BASIC METALS

1988
Plant problems

A strong turnaround at operating level, and R14.4m profit from the sale of an investment in Natbolt shares, makes Union Steel (Uesco) appear more attractive than a year ago. But future earnings growth remains hobbled by a saturated market, high gearing, and the weight of short-term preference dividends.

By Uesco's September year-end, gearing had been reduced to 0.89 (1.26) and the interest bill was twice covered by the R21m operating profit. The 8% return on capital looks much better, but it is less than the

Activities: Manufactures and sells special steels, mild steel, stainless steel wire, forgings, copper wire and cable and aluminium conductor and cable. Also has investments in various inland and coastal steel merchants, suppliers of copper and aluminium rod and manufacturers of copper wire and associated products.

Control: Iscor is the holding company by virtue of the voting rights vested in the cumulative preference "A" shares.

Chairman: F P Kotzee, managing director J H Kaltwyser

Capital structure: 29 mns ords of 50c each, 125,000 cmn pref "A" shares of R2, 125,000 cmn pref "B" shares of R2, 20,300 comp cmn pref of 60c and 30,000 variable rate red cmn pref of 1c. Market capitalisation R23m.

Share market: Price 81c 20,1% on earnings, PE ratio 5.0, 12-month high, 115c, low, 55c. Trading volume last quarter, 1,05m shares.

Financial, Year to September 30

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Performance

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<td>Net worth (c)</td>
<td>361.3</td>
<td>303.4</td>
<td>302.6</td>
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11.3% return attained in 1984 when Uesco committed R70m to build a direct reduction plant to reduce hematite pellets into sponge. Though the innovative plant was completed in 1985, and commissioned the following year, it has yet to produce its first sponge iron for the melting furnaces.

Chairman's report:

Kotzee reports continuing technical difficulties with the plant. "These are not insurmountable and will involve limited capex," he says. "For economic reasons, it is not planned to put the plant into operation during the next financial year."

Studies revealed that modifications to the cooling system are essential to make the plant work properly. Pellerning and the direct reduction plant lost a net R5.8m last year (see table).

Steel products lost R1m less than the previous year, although steel dispatches fell by 9% and imports were stopped because of lower world market prices and the strengthening rand against the dollar.

The biggest boost to earnings came from non-ferrous products (aluminium conductor, copper wire and strip, cable products and stainless steel). These constitute the only viable part of Uesco's interests, doubled profits, 18m (R8,4m) on increased demand.

Kotzee sees little hope for further growth in 1988. He expects low growth levels in the domestic market which, with a considerable local capacity surplus and "no significant investment in capital projects," indicates steel product dispatches will not rise significantly in the short term.

He expects dispatches of non-ferrous products to fall, though "cost-saving programmes and lower financial charges will assist Uesco to make a profit for the year."

That picture could change if steel prices rise. Kotzee says this will "inevitably be reviewed at regular intervals." If the loss on steel products is eradicated soon, which seems possible, this could balance the drop in Uesco's non-ferrous business.

Preference shareholders were paid R5.7m in dividends against R3.7m in 1986 (more than half of group earnings before a R14.4m extraordinary profit from the sale of Natbolt shares). The increased payment reflects the full impact of the R30m raised through an issue of variable rate cumulative prefs in 1986, redeemable in R10m tranches on January 29, June 1 and September 30 this year—all these prefs have been included in the 0.89 debt equity calculation. Further preference issues could be made, so the expected R3m fall in preference dividends may not materialise.

The articles of association provide for an 8% dividend on ordinary shares once preference dividends have been paid, assuming the funds are available. The group could therefore pay a dividend of about 2.7c once debt-equity falls to around 0.7. The present modest economic growth might help, but Kotzee's rather pessimistic forecast suggests ordinary dividends are unlikely short term (none has been paid for the past three years). At 81c, the share looks overpriced—even though the discount to net worth is 75%.

Dave Edwards
Decline at CMI

Finance Staff

Consolidated Metallurgical Industries (CMI), the world’s largest producer of granulated ferrochrome, showed an expected decline in turnover in the six months to December, resulting in substantially reduced net profits.

However, the ferrochrome market is reported to be very robust and the directors say that with the increase in dollar prices for ferrochrome, they foresee an improvement in turnover and pre-tax profits in the second half.

However, the R35.5 million tax loss brought forward from 1986 has now been fully utilised.

In the half year, attributable income was R14.8 million (R23.2 million in the 1986 half-year). The interim dividend is maintained at 20c. Turnover dropped to R68.7 million (R87.5 million).
FAST-MOVING Malbæk is muscling in on SA's steel supply sector.

Its subsidiary, Protea International, which has handled exports of Iscor steel for many years, has joined forces with SA supplier Van Reenen & Nicholls to form Protea VRN Steel, a major merchant.

The new company, equally owned by Malbæk and VRN founders Patrick Nicholls and John van Reenen, is expanding into the commercial steel market for the first time. Total sales in this sector are running at R150-million to R200-million a month.

DOMINANT

VRN Protea starts life with a R100-million investment contributed equally by the two parties.

VRN, which was established 10 years ago, dominates the supply of quenched and tempered steels used in the mining and earth-moving equipment industries.

"This will be Protea's first move in the SA steel market," says Mr Nicholls.

"The tie-up with a major group like Malbæk will give us the strength to take a slice of a much bigger market."

Malbæk subsidiaries and the Gencor mines are major steel users with consumption running at 6 000 tons a month.

"We believe it important to tie in with a distribution company to offer the Malbæk-Gencor companies the benefits of rationalized buying and stockholding," says Lindsay Robertson, managing director of Protea International.

WELL TIMED

Mr Nicholls, who will be joint managing director of VRN Protea with Mr van Reenen, says Protea International's exports will continue to be a separate operation.

But the co-operation in SA could not have been better timed.

"The engineering and mining industries are moving into a higher gear, and our branch network is well placed to supply the Gencor mines.

"We will initially specialize in supplying all qualities of steel plate before moving into other sectors. I am confident that we will quickly win a large share of the plate market."
**Heavily sold**

**Activities:** Steel merchant and service centre, operating in the Cape

**Control:** The directors own 65.4% of the equity

**Chairman and joint MD:** Sylvan M S Winnikow; joint MD: P K Smaller

**Capital structure:** 22.5m ords of 1c Market capitalisation: R32.6m

**Share market:** Price 145c Yields 5.5% on dividend, 12.5% on earnings, PE ratio, 7.8.

**Trading volume last quarter:** 316 000 shares

**Financial:** Year to September 30

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<tr>
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**Performance**

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<td>Pre-tax profit (Rm)</td>
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<td>Taxed profit (Rm)</td>
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<td>Earnings per share</td>
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<tr>
<td>Net worth (c)</td>
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*On 18.05m shares ranking for dividends

While earnings usefully topped the 16.7c forecast in the prospectus, this mainly reflected a lower tax charge following a tax-efficient film investment. Pre-tax profit was virtually spot-on the R5.1m forecast ahead of the December 1986 listing.

**Turnover rose by 23.2% and pretax profit by only 16%, suggesting some pressure on margins. Though ratios were generally maintained, there was a sharp rise in short-term borrowings, but chairman Sylvan Winnikow tells me this reflects a large export order which straddled the year end. The overdraft is now back at more normal levels.**

Main event of the year was a share swap with Wedge Holdings, which operates a similar business in the Transvaal and Natal. Great long-term benefits are expected from this association.

A 25% stake was acquired in Wedge in exchange for 20% of UME. The 4.6m shares in Wedge are shown in the balance sheet at 226c against the current market price of 125c, which, other things being equal, has knocked some 20c a share off the net asset value shown in the accompanying table.

Winnikow adds that plant and machinery, whose book value is only R2.4m, is insured for R12m. This gives a considerable hidden extra asset backing.

Since year end, a business was acquired for cash in George, giving access inter alia to the Mosgas project. A new HQ building has been occupied in Bellville.

Winnikow says in review that business has met new records in the early months of this year. Her son, MD Peter Smaller, has been quoted as looking for net profit growth of 25%-30%. While this may be conservative, it must be remembered that the shares issued to Wedge did not rank for dividends. The effective cost of equity will thus be 25% higher, so, at a per share level, progress will be less dramatic.

The share has been sold down in fairly active trade to barely half last year's high and is only 10% above the 130c issue price. This could be an unduly severe rating relative to the market — but that's a major proviso.

*Michael Coulson*
Hiveld earns 1/88
less, pays same

Highveld Steel & Vanadium had a 5.5 percent lower attributable profit of R56.8 million in the year to December. The previous year’s net was R60.1 million.

However, the final dividend has been maintained at 20c to make the total for the year an unchanged 30c. Earnings per share were 80.1c (68c).

Turnover, up 4 percent, was R849.7 million.

Sapa
Dorbyl, Iscor to build R120-m steel mill

By Sven Forsman

Iscor and engineering company Dorbyl are to spend R120 million building a new steel mill at Vereeniging for Tube Makers of SA (Tosa).

Dorbyl's portion of the investment is 60 percent and Iscor's 40 percent. The investment will be largely funded out of capital reserves.

The mill, when it comes into operation in January, 1990, will enable Tosa to replace R50 million worth of imported seamless tubes and more than double its production capacity of 22,000 tons a year.

The initial capacity of the mill will be 50,000 tons a year, but provision has been made to upgrade to 100,000 tons.

To provide power for the mill, Escom is embarking on a 12-month programme to upgrade generating and distribution facilities linked to the Tosa complex at Vereeniging.

Ian Rauch, chairman of Tosa and director of Dorbyl, said the plant currently producing seamless tube was installed in 1927 and could no longer compete in terms of yield, quality and cost with the products available from more sophisticated installations in other parts of the world.

The continued and expanding production of seamless steel tube is strategic to some of our key industries such as the mines, power generation and petrochemical industries, in which there is no substitute in the light of the pressures, corrosion resistance and metallurgical specifications required.

"Of course, to start with, the quality of the raw material feedstock is of critical importance, and it is for this reason we are happy that Iscor are our partners, as they are committed to supplying the plant with billet and are planning to make certain enhancements to their production process in order to ensure this."

Mr Rauch said Dorbyl's decision to invest in seamless tube manufacture was a vote of confidence in the country's steel tube industry, in which Tosa played a major role.

"That vote of confidence was underlined by the Iscor's willingness to participate in the investment," he said.

Products of the mill will make the country independent of many imported industrially strategic pipes and a variety of tubes for boilers, exploration, heat exchangers, hollow bars and hydraulics.

Pipes vital to the mining and power generation industries will also be produced.

In conjunction with the Chamber of Mines, Tosa has been researching what sort of pipes would be required for backfill. The new mill will be able to produce pipes thick enough to withstand erosion by the aggregates used for backfilling.

Backfill is a major development in gold mining in which waste material in sludge form is pumped down the mine to fill worked-out areas.
Japan-style initiative

SA's stainless steel industry (estimated
turnover R100m a year, of which some
1600t is locally-produced) has taken
on a new life, expanding its own sectoral
strengths and weaknesses.

By organizing itself internally, it has
tapped into the potential for SA's first Japa-
nese joint government/private sector
initiative, to boost industrial sectors
with strong growth (and export) poten-
tial. The aim is to create an industry
at will, over the next 25 years, via
new, gold-mining-style SA's major export
venue

The potential is vast, but the challenge
meme - and the enthusiasm is
swelling. With 70% - 80% of world
chrome reserves, a successful stainless
steel mill, an established fabricating
industry, and support from both industry
and Government to "make it work," the initi-
tive could be a world leader.

(KANON)

Moving the way for the industry is
the 10-member SA Stainless Steel
Department Association (Sassda), under
dynamic leadership of executive di-
rector Ian Eldon-Dew.

Sassda has set itself the target of
creating a strong fabricating industry
that will widely expand South African
exports into world markets.

"While SA can export primary stain-
less steel into only 15% of world mar-
kets, fabricated products can be sold
into 75% and the further down the line
you go in fabrication, the more jobs can
be created," says Eldon-Dew.

But there is a long way to go. Local
primary stainless steel production is
valued at about R600m, but only 40% -
45% of the 100,000 t produced by MS & A
is sold to local fabricators, while the
rest is exported as primary product.

And within the huge target Sassda
has set itself, current fabricated ex-
ports cannot exceed R300m at most.
Apart from the fact that fabricators are
growing their production to meet grow-
ing import substitution demand and for
the expected boom to follow the first
contracts under the MSSG scheme, tradi-
tional South African specialty towards
exports is a major problem.

Ongoing export promotion, educa-
tion, venture capital, financial assist-
cence and involvement of major groups
and State aid - have all been put
in the mix to make the fabricators look
at the export route - and prove to them-
selves that local products can compete,
both on price and quality.

A BETTER PROCESS

Electropolishing is the process of electrochemically eroding away micro-
scopic projections on metal.

This is different from - and much smoother than - the mechanical polishing,
which is achieved by grinding the metal surface with progressively finer grits, and
finally buffing it to produce a smooth mirror finish.

Duva Chemicals MD John
van Duysen says electropolish-
ing produces a "smooth,
clean passive surface with-
out any contaminating influ-
ences."

While the difference be-
tween the two processes

...
That sink feeling

SINK manufacturers are the largest users of light-gauge stainless steels in SA, and use about 2 500 t of the metal every year.

And, with a boom in low-cost housing looming, the "sink people" also expect strong growth for their industry.

"I expect an ongoing upturn in the sink manufacturing industry, based on the enormous demand for low-cost housing in SA. Black, coloured and Indian housing especially will be large users of our product," says City Metal Products sales director R S Moodley.

For the current year, Moodley foresees 3% growth in real terms, which boils down to effective sales growth of 15%-17% for the year.

EXPORTS

And, based on the enormous housing backlog, he expects ongoing growth over the next 10 years.

Exports of sinks and sanitaryware also take place to the Indian Ocean islands, north Africa, London and Canada.

"But rising costs are our biggest problem," says Moodley.
The local market is 'buoyant,' with orders 10%-15% above last year. Import substitution is a growing reality, as low end-users look for cheaper, locally fabricated products.

In 1987, world demand for stainless steel surged by 15% against previous annual growth of 3%-4% to a record of more than 90 million tons, while stainless steel prices (in real terms) have increased by 60%-70% over 1986. Shortage of nickel and stainless steel stocks, production shortfalls and an ever-growing demand for the shiny metal have put a bonanza under world markets.

