio Cairo has carried reports suggesting that this concession is only a small part of a wider agreement giving the Iranian navy permanent access to Sudan’s Red Sea ports.

Iran’s expanding involvement in Sudan is causing serious concern to Egypt and Saudi Arabia, as well as to the country’s other neighbours, Ethiopia and Eritrea. The former two suspect that Iran is exploiting Sudan’s economic and military weakness to secure a foothold in the African continent from which to promote its Islamic revolutionary ideas.

Despite Tehran’s denials, there is strong evidence to support allegations that Iran is supplying not only arms but also military instructors and possibly also some fighting cadres to assist the Sudan army in its war against the rebel forces in the South.

Zaire, which has its own limited oil resources, and more that could be exploited once the country achieves a measure of political stability, has entered into an agreement with Kuwait for a 12 months’ supply of oil.

The Belh oilfield in Tunisia’s Nabeul Province has come on stream. The oil was first discovered by the US Marathon company in June 1991. Its recoverable deposits over seven years are estimated at 3 million tons, and its present output capacity is reckoned to be 10,000 barrels a day.

Tunisia is keen to interest other multinational companies to carry out further exploration. It recently granted a drilling licence for hydrocarbons over 3,302 square kilometres in the Medenine Province.

Eritrea, which is due to become independent after a referendum next April, is giving a high priority to oil exploration along its Red Sea coast where earlier findings have proved promising.
BP plan to cut another 9,000 jobs will affect SA operation

BRITISH Petroleum CE
David Simon recently
announced a cutback in
staff of about 9,000 by 1995
in a move that could have
serious repercussions for
BP SA.

This increases an earlier
figure for expected job
losses to a total of 20,500 or
23% of the global BP
workforce, according to the
London Financial Times.

BP SA would be affected
mainly by marketing and
refining cutbacks, industry
sources said yesterday.

The cuts come at a time
when BP faces a likely loss
of £500m this year on a
replacement cost basis,
caused by increasing debts
and a huge net cash outflow
used to fund its ambitious
oil exploration project.

The company said it had
set a target of 5,000 direct
job cuts over the next three
years with a further 4,000
cuts through divestment of
peripheral businesses.

"Roughly 4,000 will be in
business interests that we
plan to divest to third par-
ties. The remaining 5,000
represent the balancing
number of future job reduc-
tions that will occur over a
three-year period," Simon
said.

Commenting in a notice
to staff in London, Simon
said the staff cuts would not
be concentrated in any one
country but would take
place gradually worldwide.

The reductions form part
of a cost-cutting drive initi-
ated by Simon to reduce op-
erating costs by £1bn in
order to add £500m to an-
ual profits by 1996.

He said the 4,000 jobs
would be cut mainly
through normal and acce-
sorized retirement, the
voluntary redundancy pro-
gramme and non-replace-
ment of employees who
quit.

Simon said he hoped to
cut £400m from marketing
and refining costs, £300m
from the corporate centre,
and production and £100m
from chemicals.

"He said the company was
not planning any further
large, one-off cuts.

The cuts are in addition
to plans announced in
August to cut 11,500 jobs by
early 1993. Those cuts will
come mainly from the
downstream part of the
business such as refining,
operations and petrol
stations.

In these areas competi-
tion and low oil products
prices have squeezed mar-
gins while demand remains
affected by the recession."
Macmed leads field

Pharmaceutical and medical company Macmed was the largest-gaining share of 1992, adding 85c or 56.6 percent to its price to close yesterday at 180c.

The biggest drop of the year was recorded by transport company Preston, which lost 98 percent of its value.

Engineering counter Innins was the second-largest percentage gainer of the year, rising from 1c to 5c.

Five of the top 15 gainers for the year were electronics companies.

Mult increased from 70c to 260c, TMX from 175c to 580c, Datakor from 115c to 300c, SFL from 135c to 350c and Dimensions Data from 400c to 900c.

Farm-Ag, which holds half of agricultural chemicals group Sanachem, increased by 239 percent from 235c to 760c.

Its holding company Rale rose from 50c to 725c.

The best-known of the companies to show the largest declines were Rusfurn, which lost 95.4 percent of its value to close at 15c, and recently liquidated TGH, which lost 92.7 percent of its value to close at 40c.
Mossgas getting off to an uncertain start

By Stephen Cranstoun

Mossgas will operate at full capacity from next week, although the oil-from-gas project is still not a commercial proposition.

In the present circumstances Engen will not take up its option to maintain its 30 percent equity in the project at an expected cost of R1 billion.

An Engen spokesman confirmed yesterday that the group's position had not changed, despite a bullish statement from Mossgas that the project would save R150 million in foreign exchange over 30 years.

An industry observer said the figures assumed that the rand value of oil products would increase by 10 percent a year.

"This may or may not be a reasonable assumption, but it does not mean anything. If the oil price were to increase yearly, so would the yearly operating cost of the plant."

Almost certainly more oil would be received by buying dollars at the official rate and using them to buy oil products.

At current oil prices and an estimated production of 30 000 barrels a day, the project would save about R26 billion in foreign exchange over thirty years - not much considering the R12 billion capital cost of the

Engen chairman Bernard Smith said last year that no protection would be needed if the oil price remained at $15 a barrel in 1989 terms, which is equivalent to at least $23 today.

Brent crude oil prices are currently quoted at $18.53 a barrel.

In order to achieve a real return on total capital employed, the oil price would need to be $37, according to Smith, but as high as $50 a barrel according to independent analysts.

Production costs for new wells in Arab countries are often as low as $7 a barrel.

And oil companies will have to be compensated for the loss of margin from their own refineries if they are compelled to take Mossgas product instead.

The chances are that Mossgas will be a public utility managed by Engen, but it will continue to be controlled by the Central Energy Fund.

There is the prospect that the life of the project could be lengthened by further gas field discoveries.

Production from the sixth well is expected to start early in the new year.

With Mossgas and Sasol, 40 percent of SA's petrol needs are generated internally, which provides a cushion against any future disruption of world fuel supplies.

Mossgas expects to earn R50 million a year from heavy and light alcohols, it also expects to earn foreign exchange from liquid oxygen, nitrogen and carbon dioxide.

Chemical companies continue to express interest in a cracker at Mossel Bay, which will provide aromatic chemicals such as benzene, toluene and styrene.

Expertise was gained in the manufacture of equipment for the offshore oil and gas industry through Dorbyl's and Babcock's joint ventures with Press Offshore.

Savings in transport costs are expected to run to R30 million a year.

About 15 percent of production will be consumed in the Southern Cape area around Mossel Bay and the rest shipped to Port Elizabeth and East London.

Mossgas did something to fill the vacuum in fixed investment. It represented 55 percent of total new fixed investments in 1989/90.

Its record in terms of new jobs has been poor.

At the peak of its activity it created 5,000 jobs, but it now employs just 1,800 permanent staff, at a cost of R10 million per job.

For the same outlay as the Mossgas project, at least 300,000 houses could have been built.