And as the local industry gears itself for expected spin-offs from the huge Massag project, Government's Board of Trade Industry (BTI), the 18-member producer body Sassa (SA Stainless Steel Development Association) and primary stainless producer Middelburg Steel & Alloys (MS & A) plan a major drive to make SA an export leader into the world's booming stainless steel markets.

SA is excellently placed to lead in downstream fabrication and, in the process, create a potential R2bn industry, with jobs for tens of thousands of currently unemployed South Africans. In fact, chrome and stainless steel should become examples in the drive to beneficence SA's mineral riches a philosophy long expounded by the Council for Mineral Technology (Mintek).

With 75%-80% of known world chrome reserves, iron ore for Africa and enough nickel flowing as a by-product from the country's platinum mines, only skills, entrepreneurial verve and investment funds stand between SA and a glowing future, based on a powerful stainless steel industry.

MS & A has already declared its 'vision for the future' — a plan to produce 500,000 t of stainless 50000 t of stainless steel by 2010, become a world leader in chrome beneficiation and to invest R1bn over the next five years. Small wonder after "seven lean years," MS & A's earnings should top R100m in 1988.

The group is now spending R200m to increase its stainless steel production from 160 000 tpa to 150 000 tpa.

Meanwhile, chrome giant Samancor is considering a possible R1bn joint venture with Far Eastern interests to build SA's second stainless steel mill — while also expanding its chrome production.

Total ferro-chrome export earnings last year soared to R4.2bn in terms of $464m, and are expected to peak 1988 doubtless.

STAINLESS STEEL

A Business Day Survey

Ongoing, vibrant growth predicted

Some industrial applications, conventional austenite stainless steel is added — commonly 18% chrome and 8% nickel, while more corrosion resistant and duplex stainless steel with 25% chromium, 3% molybdenum and good resistance to stress-corrosion cracking.

"As far as fitness for purpose is concerned, virtually all end-users can be covered by the two basic types — the ferrite and the conventional austenitic steels. It is estimated that these two stainless types account for over 90% — maybe even 98% — of the use of stainless steel," says Sassa.

A stain steel fi

STAINLESS steel (and high performance alloys) is the generic name for a number of steel/chrome/nickel alloys, the prime property of which is corrosion resistance, both in wet and dry conditions.

To be "stainless" it must have a minimum chromium content of 11%-12%.
Rocketing uses

Many factors have contributed to the

```plaintext
Many factors

Many factors have contributed to the
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Seamless Dubbing

Signaling is a

major problem

than ever before

The going's better

Promoting Body

FACTS AND FIGURES
**NEWS FOCUS**

**Life insurers don’t have a tax advantage**

RECIENT reports about the supposed tax advantage enjoyed by life insurers have brought to light serious misconceptions about the nature of life insurance business and, consequently, about the appropriateness of various tax bases. Clearing up these misunderstandings should help put an end to a futile debate about life office taxation.

Everyone agrees that there should be tax neutrality between different savings media. Tax neutrality implies consistent application of tax principles to the savings of the individual, regardless of the savings medium. However, if some institutions are more successful than others in competing for funds, and their success stems from factors other than tax, then it is inappropriate to use the tax system to handicap the successful in order to achieve overall neutrality.

**Incorrect**

There have been repeated complaints, especially from the building societies, that the amount of tax paid by life insurers – R26m in 1987 – is small in comparison with the R835m paid by banks handled by the industry. A recent document which a building society circulated to a number of Members of Parliament was calculated that the life insurance industry pays at an average rate of 2.2% of operating surpluses. This claim is totally incorrect, for two reasons:

The first is that only approximately 30% of the total assets held by the life insurance industry relates to ordinary taxable life insurance business. The balance is attributable to pension fund and retirement annuity business, which is taxable in the hands of beneficiaries, not in the life insurers’ hands.

The tax treatment of life insurers has no influence on this business. It is obvious that calculating tax percentages on the basis of the total amount of money handled by the life insurance industry is therefore entirely incorrect.

The second point is that the calculations referred to were done by summarizing deducible expenses from total income (including premium income) and viewing the resultant net figure as the “operating surplus.” This is tantamount to charging deductible tax on the money they deposit with a bank or building society.

If the alleged “tax favoured” status of life insurance companies contributed towards the concentration of power in the economy, then one would expect the taxed portion of life insurers’ business to have gained disproportionate share of the public’s savings. However, the accumulated assets of life insurers, tributable to taxable business are significantly smaller than the assets of banks and building societies.

Less savings have flowed into ordinary taxable life insurance than into banks and building societies, quite apart from other major savings media (unit trust, etc.).

The growth in pension and retirement annuity business is irrelevant to the tax issue, as explained earlier, the building societies already pay income tax on the emerging benefits when they receive them in the form of pensions.

**Real reasons**

If the building societies believe they are losing business to the life insurers, they should focus on the real reasons and not distort the tax situation, which has nothing to do with the issue.

Building societies may be over-regulated and legislative changes may be needed to enable them to compete with life insurers, so why not focus on the issue?

Perhaps the building societies are afraid to pursue this route in case they are allowed to compete with life insurers who have demonstrated their ability to produce appropriate products which satisfy the needs of the investing public and have consistently shown a profit. Investment returns in tax-exempt media exceed those of banks and building societies.

**Limited options if refusing to serve**

**EDYTH BULBRING**

owed to the army in a government department.

Like Wilkinson, the circumstances of the second political conscientious objector – Dr Ivan Toms – were different to those of Bruce. He had also completed his two-year military service, but as a non-combatant.

He reported for a camp in November 1987 and notified the military authorities that he would not serve. He was sentenced to the mandatory jail sentence of one-and-a-half times the time he still owed the army in camps – 21 months.

**Not considered**

Bruce had no option but a jail sentence. According to the law, the court had no option but to sentence him to six years’ imprisonment.

Because his objection to serving in the SADF was based on political reasons, an application to the Board for Religious Objectors to have his camp transferred to one of religious persuasion would not have been considered if his reasons had been religious, and the Board had accepted his application, he would have had to do six years’ service in a government department.

Bruce could have postponed his call-up by applying for deferment for further studies, but he said in court he did not want to postpone his dilemma any longer.

Those that do choose the study option and want a call-up can expect deferment for up to eight years. In addition, it is sometimes possible to get deferments for one or two years for practical work, such as articles house and university.

The board for deferment based in Pretoria and also considers applications for exemption from the army on medical, domestic or economic reasons.

Last August, 23 students from St. Lucia and Cape Town Universities stated that they would refuse to render services to the SADF. As they are not convicted, they have not had to face the court in refusing a call-up.

National Secretary of the End Conscription Campaign (ECC) Alastair Teeling said he suspected others would make a similar stand to Bruce this August. The ECC, formed in 1983, campaigns for the rights of all conscientious objectors, but a series of demands to represent the Defence Force on June 15 this year.

Teeling-Smith said the ECC was sending a response from Defence Minister Simon Malan.

A Defence spokesman said a reply to submissions made by the ECC to the SADF on alternative forms of national service would soon be forthcoming.
Iscor fraud suspect found hanged in cell

The Argus Correspondent

PRETORIA - Mr Karel Daniel Oosthuizen, the accountant accused of defrauding the Iscor Medical Aid Fund of R1.5 million, died today in what appeared to be suicide.

In a statement, the Prisons Service announced that an awaiting trial prisoner of the Pretoria Central Prison apparently committed suicide last night after he had hanged himself from a cell bar.

Mr Oosthuizen, 49, previously of River Road, Lyttelton Manor, was refused bail on Tuesday. No charges were put to him and he was to remain in custody until January 4.

Magistrate Mr M C de Witt said on Tuesday that Mr Oosthuizen's behaviour did not convince the court that he would come back for trial if granted bail.

Mr Oosthuizen's former mistress and co-accused, Ms Cornelia Pistorius, who was conditionally granted R6 000 bail, could not be reached for comment.

The incident was being investigated departmentally and by the police, the statement said.
First candidate in govt’s package

Alusaf to be privatized

Own Correspondent

JOHANNESBURG. — Government’s Industrial Development Corporation (IDC) is to privatize Alusaf, its giant R560m aluminium smelting facility at Richards Bay.

The surprise announcement makes Alusaf, the first candidate in government’s privatization drive, ahead of other IDC holdings or parastatals like Eskom or Iscor.

It follows hard on the heels of State President P W Botha’s new economic package for SA in which he specifically referred to certain IDC holdings (Foskor) which would be privatized.

While this focused attention on Foskor, IDC CE FJ “Koos” van Rooyen said yesterday that top level, secret talks about Alusaf were held with the private sector early in December 1987.

“We asked private parties to come and talk. These included some quoted companies. We invited bids and all we are waiting for now is to see what shape some of these offers take.”

He said no official date had been set for the privatization.

Asked if the privatization move would automatically mean a listing on the Johannesburg Stock Exchange, senior IDC GM Malcolm Macdonald said the listing could take a little more time as the market was depressed.

“It could also be in some other form (merger) but this would be our intention.”

“Alusaf will definitely be the first of our companies to be listed initially, we may hand over to the private sector and delay the listing but it will eventually happen.”

Alusaf, which has a staff complement of 2 800, exports about 50% of its annual production of 170 000 tons of aluminium.

The IDC has controlling interest in four major companies — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe.

Since its formation in 1940 and up to 1983, it has received R824m in new share capital from government but has always been self-funding.

Although established as an ordinary private company, control of its share capital, both “A” and “B” class, has always remained with government.

The Industrial Development Act of 1940 provides that the “A” shares will always be held by government and will have a veto right to ensure State control.

However, at the time of its inception, provision was made for the “B” shares to be sold to the public when considered practicable.

Although the IDC has been successful and has built up an impressive profit history, up to now the “B” shares have not been sold to the public because “of the negative impact this could have on its development role.”
JOHANNESBURG

Newly-listed steel group, Wedge Holdings, has exceeded its projected earnings in the year to December.

Attributable earnings of R2,9-million were marginally higher than the forecast R2,8-million in the prospectus at the time of the company's listing in August last year. Attributable earnings in the 14 months to December 1986 were R965,000.

The expanded group with a larger amount of shares in issue compared with the previous period had earnings a share of 22,8c against 10,5c previously.

The company has declared a final dividend of 3,5c a share, as forecast.

Turnover was up 119 per cent to R57,9-million and operating income was R5-million (R1,5-million).

The directors expect earnings for 1987 to substantially exceed those for last year. — Sapa
Highest export

Activities: The group processes steel, vanadium products, ferro-alloys, carbonaceous products and metal containers and closures.

Control: Anglo American Industrial Corporation holds 51% of the equity.

Capital structure: 80m of R1 each, 49 700 'S' ords of R1 each, var rates red cum pref of 1c each. Market capitalisation R35,5m

Share market: Price 500c; Yields 6% on dividends 16% on earnings, PE ratio, 6,2, cover, 2.7, 12-month high, 780c, low, 410c. Trading volume last quarter, 246 000 shares.

Financial Year to December 31

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Performance

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<td>Net worth (c)</td>
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A relatively strong rand, sanctions and industrial action last year cut the EPS of Highveld Steel and Vanadium (Highveld) from 85c to 80c in the year to December 1987. Fortunately the situation has changed substantially and the weaker rand, combined with better world steel prices, could enable the group to exceed the record earnings of 1986.

It was not lack of demand, but rather the strong rand which caused the drop in Highveld's earnings. Total world steel consumption in 1987 was about 739 Mt, the highest since the 1979 record of 751 Mt. World demand for vanadium also increased and prices for vanadium products improved in the third quarter of last year.

The remaining roasters in the Vyantr division were therefore brought into operation in

Highveld's Boyd ... export prices still rising

January for the first time since September 1986.

Oversas demand for the products of important contributors Rand Carbide and Transalloy, ferrosilicon and silicomanganese respectively, was strong throughout 1987 leading to an improvement in prices in US dollars.

Low interest rates assisted the interest bill, which declined from R35m to R13m. As a result, pre-interest profit fell 31% to R91,8m, but taxed profit was only 5,5% lower at R61,3m. The debt equity ratio has deteriorated slightly from 0.60 to 0.69, but debt cover improved from 0.74 to 1.11.

With most debt now converted to redeemable preference shares, which are included as debt in our calculation of debt equity, the group is less vulnerable to the forecast rise in interest rates this year.

But the preference shares are now causing a tax problem. Issued to repay offshore and short-term loans, they helped reduce interest bearing debt from R144,1m to R103,6m. The additional R9m preference dividends are not deductible for tax though, whereas interest would have been on top of this, the recently announced MTC tax is expected to reduce profits by R1m.

Despite this problem, Highveld should do well in the current year. The upward trend in world steel prices is still intact and according to chairman Leslie Boyd, the increase in US dollar prices of steel exports in all markets had continued into the new year. He suggests that the higher levels of consumption and output will be consolidated in 1988 and that improved trading conditions will prevail.

Exports contribute about 50% to turnover and strong foreign demand for ferrosilicon and silicomanganese is continuing. Demand in the local market has been only satisfactory but whatever the outlook for the South African economy, Highveld has entered 1988 with the best domestic order load for many years and even if local demand would only hold its own, expected higher export income should boost profits.

In view of this, the chairman's statement that "group earnings are expected to at least equal last year's results" must be an under-statement, especially in view of the forecast of a lower rand this year.

At a price of 500c, the share is on an historic p/e of 6,2 and dividend yield of 6%. A reasonable rating considering the expected improvement in Highveld's markets.
Groups vie for Alusaf control

From MICK COLLINS

MAJOR private sector conglomerates are vying for control of government's R500m aluminium concern Alusaf. 

Firm offers for the giant Richards Bay facility are currently under consideration by Alusaf's major shareholder, the Industrial Development Corporation (IDC).

'Sensitive'

Confirmation that the bids for one of SA's main strategic industries had been received was given yesterday by IDC MD Koos van Rooy.

However, Van Rooy said the issue was "sensitive" and would not be drawn on which private sector companies were involved.

"Yes, we have received concrete offers and are talking to various parties. 

"It is awkward to speak about who is involved as we are still evaluating the situation. We are also having discussions with our Swiss partners."

Asked if the Swiss would retain an interest in the business once it had been sold, Van Rooy said: "They will have to evaluate their own position. It is very difficult to say how they will react, which direction they will take."

Van Rooy said a formal announcement on who would take over could be expected soon.

The development follows top-level secret talks held with private sector concerns as early as December last year, when bids were invited.

Alusaf, which has an annual turnover of R600m, has been described by Van Rooy as being ripe for privatization.

The privatization move is in line with President PW Botha's economic package for SA announced in February, in which he specifically referred to certain IDC holdings which would be privatized.

IDC sources said the privatization would not automatically mean an immediate listing on the JSE, due to the current depressed state of the market.

Expansion

Recent major expansion at the Richards Bay plant has seen Alusaf's capacity doubled.

The company has a staff complement of 2800 and exports 50% of its annual production of 170 000 tons of aluminium.

Industry sources said the retention of the Swiss interest in the company was vital due to its world-wide contacts and its technological know-how.

The IDC has a controlling interest in four major industrial concerns — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapgkoe.
Jacked up
Jacksons

EAST LONDON — Jacksons Metals, one of the country’s leaders in stainless steel distribution, has upgraded its operation here following the R18 million takeover by Van Reenen and Nicholls (VRN)(Pty)Ltd.

Selborne College-educated Mr Gary Campbell has been appointed manager of the operation here as part of the company’s new aggressive marketing plan in the Border, Ciskei and Transkei.

While Jacksons Metals is one of the leaders in the stainless steel distribution market, VRN is the largest profiling operation in Southern Africa.

Mr Campbell said the merger had resulted in the company being able to supply profile-cut, guillotine and bend every type of steel profiled in South Africa from the commercial grades through quenched and tempered, to the most sophisticated steels.
Expansion spending doubles

By David Cate

As President Bush expands the government's
role in the economy, the White House is
taking a hard look at how to spend
money wisely.

High Return

The administration is focusing on
projects that will generate the
most economic growth for every
dollar spent.

In Washington, the president
and his advisers are
calculating the
economic impact of
each proposed program or
initiative.

For example, a new
highway could
stimulate economic
growth in a region,
but it may not be the
best use of federal
funds if there are
closer alternatives.

By examining
projects
analytically,
the administration
is trying to ensure
that the
government's
spending
is
effective.

The administration
is also looking
at ways to
streamline
federal
programs,

expansion
spending

MiddeBush's
doubles
Steel World in R5.5m acquisition

Steel World is to acquire Houston Steel Merchants from SA Bias subsidiary, Houston Industries, for R5.5 million.

Houston Industries said yesterday that as a result it would itself become a cash shell with an estimated net asset value of 30c a share at June 30.

It said that in terms of a previously announced deal, Steel World was to have been reversed into Houston Industries, thus producing a change of control.

The share was suspended, however — Sapa
Steelmaker urges domestic steel subsidies to boost exports

Meanwhile, a board of Trade and Commerce (GET) report found that the Japanese government had imposed semi-ban on steel and iron imports in order to protect domestic industries. The report suggested that such measures would severely damage the international steel market and lead to a consequent rise in the prices of steel products.
Steps to privatises Alusaf are initiated

HELOISE HENNING

ALUSAF will be privatised in the current financial year, the Industrial Development Corporation (IDC) said in its annual report to June 1988 released yesterday.

Steps to transfer control of Alusaf to the private sector had been initiated and would probably be implemented during the current financial year.

Increasing international prices resulted in local consumers being able to buy aluminium at an attractive discount on world prices, which led to a strong increase in demand for Alusaf's products.

The IDC also reported a 117% increase in authorised funds to R639m (R294) on industrial projects which concentrate on foreign saving or earning industries with high employment creation - mainly in high tech, car components, mineral beneficiation and heavy engineering industries.

IDC has taken a 20% stake in the Mossgas project, resulting in a capital investment of R662m financed through its subsidiary Kanol.

Of the R639m approved for industrial development:

A sum of R191m was taken up in the new low interest rate scheme introduced in February for independent manufacturers with assets of less than R50m who would achieve at least 60% in exports or import replacements.

Six larger industries absorbed R200m for export promotion projects, mineral beneficiation or the reduction of high technological content imports. These companies are expected to save R200m a year in foreign exchange.

The IDC also doubled funds authorised for plant extensions in its associated companies to R230m. This included R100m to Foskor, R80m to Atlantis Diesel Engines (ADE), R50m to Richards Bay Minerals, R22m to the coffee corporation Sapekoe and R26m to other projects.

Reporting on its subsidiaries, IDC noted:

☐ Current demand had brought ADE's operations to profitability, but some time was needed before it could adopt a "commercially acceptable financial structure".

☐ Foster's financials had improved satisfactorily but were still far lower than the earnings capacity of the assets. Profitability was expected to rise considerably in the next few years. The most suitable time to commence with its privatisation was being considered.

☐ Sapekoe would remain a net capital consumer as crop management was being adapted to SA conditions.

The R600m approved after the year-end for the acquisition of a minority shareholding in Foskor was being financed by available cashflow. These commitments would not curtail its ability to take part in new projects.

The investment trusts in industrial and national selected increased dividends by about 20%.
Chief executive Mr. Docksell said in another report in the Journal that the company was optimistic about the future and that they expected to see an increase in sales next year.

Docksell's report also highlighted the company's investment in new technology and the expansion of its product line. He said that these initiatives would help the company to maintain its market position and increase its profitability.

In the short-term, Docksell said that the company would focus on improving its operations and reducing costs. He also mentioned that the company was looking at opportunities for strategic partnerships and acquisitions to further expand its reach.

Overall, Docksell's report was positive and optimistic, with the company planning to continue its growth and expansion in the coming years.
MACHINERY

AND

EQUIPMENT

1988
Pump firms sign a deal

TWO of SA's largest pump manufacturers, Sulzer Bros and Mono Pumps, have signed a marketing agreement, bringing together Sulzer's high quality engineering and Mono's national branch and dealer network and service backup.

The agreement is to market the ABS range of pumps used widely by mines and municipalities for water and sewage. In terms of the agreement, Sulzer will start local manufacture of the pumps, which up to now have been imported from Germany.

Mono will 'market' the pumps to an already established market.
Afrox the inflation knocker

AFRICAN Oxygen (Afrox) produces gas, but knocks the wind out of the effects of inflation.

The most highly rated of the lutefish engineering sector, Afrox also makes welding equipment and consumables, owns 10 hospitals and two day clinics and has interests in two other hospitals.

It remains the leading gas company in an intensively competitive market in which five of the world's seven major producers operate in SA. More than 90% of Afrox's profit comes from the gas and welding divisions.

FASTER

Its growth prospects depend on several factors. Managing director Peter Joubert says the gas division supplies the steel, chemical, engineering, medical and food industries as well as domestic gas.

Its growth tends to be a multiple of the rate of gross domestic product increase. "It grows at a faster rate than the whole economy," says Mr Joubert.

The welding division depends largely on the use of steel in infrastructure by the Government, quasi-government and the mining industry.

The upsurge in private health care has prompted two hospital groups to list on the JSE.

Mr Joubert says: "The Government would like those who can afford private medical treatment to pay for it themselves, thus freeing the State to look after those who cannot afford it."  

FLEXIBLE

However, private tariffs are set by the Representative Association for Medical Schemes. For several years increases in these tariffs have lagged behind cost rises and the financial performance of the Afrox hospitals has suffered.

Mr Joubert believes that the tailoring of medical and legislation, and a shift from general medical and schemes towards flexible medical insurance will help to reduce the cost of health care.

Afrox has also seen business opportunities which take on the mantle of corporate responsibility at the same time. It is looking to promote education and health services over a greater geographical spread.

Mr Joubert calls it "human performance improvement".

CONFLICT

In conjunction with the Department of Education Afrox has, for example, devised a management programme for heads of schools and other managers which covers everything from managing physical assets to handling conflict.

"We are concerned with measuring output," says Mr Joubert. "The yardstick of spending so many rand a child is not invalid, but it does not measure performance."

Afrox has also developed computer software which will be used in medical diagnosis in outlying areas, and may be operated by a trained nurse who can prescribe certain medications.

"We are taking first-world technology to a growing Third World base."

Afrox is also looking at import replacement with raw material being sourced in the welding division, and growth in medical consumables.

Afrox has adopted the policy of inflation accounting, along with only handful of companies in SA. The effect of revaluing assets and the charging of higher depreciation makes the company's financial performance look worse than it would with conventional accounting.

"We are taking out the effects of inflation. We are not fooling ourselves with bigger declared profits and are avoiding paying too much in dividends. Some companies may eventually find themselves paying dividends out of capital. When we forecast growth of 35% a year that is real growth."

The shares stand at R4.25c and the net asset value is stated as R1.15c. Earnings for the year to September 1987 were R1.16c a share, the dividend of 61c being almost twice covered.

At the current price the PE ratio of 12.5 rates the share highly although it cannot be compared directly with companies who use conventional accounting methods. On a non-inflation accounted basis Afrox's earnings would have been R1.15c:

In the past 10 years the company has given an average annual return on investment to shareholders of 25%. There is every reason for it to continue to do so.
HUDACO

Slower growth rate

Activities: The group distributes diesel engines, hydraulic and pneumatic products, bearings and transmission components
Control: Directors hold 25% of the equity
Chairman: B G McInnes, managing director
K F Clarke
Capital structure: 20.5m orts of 10c each
Market capitalisation R87m
Share market: Price 475c Yield 5.9% on dividend, 13.0% on earnings, PE ratio 7.7, cover 2.2 12-month high, 800c, low, 400c
Trading volume last quarter, 331 000 shares
Financial: Year to November 30

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* interest bearing debt only net of cash
** not of interest received

Though Hudaco achieved a growth in EPS of 40% to 61.7c in the year to end-November 1987, the pace was slower than the impressive growth rates achieved immediately after Bruce McInnes, then MD, bought the engineering business from Blue Circle in 1984.

Good management and strong operational control contributed to an 80% rise in EPS in 1986. The recent slowdown could be more significant than appears, as some growth was derived from acquisitions, which cost a total R30.9m (R22m in cash and R8.9m in shares). Largest of these was Frencor, bought for R17.8m, which added 6c to Hudaco's EPS last year. Without Frencor, Hudaco's EPS would have risen only 26%.

Contributions from Hudaco's five other acquisitions are hidden in divisional stats.

Acquisitions also helped margins Frencor's transmission business has a high 13.5% margin and, excluding the impact of this company, the group margin at 10.4% would have been much the same as the

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1985
Sanlam 200 Plus
is No.1 among pension fund portfolios

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FINANCIAL MAIL FEBRUARY 26 1988
Activities: Designs, manufactures, installs and services elevators, escalators and systems for passenger and goods movement

Control
Ots Elevator of USA
Chairman
A Louw, chief executive D Bredenkamp

Capital structure:
17mords of 10c each
Market capitalisation: R44,2m

Share market: Price 260c. 18.8% on earnings, PE ratio. 6 12-month high, 350c low.
220c Trading volume last quarter, 309,000 shares

Financial: Year to November 30

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Ots Elevator Company

1986
Sanlam 200 Plus is No.1 among pension fund portfolios.

OTIS

Tax hammering

The year to end-November has been a benchmark year for Ots. After years of paying almost all earnings out in dividends, the group this time passed its dividend altogether. But, while it was widely assumed that the US parent was behind the previously high dividend payout, CE Peter Bredenkamp says the American company agreed the 1987 dividend should be passed rather than have the local group go into debt in order to pay deferred tax.

Ots’s position underlines the prudence shown by companies that provide for deferred taxes.
Otis is heavily involved in training, as a number of personnel will retire in the next few years and the company wants to upgrade skills of existing staff.

Bredenkamp expects earnings this year to be higher than last year and the dividend to be better covered than in the past few years. Some of the earnings will be needed for reinvestment, which, says Bredenkamp, was not the case previously.

A weaker rand will have an adverse impact, although less than 30% of products are imported. Bredenkamp thinks this could have less effect than possible sanctions or other actions to prevent sales to this country, though Otis has taken steps to assure supply in this event.

Though Otis should be given marks for good financial management, with dividends receiving all the attention, the share is not being highly rated. Its earnings yield is 16.5% against the sector average of 10.4%.

**CEMENCO**

**Lower debt**

Activities: Construction activities include shaft sinking, tunnelling, developing, cementation and cover drilling, raise boring, exploratory drilling, steel structures and track laying. Has manufacturing capacity in light, heavy and production engineering. Specialised products include mining equipment, mining safety equipment, valves, pumps, fans and drilling equipment.

Control: Trafalgar House Construction has controlling stake.

Chairman: R T Shaw

Capital structure: 8,9m odv. 50c each, 150,000 6c cum pofs of R2 and 10,5m non-red comp conv pofs 50c. Market capitalisation R22m.

Share market: Price 320c. Yields 8.9% on dividend, 14.4% on earnings, PE ratio 7.0, cover 2.1. 12-month high 660c, low 320c.

Trading volume last quarter, 5,500 shares.

**Financiel:** Year to September 30

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<th>'84</th>
<th>'85</th>
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<td>Debt</td>
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<td>Short-term (Rm)</td>
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**Performance**

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<tr>
<td>Return on cap (%)</td>
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<td>Turnover (Rm)</td>
<td>95.7</td>
<td>152.3</td>
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<td>Pre-tax profit (Rm)</td>
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<td>6.0</td>
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<td>Pre-tax margin (%)</td>
<td>6.0</td>
<td>4.6</td>
<td>5.4</td>
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<td>Taxed profit (Rm)</td>
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<td>3.1</td>
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<tr>
<td>Earnings (c)</td>
<td>25.0</td>
<td>25.0</td>
<td>22.0</td>
<td>22.0</td>
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<tr>
<td>Net worth (c)</td>
<td>673</td>
<td>610</td>
<td>633</td>
<td>686</td>
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* Net of cash

An encouraging aspect of Cementsation Company's 1987 year was the drop in interest-bearing debt. The company is unlikely to produce attractive returns for shareholders until trading profits improve but a significant upturn could be seen this year. This would be derived from better activity levels and elimination of losses.

While total borrowings fell by R6.7m, with cash deposits rising to R13.9m (R 181,000), the year-end gearing on gross debt remained high at 0.85. Net interest paid was lower at R5.5m (R6.3m) but still absorbed 46% of pre-interest income. Chairman Ron Shaw says that gearing has since fallen to 0.71 and is expected to reach about 0.60 by the end of the 1989 financial year.

The cash holding will be absorbed as working capital requirements rise.

Pre-interest profit grew by a pedestrian 6.7% and the benefits of the improved liquidity were overshadowed by a R1.6m jump in the tax bill (due mainly to the discontinuation of machinery investment allowances), with the result that attributable earnings were virtually static at R3.2m.

Earnings per share remain well below the levels of around 58c achieved in 1984-1985, and substantially lower than the 70c of 1982.

There were signs of improvement at trading level last year, when gross cash flow picked up by 23%, from R17.4m to R21.4m. Sparks of life shown in the manufacture and sales operations were dulled by weakness in the contracting side of the business, which lost ground, particularly in the loss-making construction division.

Shaw says GFM Mining again made the major contribution, with a turnover of R135m and a pre-tax profit of R7.5m. The traditional underground drilling and cementation operations maintained a "very satisfactory" level of activity and the surface drilling and shaft sinking departments operated at record levels. The fleet of raise boring machines is well committed for this year, and with a total order book standing at R106m, prospects for GFM remain encouraging.

The expanded forgings division, in which R35m has been invested in recent years, performed at a satisfactory level. But results from various operations were characterised by low margins, although profits were made. Cementsation Foundry earned pre-tax profits of R450,000 on turnover of R7.6m after previous losses, general engineering made pre-tax profits of R1.1m on turnover of R28.9m, and Mor's Railways and the track-laying companies made R394,000 profits on turnover of R7.9m, and Cemtec achieved R533,000 pre-tax profits on turnover of R14.6m.

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**Sanlam 200 Plus**

is No.1 among pension fund portfolios.

Ever since it was first launched in November 1983, Sanlam 200 Plus has been the top performer among pension fund portfolios. Good management alone can explain this achievement, not good luck. That is why Sanlam 200 Plus has grown to be one of South Africa's largest, with assets of some R800 000 000 adding stability to exciting growth. Confirming it as the real No 1 and the logical first choice for any pension fund trustee who wants performance, not promises.

**Once again, we managed it.**

*Sanlam Assuring your tomorrow for sure!*

*Source Alexander Forbes Investment Report on Assurers Pension Portfolios, for year ending December 1987*
However, management closed the civil construction branch and the costs of the closure were treated as an extraordinary item. Virtually all of the closure costs have been accounted for.

Shaw is cautious but optimistic on the outlook for the current year. Considerable time and money was lost last year due to industrial unrest, which he described as an ongoing problem. Labour costs are expected to escalate, and Shaw contends that the economic upturn has so far been minimal, with some sectors of the company's business remaining short of work. Even so, he sees room for optimism in view of elimination of the losses of the Notal branch and the favorable state of the company's order book, standing at R220m.

Given also that a further rise in the tax rate is improbable and financing costs should fall, earnings could be significantly better and the dividend could be materially lifted this year.

Andrew McNulty

**DEFINITIONS**

- **Debt/equity ratio:** All interest-bearing debt plus redeemable prefs expressed as a ratio of total shareholders' funds
- **Total shareholders' funds:** The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments
- **Capital employed:** Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets
- **Shareholders' interests:** Total shareholders' funds expressed as a ratio of capital employed
- **Pre-interest profit:** Pre-tax profit plus all interest paid
- **Interest and leasing cover:** Pre-interest profit plus leasing charges expressed as a multiple of interest and lease payments
- **Debt cover:** Gross cash flow expressed as a multiple of interest-bearing debt

### RESULTS AND DIVIDENDS

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<tr>
<td></td>
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<td>Acord</td>
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<td>0.29</td>
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<td>Asseng</td>
<td>P</td>
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<td>Claude Neon</td>
<td>P</td>
<td>2.3</td>
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<td>P</td>
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<td>23.0</td>
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<td>18.0</td>
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<td>Trust Bank</td>
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<td>20.0</td>
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<td>Unico</td>
<td>P</td>
<td>15.6</td>
<td>26.0</td>
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**P** = Preliminary  **††** = Maiden final  **△** = Annualised  **#** = Dividend passed  **† = Final  **$ = Net after tax  **# = Interim dividend  **D = Dividend  **∗ = Special interim  **W = Weighted earnings per share  **= Annual  **□ = No comparison  **$ = 10 months  **△ = 12 months  **∗ = Adjusted for capitalisation issue  **= Special dividend  **△ = 5½ months  **△ = 9 months  **M = Maiden interim

### ISSUES

- **NIL PAID LETTERS**
- **FULLY PAID LETTERS**
- **LETTERS OF ALLOTMENT**
- **PRICES OF LETTERS**

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<tr>
<th>LETTERS OF ALLOTMENT</th>
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<td>% of shares issued</td>
<td>Take up</td>
<td>Price</td>
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**COMPANY AND TERMS**

- **NEW RENAIA** — Proposed rights issue Declared to be accepted 26.2.88
- **TEMPORA** — Rights issue 50 new ord shares for every 100 and shares held at 400p per share 15.2.88 22.2.88 26.2.88 10.5.88 17.3.88 10.3.88

**FINANCIAL MAIL** **FEBRUARY 26 1988**

111
JOHANNESBURG — Reporting a 59 per cent surge in first half earnings, National Buits chairman, Mr. Terry Rolfe, says the financial strength of the company has been built up to a stage where the payment of interim dividends is now possible.

An interim of 32.5c a share is being paid out of earnings of 129.7c a share (181.4c) in the six months ended December.

Yesterday's interim report shows that profit before tax more than doubled, from R5.3 million in the six months ended December 1986 to R12.1 million in the review period.

The attributable profit was up from R4.1 million to R7.7 million — Sapa
ADE ordered to reinstate workers

BY RONNIE MORRIS

ATLANTIS Diesel Engines (ADE) has agreed in the Industrial Court to reinstate 16 dismissed workers.

In papers before the court, the workers — all members of the National Automobile and Allied Workers' Union (NAAWU) — said that from October 1986, their hours had been four 12-hour shifts.

"ADE management had unilaterally changed the system without consultation or adequate notice, the workers said."

The union then appealed to the Industrial Court.

While the court case was pending, workers arrived at the factory in terms of the old shift system and were told they had to work according to the new shift system.

They refused and 16 workers were subsequently dismissed.

The union then launched a second Industrial Court action, asking that ADE's conduct in excluding workers from the premises constituted an illegal lock-out.

They asked further that the dismissal of the workers be declared illegal, that they be reinstated and that ADE's threat to dismiss workers who refused to work the new shift be declared illegal.

In the settlement, which was made an order of court, ADE agreed unconditionally to reinstate the dismissed workers retroactive to March '83, revert to the four 12-hour shift system and refrain from victimizing the workers involved in the dispute.

Mr P E le Roux SC and Ms A M de Swart were the presiding officers. Mr Norman Avenda, of Esso Moos and Associates, appeared for NAAWU. Ms F P S Erasmus, senior human resources manager for ADE, appeared for the company.
Expanding capacity

Replacement of motor parts and accessories, import substitution and plans for more market share are some of the reasons why Associated Engineering is bullish on its profit outlook. A low value of the rand against other relevant currencies assists import substitution, making it possible for locally made parts and accessories to compete with imports whose prices are boosted by a falling rand. In addition, a weaker rand helps foreign earnings, as about 10% of sales are exported.

Strong cash flow should comfortably fund planned capex of R4.5m-R5m this year, which is intended partly for import substitution. Products manufactured by the group are on average cheaper than the imported equivalent. "Even short production runs are being shown to be viable," says Group MD Johan Meyer.

While sales of new motor vehicles are notoriously cyclical, replacement of parts and accessories provides stability for group profits, some 65%-70% of turnover is derived from used cars. Periods of strong demand for new vehicles can heighten the profit potential, but slack economic conditions tend to stimulate demand for spares needed to keep used cars on the road longer.

Market research indicates that cars are currently being driven for twice as long as a few years ago and this trend exponentially increases the need for motor spares. As chairman Francis Tombs notes in his review, "Escalation of new vehicle prices by some 30% over the last three years has tended to depress the sale of new vehicles and has placed significant emphasis on the used vehicle as a means of transport for the private individual."

The report claims that the increase in sales to parts and accessories divisions of original equipment manufacturers, manufactured under technical aid agreements with prominent European manufacturers, indicates "the high level of acceptance of the parts marketed by Asseng. Ambitious development of new products was embarked upon during last year which will only bear fruit during this and subsequent years.

Management's positive view on future potential is shown in the rising production of engine pistons, with output for the third quarter of last year up 30% on the first. Firm demand for the iron division's products called for rationalisation of the product range to optimise use of available metal from the foundry. The intention is to expand the cylinder liner production capacity to cater

for market requirements

Unit output of shaft bearings was raised 33% and that of automotive engine valves by 44%, with a similar growth predicted this year. The industrial bearings division which makes and services bearings for the petrochemical, mining, steel and marine industries—has proved relatively unaffected by recession. The division, which contributes about 20% of group sales, places emphasis on the mining sector and new product developments are currently under way.

Though off a low base, earnings per share have grown steadily after the series of losses that ended only last year and there seems little apparent sign at present that the momentum will be reversed. Gearing is now low, with debt/equity about 0.18, the interest cover about six times and the debt cover at three times. Return on capital has been raised up to 24.3% while gross cash flow of R15m for the 15 month period compares favourably with the R6.3m of the previous year. Negative cash flows in 1984 and 1985

On this outlook, the shares could provide investment opportunities

Asseg's Meyer ... seeking import substitution
Nampak details Metalbox takeover

JOHANNESBURG. — Nampak is making proposals which, if accepted, will result in Metal Box SA (MBSA) becoming a wholly-owned subsidiary, the company disclosed yesterday.

Nampak currently holds 54% of MBSA.

The disclosure follows the news that Metal Box PLC of Britain is to sell its 25% stake in Metal Box SA.

Initial news reports said Nampak would pay R114m for the 25% stake in MBSA.

However, yesterday afternoon Metal Box CE Peter Campbell said the deal was not concluded at 66c per MBSA share, as stated in some press reports, but at 86c a share.

Also, if one takes the Nampak offer of 35 Nampak shares for 100 MBSA shares at the current market price of Nampak shares, the price is more like 87c an MBSA share, which puts the value of the sale at some R150m,” he said.

According to David Brown, chairman of Nampak, the bid for the additional stake in MBSA which would give Nampak control came from Nampak.

“The proposals were initiated by us and it would be incorrect to interpret what has happened as a divestment move by Metal Box PLC,” Nampak said.

“It is a deal which will be to the benefit of all parties,” Nampak said.

Wednesday’s yesterday’s Nampak statement says the deal is designed “to create a unified packaging company able to maximize the synergy between Metal Box SA and Nampak.”

It will offer MBSA shareholders increases in earnings, dividends and current market value and a modest decrease in the net asset value of their investment.

The proposals revealed by Nampak on Wednesday yesterday afternoon offer MBSA ordinary shareholders an alternative cash payment for every 100 shares they hold.

Instead of accepting 35 Nampak shares for each 100 MBSA shares, they may take R850 in cash, or some MBSA shares, and, pro rata, some cash.

Nampak shares priced at 2.50c give a value of R575 to the offer against the price of R750 for 100 MBSA shares at the same date.

“MBSA shareholders will qualify for the MBSA interim dividend to be declared in May,” Metal Box PLC has indicated that it intends to support the proposals and will elect to take cash for its 25% holding in MBSA.”

If the proposals are accepted, holders of MBSA’s 5% redeemable cumulative preference stock will receive R1.25 in cash for every stock unit held and will be entitled to their annual 5% dividend from April 1, 1988 to the date at which they qualify for the cash consideration. — Sapa
Battle With Hamas

ADLE settles forecast

By Don Robinson
should be bullish for Amgold, but in the short-term — when the market is focusing on dividend yields — it could also mean larger funding requirements and, possibly, a higher dividend cover. Even so, for those who want a broad investment in gold, Amgold has one of the better portfolios available.

Andrew McNulty

BTR DUNLOP

Back on track

Earnings, dividends and performance ratios all picked up fairly sharply last year, suggesting that the group may now be on a sounder track after several years of erratic earnings. These results may indicate that the merger between Dunlop and BTR has been fully bedded down and efficiencies can again rise closer to levels achieved in the early Eighties.

Chairman Peter Fatherly says demand increased last year for all of the group’s products, with the result that sales at R411,3m reflected an increase of 16% over the previous year. This increase arose largely from demand by the motor industry and consumer markets. He adds that the campaign to increase productivity and efficiency, together with the increase in sales, resulted in an improvement in profit before tax of 36%. As tax paid rose from a rate of 38% to 44%, profit after tax increased by 24%.

With greater buoyancy in the major markets, the question now is whether the group has the potential to lift margins back to the levels of the early Eighties. Trading profit as a percentage of sales rose last year from 10.1% to 11.6%, having been depressed in the poor 1986 year, but this remains well below the 16.6% of 1993 or even the 14.5% of 1981.

One uncertainty is whether the nature of the business has been changed by the merger, and those higher margins are no longer to be seen as attainable. However, return on capital has continued to increase and, by the standards of most industrial companies at present, the current 18.2% is by no means a bad performance.

Gearing has historically been kept at low levels, and debt equity was reduced again to 0.11 after being allowed to reach 0.18 in 1986.

MD Clive Hooper notes that the overall 16% increase in sales represents 6% real growth, and stemmed mainly from those divisions supplying the automotive industry and consumer products, while mining-related products declined slightly.

He says conditions in the trading division benefited from the 17% growth in new vehicle sales and satisfactory growth in the replacement market. “This materially helped to offset the instability to fully recover cost increases, due to competitive pressures,” he says. “Imports of new tyres and second-hand tyres also increased substantially.”

Hooper says further growth at a lower rate is expected in 1988, but the peak levels of 1981 activity will not be restored for some time. It is hoped, however, that the group will permit the strong inflationary cost pressures to be recovered in order to maintain margins at satisfactory levels.

In the industrial division, Dunlop and Saarmord continue to operate successfully as separate brands with separate marketing operations, rationalisation in manufacture is complete. The division’s 1988 outlook is steady growth for mining, industrial and automotive products with further productivity improvements. Improvements are also expected from various consumer operations.

At R9, and yielding 9.4% on dividend against averages of 4.7% for the industrial holding sector and 5.1% for the engineering sector, the share looks cheap.

We find superior management talent

Candidate sourcing is achieved by means of high-profile correctly-targeted recruitment advertisements

Andrew McNulty

<table>
<thead>
<tr>
<th>MOTOR OVERTAKES</th>
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<tr>
<td>Sales (Rm)</td>
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<td>Engineering &amp; Industrial</td>
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<tr>
<td>Motor</td>
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<tr>
<td>Consumer</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

Activities: Manufacturing and marketing of industrial and engineering automotive and consumer products. Principal products are tyres, tubes, conveyor belts, industrial hose, rubber mouldings and extrusions, diesel engines, fluid transmissions, auto engine components, vinyl flooring, carpets, sports goods, mattresses and foam products.

Control: BTR Plc holds 53%

Chairman: P. Fatherly, managing director C R Hooper

Capital structure: 22.8m ods of 50c each and 750 000 6% cum prefs of R2. Market capitalisation: R206.7m.

Share market: Price R9. Yields 9.4% on dividend, 11.8% on earnings, PE ratio, 8.4, cover, 1.3 12-month high, R15, low, 8.

Trading volume last quarter, 449 000 shares.

HTR Dunlop

Financial Year to December 31

<table>
<thead>
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<td>Net worth (c)</td>
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</tr>
</tbody>
</table>

Corporate clients should kindly contact

ARThUR SCHAFNER
EXECUTIVE DIRECTOR
J & K AMHERST HOLT DUMONT
Metal Box SA shows growth

LAWRENCE TOTHILL
Investment Editor

AHEAD of the Nampak deal, Metal Box SA, in what is probably its swansong, has announced a continued high rate of growth for the first half of the current financial year with operating profit up by 33% at R56m (R42,1m).

The net attributable profit for the half year is R24,6m (R22,2m) and earnings per share 50,8c (39,9c).

The interim dividend has been raised to 16c (12c) a share.

Nampak, already a majority shareholder of Metal Box has made an offer to acquire the 25% holding in Metal Box SA held by the British Metal Box PLC, and is making a similar offer of R8,60 a share cash or 35 Nampak shares for 100 Metal Box shares to the minority.

If accepted Metal Box SA will become a wholly-owned subsidiary of Nampak and will disappear from the JSE list.

Sales in the six months experienced strong growth rising to R574m (R488m).

Commenting on the results, MD Peter Campbell says, "I find it particularly pleasing that most divisions contributed to the better performance through higher sales volumes and better productivity, with operating profits up by 33% on an 18% rise in turnover.

"Current trading suggests that the growth in earnings should be maintained in the second half of the year."

A non-recurring amount of R11,6m has been provided below the line to meet settlement of foreign loans resulting from a long-standing guarantee.

The balance sheet remains strong, with borrowings standing at only 8% of shareholders' funds.

Cash resources have shown a considerable decline and a R22m outflow is reported as being due to the payment of tax.
Afrox lifts profits by 25%

Financial Staff

AFROX has reported a 25% increase in earnings per share for the six months to end-March. According to chairman and MD Peter Joubert, growth in the second half should match the first six months.

The interim dividend has been increased from the 24c recorded last year to 30c. Earnings per share moved from 53.4c to 67c following a rise in turnover of 26% and an increase in trading profit of 41%.

Profit attributable to shareholders moved up from R15.7m for the same period last year to just over R20m this year.

Joubert says that the improved profit was the result of greater market penetration, the development of new applications and a continued tightening of controls on costs.

"Our smaller businesses are making an increasing contribution to our overall business mix which is changing to a higher percentage of specialized applications"
Low-tech growth

Activities: Manufactures, markets and distributes consumer durables, including housewares, domestic and industrial bakeware

Control: Unidev holds 70%

Chairman: G P Gryls, managing director M A Knucklenberg

Capital structure: 28m ords of 1c each.

Market capitalisation R22,4m

Share market: Price B0c Yields, 18,1% on earnings. PE ratio, 5.5 12-month high, 215c; low, 65c Trading volume last quarter, 327 000 shares.

Financial period: 13 March to 31 December '87

Debt
- Short-term (Rm) 4.2
- Long-term (Rm) 2.4

Debt equity ratio 0.43

Shareholders' interest 0.61

Int & leasing cover 5.87

Debt cover 0.48

Performance:

- Return on cap (%) '87 11.3
- Pretax profit (Rm) 2.8
- Taxed profit (Rm) 2.4
- Earnings (c) 14.5*
- Net worth (c) 54

*Annualised

Prestige, which makes and sells low-technology consumer durables, reported results for the period March 13 to December 31 well above prospectus forecasts. Investors who took up the shares, which were listed immediately after the stock market crash and have never traded above issue price, must be comforted by the solid performance.

Prestige was bought by local management at the end of 1986 with Unidev as the senior partner. Last August, Kroest was acquired, providing rationalisation potential. The combination of the management buyout and the synergies with Kroest have pushed EPS to 14.5c annualised against a forecast of 8.7c.

The group also benefited from the economic upturn and increased house sales which lead to demand for kitchenware, needed when setting up house.

Further benefits should flow from rationalisation and export sales are expected to contribute an increasing percentage of total turnover. Prestige also wants to grow by acquisition.

Unfortunately, tighter HP terms could curb demand for galvanised kitchen equipment and a downturn in the economy may affect black demand. The balance sheet is relatively strong and the company believes higher interest rates should not be of much concern.

Taxed profit is forecast at R4m this year (R3m annualised). Though the price has improved to 80c since the low of 65c in January, it is a long way from the issue price of R1 and seems a fair rating.
Boumat forecasts EPS of 95c

By Sven Forssman

Plumbing materials and sanitaryware

group Boumat has forecast that its earn-

ings will increase 33 percent in the year

ahead.

Executive chairman Mr Irvine Brittan

says in the annual report he expects

equity earnings for the 12 months to

March 31, 1989, to be R19.7 million.

This forecast translates into earnings

of 95 cents a share, compared with the 75

cents for fiscal 1988.

Based on Boumat's bonus share offer

in which shareholders are offered annual-

ly one bonus share for every 20 held, Mr

Brittan comments that the quantum of

dividends paid and provided at R61.000

out of equity earnings of R14.2 million

means that the group's effective dividend

cover on the 29 cents dividend is 14.8.

Looking to the year ahead, Mr Brittan

says a number of economic factors — the

pressure on the current account, a de-

cline in the rand, higher interest and

mortgage rates — would lead to lower

growth in disposable incomes.

He says "Despite these likely con-

straints, consumer confidence still ap-

pears to be high and this is to some ex-

tent reflected in the present excess in the

value of building plans passed over the

value of buildings completed.

"The inference is that there is poten-
tially a large volume of work in the pipe-

line, but this conclusion must be viewed

with a modicum of caution as plans can

be shelved or cancelled."

Despite this Mr Brittan is confident

there is sufficient momentum in the mar-

ket to ensure continued growth in the

current year. He says much of this activ-

ity would take place in the none-white

housing market.

"Owning one's own home in an urban

area is a new experience for most of the

black community there is now an incent-

tive, previously absent, to renovate, alter

and add."
TRUCKS & TRANSPORT

Driving in the dark

Planning in the transport business has been thrown into turmoil by a shortage of new trucks — and attempts by transport operators to overcome the problem.

Operators are having to wait between six and 18 months for delivery of new trucks from manufacturers because of shortages of locally produced engines and transmission systems.

But now operators themselves are confusing the market by placing the same order with several manufacturers and dealers, accepting the first one that’s ready and cancelling the rest. The result: trucks and component-makers are no longer sure of the market’s real strength.

The heart of the problem lies with the inability of engine producer ADE and transmission manufacturer Astas to cope with increased market demand. Like vehicle manufacturers, they underestimated the extent of the market’s recovery. But because they are sole SA suppliers of their products, their shortages are felt all the way down the line.

Aetas and ADE have both increased production, but it hasn’t been enough. The backlog is slowly being made up, but because of doubts that the economy’s buoyancy will be maintained, neither company is prepared to throw caution to the winds and risk being caught later with stocks it can’t get rid of.

Aetas marketing director Ray Couldridge says truck manufacturers can expect to wait between six and eight months for new transmissions. “You have to look at the situation since last year, when a market that had been falling since 1981 suddenly picked up. To suddenly switch production up again is not an easy exercise.”

ADE says demand for engines increased by 70% between September last year and April. Marketing director Wally Rautenbach says the market declined of the early Eighties persuaded manufacturers and dealers to cut stocks to a minimum. “When the upturn came, there were stocks for an estimated three months in the production pipeline — far too little to make provision for the greater demand.”

Industry officials have expressed fears that ADE’s planned introduction of the new 440 V-series engines next year would divert its attention from more immediate supply problems. ADE, having earlier agreed to bring production forward, recently asked to delay it but was told manufacturers’ preparations were too far advanced to contemplate such a delay.

Manufacturers are sympathetic to the plight of ADE and Astas — while pointing to the fact that their designation by govern-

ment as sole suppliers was bound to lead eventually to problems for the industry.

Bert Wevells, Toyota’s CE-designate and chairman of the industry’s ICIV committee, says “One shouldn’t turn somersaults to meet immediate demand if you are going to be over-stocked later.” He says the supply situation is getting better, if only slowly. “The rate at which we are receiving engines and gearboxes has increased.”

Nevertheless, waiting lists for many trucks — particularly larger models — extend well into next year. Says Nissan heavy commercial vehicle product manager Neil Mardell “We have very strong orders. But some people who are ordering won’t get orders until next year.”

Mercedes-Benz’s Adolf Moobauer predicts the situation will be back to normal by the end of next year. His customers don’t all agree.

André Jacobs, of the National Association of Private Transport Operators, says some are already waiting up to 18 months for trucks to arrive — and he sees no improvement in the rate of supply. He adds that the situation has been made worse by strikes at Mercedes-Benz, the country’s leading truck-maker. One leading operator currently has R4m in unfilled orders.

Manufacturers complain that planning is made more difficult by operators placing multiple orders, intending to accept only the first that is ready. “You have to be a little cautious in believing the order figures being floated around,” warns Toyota’s Wessels.

Jacobs confirms there is duplication, but says there is still real market growth — and nowhere to satisfy it.

“There is a genuine increase in the market. For four or five years, operators couldn’t afford to replace vehicles. Now they have to, and they can’t.”

That’s what you get from government intervention in the industry.

PARKING GARAGES

King Wilson rules?

SA’s biggest parking garage companies, Kings and Wilson Parking, are to merge. Say well-informed sources.

Kings MD Clive Bevan and marketing manager Alan Calenborne were both unavailable for comment this week, as was Wilson GM Larry Scheder. Their secretaries refer to the firm’s PR consultant Ian du Plessis, who said “A statement will be released this week.”

It is believed there will still be separate Kings and Wilson parking garages, but they will be owned by a holding company. None of the sources professes to know the name of the company — if it has been formed yet — or who will head the operation.

Federales Volksbeleggings, which has a 90% stake in Kings, will probably be the biggest shareholder, but may not have a majority holding. Wilson is a joint venture between Wilson of Perth, Australia, and Sage.

At the end of 1985, the last time they revealed their positions in the market, Kings had 54 parking contracts and 24 738 bays and Wilson 30 contracts and 7 010 bays. The parking market was in the doldrums then it has since recovered and so aggressively are companies competing for new contracts that margins have been cut to the bone. Industry insiders say a merger was inevitable.

Kings has a big geographic base, is big in public parking garages and is involved in tollroad operation. Wilson’s base is office parking and it has international expertise.

Combined, sources say, they will be able to finance their own property developments.

It is understood the merger was referred to the Competition Board, but permission was never likely to be withheld. Together, they control only 15% of parking in SA. The rest is run by municipalities and landlords. Anglo American Property Services alone controls 9 600 parking spaces.

Fears that a combined Kings-Wilson will have the muscle to push up prices indiscriminately may also be wide of the mark. Prices will go up without them. Grahame Lindop, of Ampros, predicts a Johannesburg parking bay will cost more than R200 a month by next year. “Parking is big business. There’s huge demand,” he says. “That’s why we’re developing a 520-bay parking garage and 3 000 m² of retail space on the old Peak’s Cold Storage site, opposite the JSE’s new building. Including the site, the cost will be nearly R18m.”
Labour curbs

Some investors may be slightly disappointed in the 46.5% rise in earnings reported by Chubb Holdings in view of the group's dominant position in the burgeoning security industry. But the latest increase is from a high base built from earnings growth of 37.3% in 1986 and 62.7% in 1987. Few companies can surpass that record.

The decline in the growth pace in the latest year is largely attributable to labour problems. Protracted labour disputes — stayaways, illegal strikes and go-slow — hit the physical security and fire security divisions. CE Dirk Ackerman says that in some subsidiaries labour problems dominated management's time. He says the disputes have been resolved, but labour stability remains the main concern.

Seisa-associated companies have been particularly hard-hit by industrial action recently, but Chubb's problems are disturbing because the group adheres to the European Community code of conduct and pays black workers above average rates.

More growth ahead

Turnover in the year to end-March rose 18%. But only the electronics security division improved trading margins on strong demand for its products. Without labour problems, it is likely that the group would have equalled its profit growth of 1987. Ackerman is cautious about prospects on the basis of the less encouraging economic outlook, but because of the high level of demand for security products and services he expects further growth in the current year.

The share price was unmoved after results last week, but has since risen slightly. At 775c, the share, on a p/e of 7.9% (6.7% average for the sector) is unlikely to rise dramatically in the short term.
Activities: Manufactures distributes and services security products
Control: Racal Electronics Plc is the ultimate holding company
Chairman: D E Ackerman, managing director R J Dickerson
Capital structure: 5.4m ords of 50c: Market capitalisation R42m
Share market: Price 775c Yields 4.9% on dividend, 12.5% on earnings, PE ratio, 7.97, cover, 2.6 12-month high, 1550c, low, 860c Trading volume last quarter, 72 600 shares
Financial: Year to March 31

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<th>'85</th>
<th>'86</th>
<th>'87</th>
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Performance:

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Cash of R4.6m Gross cash flow was strong at R7.5m (R5.2m) Return on equity increased to 25.1% (19.5%) and the pre-interest margin was 10.9% (10%) Only the electronics security division improved margins, but the margin decline in the other two divisions —

CHUBB HOLDINGS

Better prospects

For a number of years Chubb has been riding high on SA's security problems, and it now looks set for especially good results in the current year. The 1988 year's 22% growth in turnover and 46% rise in attributable earnings can be seen as good. But because of labour problems the growth rate was lower than that of 1987, when attributable earnings rose 66%

CE Durk Ackerman says the engineering industry was generally hit hard by industrial unrest last year. But he believes that worker support for unrest has diminished and that Chubb will have no special problems this year.

If he proves right, Chubb could resume or perhaps better its 1987 year growth levels, especially as its balance sheet is looking ever healthier as the good years roll by. And this is against a background of increasing infrastructural spending which should ensure the company's continued dominance of the security products industry. Though the industry is competitive, the company has technological advantages in its electronics division.

Debt is at low levels and is exceeded by

Chubb's Ackerman . . . no special problems

Fire and physical security — should be reversed if the labour problems which plagued them do not recur.

The current spate of bombings will not affect Chubb directly because it does not provide security guards, but general awareness of security must increase.

Although the report is cautious about growth, Ackerman says he is "very optimistic." The 775c share price carries a better rating than the engineering sector on pce (7.9 against 6.7) and on dividend yield (4.9% against 5%). But, considering the company's strength in what must be a growth market, it should rise further.

Tegne Payne
Improved supply of used cranes

The South African crane industry which is facing soaring replacement costs, now has access to a pool of good quality used cranes from abroad.

This key source of supply is the result of the appointment of Mobile Crane Sales and Rebuilding as agents for Tecomare of Rotterdam, one of the world's biggest suppliers of used cranes.

Mr Dennis Muller, managing director, says: "The price of new cranes has become so high that few companies can afford them. His company will source used cranes from around the world, according to client needs.

In most cases, the cranes are of a high quality but if repairs are necessary we have the capability in our company to do anything from minor modifications to complete rebuilding," says Mr Muller.
Soaring costs lead to ADE car parts venture

Own Correspondent

JOHANNESBURG — South Africa's only manufacturer of truck engines, the giant Atlantis Diesel Engines (ADE) company, has started making car parts in the face of soaring component costs from abroad.

The falling rand is causing the prices of imports to rise steeply and with it the price of the end product — motor vehicles. Atlantis's move could save manufacturers a fortune in foreign exchange.

Atlantis's decision comes against the background of NAAMSA's latest report to government which says car and commercial vehicle prices are set to rise on average between 18% and 29% on a year-to-year increase.

Motor manufacturers attribute the rise to the dramatic and continued rand-mark and rand-yen depreciation.

Top-level talks are being held between ADE and the manufacturers, aimed at extending ADE's manufacturing activities across a wide range of automotive components.

Commissioned in 1981 to make South Africa self-sufficient in the manufacture of truck engines, ADE now produces all locally produced truck engines.

ADE Industrial products sales manager Mr. Hans Schmid said ADE was engaged in talks with various car manufacturers regarding the viability of manufacturing to their specifications.

"ADE has the necessary technological expertise available to support demand for components such as blocks, cylinder heads, crankshafts, camshafts, flywheels, water and oil pumps, to name but a few," said Mr. Schmid.

He said ADE had already started producing components for Volkswagen and Mercedes-Benz in SA.

However, ADE did not anticipate manufacturing entire petrol engines in the near future.

The NAAMSA report said the price increase of most vehicle categories last year was on average 12.5% to 13%.

"Regrettably manufacturers cannot keep price increases for new vehicles during 1988 below the rate of inflation," NAAMSA says landed costs of imported components during the quarter to June rose by between 3.9% and 8.7% despite no actual inflation in the overseas prices.

Mr. Ronnie Kruger, public relations manager for Volkswagen, said that if motor vehicle components could be manufactured locally at prices lower than those of imported parts, it would be beneficial to the motor industry.

"If the components are of the desired quality and are reasonably priced, we will be happy to do business with any company manufacturing these parts."
(continued on page 7)

Gracem McComb ... in touch with the men on the shop floor.

The ABC production line is where the design and development of new products begins. The concept is refined and tested, and any necessary adjustments are made. The final product is then manufactured and quality control is conducted. The finished products are then packaged and distributed to retailers and customers.

The company's slogan is "Building engines into old new life."
Mr. McComb says the engines are being manufactured at a rate of 110 per month. Mr. McComb also announces that the company is preparing to enter the market with new models next year. He expects to see a significant increase in orders for the new models. The company is currently working on improving the quality of its manufacturing processes to meet the demands of the market.

The company is also considering the possibility of diversifying its product line to include other types of engines. Mr. McComb says the company is open to suggestions from its customers and is willing to work with them to develop new products.

Mr. McComb emphasizes the company's commitment to quality and customer service. He says the company is dedicated to providing its customers with the best possible engines. The company is also working on improving its distribution network to ensure that its customers receive their engines in a timely manner.

Mr. McComb concludes by thanking his employees for their hard work and dedication. He says the company's success is due in large part to the efforts of its employees.
MB — given that most ADE technology is sourced from MB's German parent, Daimler-Benz

The SA motor industry generally favours ADE's plan to make fuller use of local light engine facilities — within limits. Unlike the compulsory fitting of ADE truck and bus engines, they insist that any light engine programme must be voluntary. At this stage, it appears unlikely that any compulsion will be involved. The Board of Trade and Industry (BTI), in its recent report on local content, emphasised the need for voluntary rationalisation.

Denzyl Vermooten, director of the National Association of Automobile Component and Allied Manufacturers (Naamac), says the component industry is firmly behind the idea of increased SA engine manufacture.

He says it's part of the natural shift towards greater local content and commonality of components.

He dismisses the idea it will lead to out-of-date engine technology by drawing vehicle manufacturers away from foreign innovations. While arguing there is no need for all the hi-tech that appears in every SA car, he says manufacturers can be adaptable.

He says bakke and certain small car engines have remained essentially unchanged for years. Those are engines that can be produced locally for extended contract periods.

At the same time companies may keep their options open on up-market and performance cars.

Vermooten adds: "In any case, technological advances aren't enormous. You are talking of the same basic engines for years. Look at the twin overhead cam shaft Alfa Romeo had that from the sixties." 

Both Naamac and Naamsa, meanwhile, are still waiting for the BTI to announce details of the new local content plan for light vehicles.

The BTI plans to introduce a new programme, replacing the current mass-related formula with one based on foreign exchange values.

"We must know the rules — and soon," says Vermooten. "If we are looking at a January 1989 introduction — and that is the understanding of some people — we can't leave it much longer. Time is already getting tight."

---

**Common Purpose**

Atlantis Diesel Engine (ADE) isn't alone in seeking extra work for an under-used car engine plant. Individual vehicle manufacturers are also touting for business.

Samecor's Ford V6 engine plant in Port Elizabeth is handling contract work for at least two rival companies — and is actively looking for more.

A Samecor source says, "We have capacity to provide engines for other companies. We are negotiating to supply complete engines."

Other manufacturers produce body parts for competitors. Once current major tooling programmes — like those at Toyota and Volkswagen — are complete, the level of cooperation will rise further.

Manufacturers have long accepted the need for joint use of facilities. It's common practice overseas and is growing in SA, where the vehicle market is too small for manufacturers to produce only for individual needs cost-effectively.

Nuco Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), says most outsiders aren't aware of the level of co-operation. "A lot of people are doing things for one another. It's part of the rationalisation that's been going on for some time."

ADE is SA's sole supplier of truck and bus engines. It has had the facilities to produce car and light commercial vehicle engine components for years and already has two regular customers: VW and Mercedes-Benz (MB). Both are natural clients, particularly...
V-series engines launched in...

R25m ADE factory extension

By HELOISE HENNING

AS a major thrust to bring-on-shore the local manufacture of V-series engines for trucks and industrial use Atlantis Diesel Engines yesterday officially opened a R25m extension to its engine block machining works.

The switch to activate one of the five hi-tech machines was put on by Trade and Industry Director General Stef Naudé at an occasion that attracted more than 300 industrialists in the automotive sector.

The machines, manufactured in Scotland by Giddings & Lewis, have a capacity for producing 2 500 engines a year and can be adjusted to machine any specification of engine blocks. This represents technological advance from the dedicated lines used to machine engine blocks.

ADE secured the contract in 1986 — when the rand was closer to $3.

With the introduction of the V-engine cylinder blocks for the new ADE 440 engine series local content by mass in these engines rose to 70% by value from 35%.

Two new high-performance engines, the ADE 380 and 440 series, were also launched at the event.

In his opening address Naudé said the introduction of the local content programme based on value should commence in early 1989. The Board of Trade and Industry investigation into the local content scheme was in an advanced stage, he said.

The new programme posed several challenges to component manufacturers and opportunities for other manufacturers to diversify into component manufacturing, he said.

Even before the formal introduction of the new programme, Naudé said there was evidence of the manufacture of several import replacements already taking place.

Escalation in investment costs in tooling for the motor industry would, however, force rationalization within the industry. With standardization greater economies of scale could be achieved, or lower costs per unit, he said.

Investigations were underway into the future rationalization and standardization of government's requirements in heavy vehicles. A study was also being done into the possible rationalization of tractor manufacturers with a view to reducing unit costs and affordability for farmers.

With an annual tractor market of only 5 000, Naudé said, rationalization of the current 11 manufacturers could only be to the advantage of the market. ADE was an example of such rationalization.

Following a BTI investigation in 1978, the first engine was manufactured at the plant in 1981. It now manufactures engines ranging from three to 12 cylinders with power ranges from 90Kw to 480 Kw.

It supplies 98% of truck engines used in the local market and 72% of tractor engines sold in SA.

Naudé admitted the country had problems and noted that business's response was pessimistic.

"We must look beyond our problems to the opportunities to which we must respond, then SA has a great future," he said.

ADE already manufactures components for various petrol engine manufacturers. However, its own truck engine manufacturing is not yet subject to the local content programme.
Afrox profits top R100m

JOHANNESBURG — African Oxygen (Afrox) yesterday reported another sound year, with profits before taxation over the R100m mark for the first time.

Pre-tax profit increased 23.4% to reach R110.3m, with turnover up 26% at R565m.

Profit after tax was 26.1% higher at R59.2m due to lower interest and a slightly lower effective tax rate of 46.4% (47.5%).

Afrox, as a capital-intensive business, believes in the practice of charging additional depreciation to eliminate the effects of inflation on its business.

To account for inflation on the business, Afrox has charged additional depreciation of R14m, 19% higher than last year. This clearly demonstrates the quality of earnings.

Earnings per share reached 146.7c (113.6c), showing a real growth over last year of 29.1%.

The increased final dividend shows a relatively conservative 22% increase at 45c (37c). Cover, however, remains a very healthy 1.90 times real earnings or 2.58 times in historic accounting terms.

Peter Joubert, the chairman and MD of Afrox, says, "The improved performance is a result of the detailed development of all existing businesses in the company, although a few acquisitions in the healthcare area were made during the year."

"All Afrox businesses are in very competitive areas, but we have managed to find niches in markets where it is possible to grow by the application of new ideas and technologies. Controls on costs and efficiencies are also monitored very closely."

"The balance sheet remains healthy, showing a gearing ratio of 17.9 in spite of borrowings being higher than last year," says Joubert. — Sapa
Second div in 16 years as Iscor profits rocket

From ROY COKAYNE

PRETORIA — Iscor has produced a bumper R182-million after-tax profit — its fifth consecutive profit and the best in its history — and is to pay a dividend for only the second time in 16 years.

The payout of 15c will cost R65-million, the annual report discloses today.

Iscor Group produced the largest profit in its history — R248,5-million after tax — while Iscor Ltd has totally wiped out the accumulated assessed losses of the previous years and is paying tax again for the first time since 1972.

Of the total R32-million in tax payable by the group, Iscor Ltd is liable for R21-million.

Chairman Mr Marius de Waal said an additional amount of about R90-million, over and above income tax, was paid in GST and other central and regional government taxes.

"Together with the declared dividend of R65-million, this brings the total amount payable to authorities to about R247-million for the year," he said.

The group's after tax profit of R248,5-million compares with R97,4-million last year while Iscor Ltd's after tax profit of R193-million is more than double the R75-million of a year ago.

However, since the early 1960s, Iscor has calculated profits according to a policy based on the current cost accounting concept because of its contention that in times of high inflation such a policy was advisable to counteract the erosion of a business concern's capital base and ensure its continued viability.

But since 1982 Iscor has disclosed the effect of the current cost adjustment on the financial results and the conventional historical cost trading profit to facilitate comparison with other South African undertakings.

Iscor Group's after-tax profits are boosted to R582-million using the conventional historical cost method.

The corporation's fine results appear to clear the path for its privatisation.

However, the only mention made about privatisation in the annual report was to state that the government, as part of its privatisation policy, had requested Iscor earlier this year to investigate the corporation's privatisation potential.

"The decision on privatisation will probably be made before the end of the current financial year (June 30, 1989)," it said.

The group's turnover for the year increased 16,7 percent from R4 131-million in 1987 to R4 529-million in 1988 while the total tonnages of steel products as well as mining products sold also increased during the year compared to 1987.

Income from the sale of steel products amounted to R62,2 percent (1987 85,0 percent) of the total turnover and the rest represents the sale of mining and other products.
City spends millions on new machine tools

Business Staff

ENGINEERING companies in Cape Town are spending millions of rands in up-grading to new CNC (computer-numerically-controlled) machine tools.

‘At a possibly conservative estimate, local companies have in the past year bought more than 40 major CNC machines with an investment value of over R8-million — excluding the substantial purchase by ADE in Atlantis.

Mr Ray Cooper of W D Hearn says his company alone has delivered 28 CNC machines of various types and that, relative to its size, the Cape Town engineering companies have led the country in converting to CNC.

With each new CNC machine there is a further investment in specialised tooling which probably pushes new investment above R10-million.

From November 16 to 18 an in-house exhibition of the latest CNC and other machine tools is being held in Hearn’s premises in Epping.

Star exhibit is a Leadwell horizontal machining centre with fully automatic loading and tool changing facilities. This machine, which weighs more than 10 tons and has a value of some R400 000, is the first of its type to be imported into South Africa.

The exhibition includes demonstrations of plastic injection moulding, electronic measuring equipment and conventional machining and will have a floor value of R1,5-million.

This specialised exhibition last year attracted 800 engineering people and will probably pull in even more this year, says Mr Cooper.
Joy Manufacturing pledges to stay on

By Derek Tomney
Joy Manufacturing, one of the leading suppliers of mining equipment to the coal mining industry, is in South Africa to stay.

The company's managing director, Mr. Peter de Wet, said yesterday that even if its parent company in the US is forced to shed its South African investments, Joy Manufacturing will still be making machinery.

It had a number of options which would enable it to stay. These included a stock exchange listing, a management buy-out and a partnership with another firm.

However, Mr. de Wet was hopeful that the company would be able to weather the American disinvestment storm. Its parent company, Joy Technologies, was a privately-owned company, and had fostered local manufacture by the South African subsidiary since 1939.

Recent estimates showed the Joy could land its coal mining machinery in a foreign port at a price some 20 percent below that of a similar American equipment.

Joy's continuous miner now had a 97.8 percent local content and this would be raised further next year, said Mr. Peter Seeer, Joy's technical manager.

Among the items Joy was making in South Africa were gears, hydraulic cylinders, DC contactors, chain, electric motor remote controls and sundry parts.
THE TOP 100 COMPANIES OF 1989

The Fortune 100 Competes the Nonprofits

BY DAVID COTTE
Natbolt secures top honours

S/times 4/12/8
From Page 4

Reducing five-year yields to shareholders dramatically

The one-year table on Page 3 illustrates the point graphically.

Fewer than 50 companies showed a positive return at all in the year to September and a number crashed by 90% to 89% on the year.

The average yield on the top 10 companies last year was 46.2% compared with 49% last year. The 15th company, Winkelens Mines, this year returned 11.7%, against 8.1% Golden's return last year of 32.1%.

Once again there was much mobility up and down the lists. This is a race over a moving five-year period. The crash of last October upset the rankings badly, but several old favourites weathered the storm.

This year there are five Royal companies — those that have been in the top 20 for three consecutive years. They are Sulzer, Argybro, Blackwood, and Numax.

The crash hit the highly rated electronics sector. It is hardest of all. Bill Vester's Aitech is out of the top 10 spot, even though all operations performed more than creditably during the year.

Triple winner Toyota plunged from 17th to 25th position, while it was a tribute to New Brunswick that it fell only from third to 28th.

Leap (13)

One company that leapt up the list was Winkley Ringo's Matheson & Ashley, which leapt from 54th to third after the main operating company, Dashing, acquired rival Anglo Dutch, and Bill Vester came on board as a non-executive director, underlining the synergy between office-furniture and office-supplies suppliers such as Fisstech.

Fiske Glass soared from 37th to 16th and the Jowell Brothers' best-performing Namaqualand transport empire, Trecor, moved from 18th to fourth position. It was not even in the Top 10 last year, but thanks to a low road and burgeoning demand for manganese and ferro-alloys, it has become the biggest single profit source in Gencor and deservedly claimed 11th spot.

The share price has had a volatile recent history, plummeting after the crash from R14 to R6 a share, then screaming up to R16.

Malibab, placed fifth this year, was excluded last year and the year before because it was felt it had changed its nature by acquisitions.

We have reviewed its exclusion first because we now reason that it matters not if a company changes from a fish-and-chip shop to a high-tech computer operation if it performs for shareholders after coming from obscure roots. Its achievement is so much the greater.

Malibab's share-price performance can be accurately traced through Malbid. It has the same management in basically the same businesses, even though today's assets are 10 times those of five years ago.

Critics could argue that Malibab's former Protea and then Gencor Industries' assets on favourable terms — but all the more credit to Grant Thomas and his team.

Sanlam and Gencor would not have entrusted them with those assets had it not had faith in them. The performance figures we have calculated reflect Malibab in its present form for two years of the five.

FSA was not listed five years ago, but its history can be traced accurately through IFM. It is included on the same grounds as Malibab.

J J Williams' blue chip in food, Irvine & Johnson, moved up from 18th to seventh, while its holding company, Anglovaal, made similar progress, improving from 11th to 11th.

To sum it up, it was those blue chips that were not overrated last year, the rand hedges and the special situations that did well this year — companies that had been revamped or taken over or which enjoyed foreign earnings. 
The Top 100 — One Year

The one year performance table

The nuts and bolts

Step-by-step — how our rankings work

Of a success story

National Botts

By David Carlton

Overheads

Chart
By DAVID CARTE

Highlands projects and the present mass housing drive could be the start of a decent run in GDP.

"Jeff acquired these assets cheaply. We set about improving and using existing assets and expanding market horizons and we've used the asset base to raise money and get into other areas."

We improved efficiency by closing factories, upgrading staff, increasing output per employee and reducing the number of product lines in nuts and bolts. We have attempted to reduce over-capacity in the industry by rationalisation.

Overheads

"In trying to use assets better, we have tried to change perceptions and to move from nuts and bolts to more sophisticated, better-margin fastening systems.

"We have emphasised distribution and have expanded into new areas, acquiring good people as we have done so."

Nabolt has concentrated on cutting its overheads and staff to meet reduced volumes — and it has diversified its profit sources. The factory has been trimmed from 2,000 to 600.

An important reason for its recent success is that it has not sat around waiting for the local market to improve. It has exported aggressively. The soft rand has made exports lucrative and it has curbed dumping of nuts and bolts.

Nabolt makes numerous different types of fasteners apart from nuts and bolts. It makes screws, roofing fasteners, auto parts, rivets, hose clamps and electrical terminals. It has a national distribution network for all these products.

Subsidiaries make nickel cadmium batteries, multiplug and adaptors, three-pin plugs, power chargers, power support systems, pipe couplings, lifting generators for the mines, blasting barriers, mine refuge chambers.

The diagram shows the new look diversified Nabolt.

National Bolts also has a 35% investment in Elecentre, the high growth electrical wholesaling run by the Roco brothers. Allan Schlesinger, former-ly at Sage Schachat, the property company, took over as managing director in June this year. He has been given a free hand to run the company.

Diverse

In FSI style, he has a small head office of only three men to oversee all the diverse operations.

Mr Schlesinger was preceded by Jesse Marcus, who died in the Helderberg air disaster. Terry Rolfe was MD before that. He moved over from Universal Clips, a company he built up from scratch, after selling to Nabolt.

Mr Rolfe describes the future: "If in the 1980s we will get technology and money and continue to attract the right people. We want to grow the distribution side."

"Fasteners have made a declining percentage of earnings but we are confident that great big pipe of money will be pumping again in the future."

Nabolt is only a small part of the FSI group, which came 8th in the rankings and #2 in today's survey.

HOW THE COMPANY IS STRUCTURED

NATIONAL BOLTS

35% Elcentre

Distribution

F S Consumer

L Matus

Hire Centres

GDSHi Tensiles

AVDEL

Huck

Femo

Electrical Accessories

EMC heating

CADPower

Nickel Cadmium Batteries

Sealed Batteries

Rectifiers

NATBOLT

Fasteners

Manufacture

(3 factories)

Distribution

Exports

universal group

Clips

Small products

Conpower

Electric

Accessories

Hire

Rectifiers
Borg-Warner changes name

SA's largest supplier of rear axles to motor industry
— Borg-Warner — has changed its name to Gearmax as the result of a change of ownership of its Australian parent company.

MD Harry Marston says it is only a name change and in no way affects the technology links which Borg-Warner has had for many years with overseas affiliates.

Borg-Warner has been making rigid rear driving axles for the motor industry in SA for 22 years. It was established in 1966 with the introduction of the passenger vehicle local content programme.

Today, the company's rear axle local content is 99% by mass and 98% by value.
Machinery and Equipment Exports 1988
LONDON — Armscor is now the largest single exporter of manufactured goods in South Africa, with sales to 23 countries valued in 1987 at R1.8 billion, Jane's Defence Weekly (JDW) reported yesterday.

Assets were given at R2.8 billion and the current backlog of orders R9 billion.

An Armscor spokesman in Pretoria yesterday confirmed the accuracy of the JDW report, adding that Armscor had changed from an importer to an exporter over the past decade.

JDW also reported Mr. Jorge Risquet, co-ordinator of the Cuban mission in Angola, as saying the strength of Cuban troops in the country stood at 40,000. He said about 1,000 Cubans had died, most from diseases, accidents or terrorist incidents rather than combat.
FENNER GROUP

Adding on

Activities: Supplies mechanical power transmission equipment, PVC conveyor belting, centrifugal pumps, valves and process control equipment
Control: Fenner International (Africa) is the immediate holding company. The ultimate holding company is J H Fenner PLC
Chairman: P J Jibotson, managing director A S T Clegg
Capital structure: 15m ords of 10c, 2.1m shares of 1c, 3.2m cum, red prof of R1. Market capitalisation R227m
Share market: Price 155c Yields 4.2% on dividend, 19.3% on earnings, PE ratio 5.2, cover, 4.6 12-month high, 276c, low, 130c. Trading volume last quarter, 1.7m shares
Financial: Year to August 31

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Performance

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<td>Pre-int margin (%)</td>
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<td>Taxed profit (Rm)</td>
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<td>Earnings (c)</td>
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Fenner exceeded forecast earnings by 8% in 1987, confounding critics who thought the company would suffer from its exposure to coal mining.

MD Tony Clegg says the company has not experienced any major fall-off in profits as a result of sanctions on South African coal. The company's conveyor belting business is its division most involved in supplies to coal mines, and Clegg says conveyor belting is not a large portion of total sales.

In addition, the company is involved in negotiations to expand into new areas of business allied to its existing power transmission business, and add new product lines to its range, while a good agricultural season will stimulate demand for Fenner's pumps.

At the time of listing last May, Fenner directors told the FM that one of the aims was to expand by acquisition. Clegg notes: "The companies in our group all have fairly major shares of the markets in which they operate, so we need to make acquisitions to grow."

Debt levels are low, with a debt equity of 0.14, so there is plenty of room to gear up. Clegg says none of the acquisition propositions is likely to have a significant impact on profits in 1988, although an agency prevents under consideration could have some small effect on second half profits should Fenner decide to purchase it.

Fenner's health is loosely allied to the performance in gross domestic fixed investment, and according to the Reserve Bank's latest Economic Bulletin, the declining trend in fixed investment is being arrested. Clegg says: "We are not seeing a big improvement in capital spending, and although we are seeing more projects coming through now than for a long time, they are not major ones."

Chairman Peter Jibotson says in the annual report: "Demand for the group's products remains good and should the economy continue to show modest growth, we would expect that earnings next year will be higher."

The pre-listing prospectus forecast eps of 27.7c in 1987 and 33.3c in 1988. While 1987 actual earnings of 29.9c well exceeded the forecast, Clegg is conservative and says 34c is the expectation for 1988. Based on that prediction, the share is on a prospective p of 4.6, while a dividend of about 13c makes for a high prospective dividend yield of 8.4%.

Dave Edwards
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MD Tony Clegg says the company has not experienced any major fall-off in profits as a result of sanctions on South African coal. The company's conveyor belt business is its division, most involved in supplies to coal mines, and Clegg says conveyor belt is not a large portion of total sales.

In addition, the company is involved in...
Robor coins it as
exports boom

By Ian Smith

EXPORT strategies that worked helped to
tax the export earnings
of Barlow Rand's Robor Industrial Holdings
by 41% in the year to
September.

The streamlining group's profit jumped from R24.1-
million to R34-million on the
back of a 35% turnover rise
to R601-million.

Taxation

Exports contributed nearly
R160-million, or 27% of
turnover, having grown from
8% only five years ago.

More importantly, exports' contribution of profit before
interest and tax increased
from the previous year's 8%
to 20% last year.

Export benefits also
played a key role in
maintaining the tax charge,
which was 16% lower last
year at R49-million.

Mr Gahagan says the ex-
port success stems from
Robor's commitment to
foreign markets Executive
throughout the group are
aware of the importance of
the foreign sales drive

Recovery

"We believe our perform-
ance in foreign markets
means that our long-term
strategy is paying off," says
Robor's new managing direc-
tor, Mike Gahagan.

He says Robor now sells to
about 36 companies in Africa,
Europe, South America, the
Indian Ocean islands and the
Far East.

Robor, listed in 1929, is made
up of seven companies in-
volved in the manufacture,
processing, galvanising, distri-
bution and export of steel
products, tube and pipe,
stainless steel and aluminium.

Robor International, special-
ises in exporting and ac-
counts for about 70% of the
group's foreign sales. But
most of its business still
comes from companies out-
side the Robor group.

Bigger orders come through,
leading to volume econom-
ies.

"This is what we are begin-
ning to experience," says Mr
Gahagan.

One of the major problems
is the cost of moving exports
from the Reef to Durban.

This often equals the cost of
shipping exports from Dur-
ban to the Far East.

"We are also penalised by
higher freight costs and time
we add to goods for ex-
port," says Mr Gahagan.

But he hopes there may be
relief when the Govern-
ment's new export incentives
are announced, saying: "It
could result in a big boost to
foreign earnings."
VEREENIGING REFRACTORIES

Boost from building

Activities: Produces refractories, building products and minerals
Control: Anglo American Coal Corp holds 86.8%
Chairman: W G Bousted; managing director: H R Red
Capital structure: 5.1m 50c each and 600 000 5.5% cumulative non-preferable of R2 Mar
ket capitalisation R69m
Share market: Pce 1 150c. Yld 6.5% on dividend, 17.1% on earnings, PE ratio, 6.9, cover, 2.6 12-month high, 1 400c, low, 1 050c. Trading volume last quarter, 6 500 shares
Financial: Year to March 31

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Performance:

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<td>65</td>
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Rising profits from both the building products and the refractories divisions contributed to Vereeniging Refractaries' (Verref) 25.2% advance in attributable earnings. With cash balances at year end totalling R14.8m, and the balance sheet still showing no borrowings, the group should continue to benefit from any further economic growth and from rising interest rates.

While capital spending rose to R5m from R2.5m in 1986, and outstanding commitments at March 31 amounted to R8.1m, no major capital projects are planned for this year. Net interest received totalled just over R1m, against the previous R818 000.

The largest contributor to pre-interest income was the building products division, whose turnover rose by 35.8% to R88.7m with operating profit leaping — off a low base — by 126.8% to R11.8m. This was achieved mainly because of increased construction of housing for first-time home owners who participate in government's interest subsidy scheme. The directors say there appears to be enough momentum in the building industry for the division again to boost its profit, although at a slower pace.

In the refractories division, turnover rose by 19.3% to R111.2m, while operating profit grew by 22% to R8.7m. This was attributed to a more profitable sales mix and improved domestic sales, including the supply of special bricks for tall chimney stacks for Eskom, and increased orders from Iscor.

An adverse factor was the loss of traditional sales to the Zambian copper mines, which switched to overseas suppliers. This year no orders are expected for chimney stack bricks and it is likely that orders from Iscor will be low. However, sales of refractories for sliding gate steel-tapping systems, dolomite brick and monolithic refractories should rise. An order has been obtained for aluminum formers for concrete roof tile production and the diecasting plant, which has been mothballed for three years, has started production. Provided sales are not hampered by sanctions, further profit growth is expected from the division this year.

The lagged division, where turnover rose by 19.1% to R23.7m, but operating profit bucked by 41% to R1.3m. A profit improvement expected in the second half did not arrive. Among causes was that, following the long period of labour problems at the Havercroft andalusite mine in the eastern Transvaal, technical problems developed and production targets were not met. This was worsened by heavy rains. The mine should increase profits this year.

Profit from Marco Chrome, owned jointly with Samancor, was at about the same disappointing level as the previous year. But sales of chrome ore are expected to be satisfactory this year and, with improved results from other mines, the division is forecasting better profits.

Overall, the forecast is for continued buoyancy in the building industry. Provided sales of refractories are not further affected by sanctions, the group is forecasting growth in earnings similar to that of last year.

Andrew McNulty

VERREL'S BOUSTRED . . . forecasting continued growth
Stiebel turnover up 70% since buy-out

By Stan Kennedy

Stiebel Eltron SA reports a 70 percent increase in turnover since the management buy-out of the West German company a year ago.

With the recent signing up of Kwikol, South Africa's largest manufacturer of hot water systems, as sole distributor for the Stiebel Eltron range of water heaters, the three directors are confident that its share of the small capacity water heater market will improve significantly.

Says director Derek Moke: "The greater availability of these popular products, along with a rejuvenated and streamlined staff, a substantial stockholding and our move to easily accessible premises in Selby, bodes well for the next 12 months."

In the first few months after the take-over, the company was plagued with historical problems of unavailability of stock, lack of communication facilities and a long lease on unsuitable premises.

"Our progress has been applauded by Stiebel Eltron in Germany, who are giving us the full support," Mr Moke says.

"Although we are only a small portion of their worldwide business, an indication of their commitment is their willingness to make major adaptations to a new heater to meet SABS requirements for the local market."

The new management, which comprises Mr Moke and fellow directors Mr Tony Youell and Mr Peter Langworth, is considering additions to the range to sell to existing and new customers.

"It makes sense to handle synergistic products in these areas in which we are already strong," Mr Moke says.

Mr Moke, with a background as a property developer/broker in the Vereeniging area, manages the administrative portfolio.

Sales are handled by Mr Youell, who has been with the company for five years and the technical side by Mr Langworth, who has 20 years experience in the electrical wholesale field.
**Steady market**

**Activities:** Manufactures and supplies handling equipment and systems to the petrochemical industry, the mining and utilities sectors.

**Control:** Directors hold 57.7%.

**Chairman & Managing Director:** G.E. Nel

**Capital structure:** 8.5m o.rds of no par value.

**Market capitalisation:** R5.1m

**Share market:** Price 80c. Yields 5.3%.

**Dividend:** 12.3% on earnings, PE ratio: 8.7.

**Trading volume last quarter:** 915,000.

**Financial:** Year to February 29

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**Shareholders' interest**

| Int & leasing cover | 0.4 |
| Debt cover | 1.4 |

**Performance.**

| Return on cap (%) | 3.0 |
| Turnover (Rm) | 18.0 |
| Pre-int profit (Rm) | 6.0 |
| Pre-int margin (%) | 33.3 |
| Taxed profit (Rm) | 3.0 |
| Earnings (c) | 1.0 |
| Dividends (c) | 0.5 |
| Net worth (c) | 8.0 |

**Meter Systems** had a good year with attributable profits of R632,000, which was 81% higher than the previous year's profits of R349,000 and also 20% higher than forecasts. The company is presently investing in further takeovers and there is ample scope in the balance sheet for funding these.

**Chairman** and **MD Graham Nel** says imports are responsible for about 50% of turnover, but he is confident that sanctions can be overcome. A major effort will be made during the year to increase exports, the prospects of which are said to be encouraging. Exports at present contribute about 15% of turnover. Higher volumes should be obtained by selling new products through the present infrastructure.

**At 80c,** a fair amount of future growth appears already to be in the price.

_Louie Venter_
METAL PRODUCTS

1988

(All Exports)
PLANT STEEL

Plant problems

A strong turnaround at operating level, and R14.4m profit from the sale of an investment in Nalbolit shares, makes Unison Steel (Uniso) appear more attractive than a year ago. But future earnings growth remains hindered by a saturated market, high gearing, and the weight of short-term preference dividends.

By Uniso's September year-end, gearing had been reduced to 0.89 (1.26), and the interest bill was twice covered by the R1.1m operating profit. The 8% return on capital looks much better, but it is less than the previous year, although steel dispatches fell by 9%. Billet exports were stopped because of lower world market prices and the strengthening rand against the dollar.

The biggest boost to earnings came from non-ferrous products — aluminum conductors, copper wire and strip, cable products, and stainless steel. These currently make up 18% of Uniso's interests, doubling profits to R1.1m (R0.8m) on increased demand.

Kotzee sees little hope for further growth in 1988. He expects low growth levels in the domestic market, which, with a considerable local capacity surplus and “no significant investment in capital projects,” indicates steel product dispatches will not rise significantly in the short term. He expects dispatches of non-ferrous products to fall, though “cost-saving programmes and lower finance charges will assist Uniso to make a profit for the year.”

That picture could change if steel prices rise. Kotzee says these will “inevitably be reviewed at regular intervals.” If the loss on steel products is eradicated soon, which seems possible, this could balance the drop in Uniso's non-ferrous business.

Preference shareholders were paid R5.7m in dividends against R3.7m in 1986 (more than half of group earnings before a R14.4m extraordinary profit from the sale of Nalbolit shares). The increased payment reflects the full impact of the R30m raised through an issue of variable rate cumulative prefs in 1986. Redeemable in R10m tranches on January 29, June 1 and September 30 this year — these prefs have been included in the 0.89 debt equity calculation. Further preference issues could be made, so the expected R3m fall in preference dividends may not materialize.

The articles of association provide for an 8% dividend on ordinary shares once preference dividends have been paid, assuming the funds are available. The group could therefore pay a dividend of about 2.7c once debt equity falls to around 0.7. The present modest economic growth might help, but Kotzee's rather pessimistic forecast suggests ordinary dividends are unlikely short term (none has been paid for the past three years). At 81c, the share looks overpriced — even though the discount to net worth is 75%.

Dave Edwards

FINANCIAL MAIL, JANUARY 22 1988
JOHANNESBURG — Pre-tax profits for the wire rope and industrial metals group, Haggie, have risen by 24% to break past the R100m-mark for the first time.

Haggie's preliminary results show pre-tax profits of R115.2m, notwithstanding “static domestic market conditions, disruptions and price fluctuations.”

Group sales were R294m, an increase of 12.3% over 1986.

Although the group's tax charge was up from 37% to 41% as previous tax losses were fully utilized, earnings a share increased 20% to 285c.

The final dividend is 86.5c to give a total of 114c for the year, 20% up on the 95c in 1986.

The directors announced that later this year Haggie will enter the chain manufacturing industry, which is worth an estimated R30m a year.

In the year under review, the group acquired the interests of the UK's McKechnie PLC to become sole shareholder in Reclam, a metal and waste reclamation concern.

This acquisition also increased Haggie's holdings in non-ferrous metals company, Copalcor, to 60%.

In addition, group subsidiary Consolidated Wire Industries last year acquired the Pietersburg-based company, Wirecor.

The directors said they would “continue to look for profit improvement through acquisition in activities related to our existing businesses.”

Group chairman Ian Haggie has announced that he is to retire as chairman on March 31 and that deputy chairman Grant Thomas will take over. Haggie will become group president — Sapa.
STANDARD BRASS

Changing course

Activities: Make a wide range of products to customers’ specifications for the railway, earth-moving, mining, defence, cement and general engineering industries

Control: Malbak holds about 52% of the issued share capital. Gencor is the ultimate controlling shareholder.

Chairman: D J Jacobs, managing director R A Fox

Capital structure. 3.15m ods of 50c each 75 000 8.5% cumulative preference shares of R2 each Market capitalisation R10m

Share market. Price 325c high, 600c, low, 225c Trading volume last quarter, 46 000 shares

Financial: Year to August 31

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<td>854</td>
<td>831</td>
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Judging from its five-year earnings decline, Standard Brass must be one of the more difficult Gencor industrial companies for new parent Malbak to turn around. Faced with shrinking public sector demand, Standard Brass, under new chairman Dirk Jacobs, has been forced to change its business from long-run to short-run contract work. Jacobs’ strategy is to supply “difficult-to-imitate, high quality products across a broad range of product categories.”

Jacobs says that the new strategy has already opened up a wider customer base for which several good proprietary products have found ready acceptance.” By end-August the company’s steel and iron foundries were working profitably, and business was growing at Unique Engineering, one of Standard Brass’ two engineering businesses. Explains Jacobs, “interest in the division’s pit props was spreading to gold mines.”

It is encouraging that the heavy R2.7m interim loss, one third of which was attributed to expected losses on marginal contracts and substantial bad debts written off, fell marginally to R2.6m at the eight-month year-end. (changed to coincide with Malbak’s year end) Nevertheless this was the company’s first loss in 25 years and reflects the continuing poor conditions in the foundry and engineering industries, any positive effects from the new strategy are still to be felt. The 1% increase in annual turnover shows a considerable decline in sales volumes. “The void left by the decline in railroad business has not yet been filled,” Jacobs says.

Last year’s negative cash flow forced borrowings up to R6.5m (R3.3m), with debt equity ranging to 0.27 (0.12) after the R2.6m fall in shareholders’ funds. The interest bill at a net R366 00 (R417 000) is less than last year only because the reporting period is only two-thirds of a full year. To regain profitability, much depends on re-establishing margins on quality products. Whether Standard Brass succeeds in this during 1988 largely depends on an industry revival.

At 325c, Standard Brass, which has not paid a dividend for two years, trades at less than half net worth. This suggests the share has room to appreciate if its business does improve. But a dividend seems unlikely for some time — even though the estimated tax loss is near R4m. Says Jacobs “while we are more confident of our future performance than we were some months ago, it is still too early to claim that a sustainable return to profitability has been achieved.” That sums up the situation.

Dave Edwards
Workers fired after striking

"The strike was organised by the workers' committee, which felt it had a right to negotiate on behalf of the workers until the company had recognised Saawu."

A spokesman for Border Wire and Metal Works, Mr L Burgess, confirmed yesterday that the workers had been dismissed "after protracted attempts to resolve the dispute over a R1,50 an hour increase had failed."

Workers who ignored the call to stop work had been intimidated by striking employees, although he said no charges had been laid.

Mr Burgess added that wages for the industry were presently being negotiated at industrial council level and the minimum wage agreed to there would apply to Border Wire and Metal Works.

The chairman of the Border Wire and Metal Works workers' committee, Mr Elliot Gannatt, said in an earlier statement that Friday's strike had followed two unsuccessful meetings to discuss the wage increase demand.

The minimum wage at the plant was R2.34 an hour and workers were demanding a R1.50 an hour increase.

"Management refused to negotiate with the workers' committee, saying wages were negotiated at a national level, through the national industrial council for the steel, engineering and metallurgical industries."

"From March 18 to 22, the workers reported at the premises, but did not resume work while waiting for management to concede to negotiation," he said.
Anticipated slowing

Activities: Principal activities manufacturing and supplying iron and steel products, brick manufacturer, and retailer and manufacturer of motor accessories

Control: Equally controlled by Ozz and S Krok

Chairman: S Krok, managing director R J Paull

Capital structure: 71,0m ord no par value, 652,800 12.5% red cum prefs of 10c, 3,9m conv red prefs of 10c, and 1,8 var rate conv red prefs of 1c Market capitalisation R35,7m

Share market: Price 50c Yields 8% on dividend, 37.3% on earnings, PE ratio, 2.7, cover, 4.7 12-month high, 162c, low, 50c Trading volume last quarter, 314,000 shares

Financial: Year to March 31

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Performance

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After its catastrophic loss in 1985, Lucem has followed a recovery path for three consecutive years, but MD Rob Paull expects the slower growth rate, already seen in the results for the year to 1988, to continue.

It was inevitable that the pace of 1986, which was a turnaround situation, would ease, but the balance sheet and the performance ratios have continued to improve. The balance sheet is very strong, with net cash of over R9m (R9.9m) and borrowings down to R1.3m (R1.6m). Debt cover is an enormous 13.8 times, but the degearing has had an impact upon return on equity, which has fallen from 41% to 34% despite the climb in return on capital from 19% to 25%.

One of the most important improvements has been the climb in margins, which changed an increase of 15% in turnover to a 37% improvement in operating income. According to Paull, this was due to increased efficiencies, higher sales volumes and containment of costs. The brick manufacturers especially saw an improvement in prices to more realistic levels, with a climb in margins from 5.0% to 9.5%.

But there is the question of how long costs can continue to be contained. Paull mentions that cost escalations are a serious problem in the engineering division and the high level of competition has also put pressure on margins in the motor spares industry. In addition, he fears that the rise in interest rates will soon affect the building sector and Lucem's brick manufacturer "It will depend upon how determined people are to provide black housing, as this is the main area of demand now."

The brick operation was expanded last year as the rise in demand came after a period when capital expenditure was tightly contained. Last year, the group spent a total of R8.8m on capex compared with R11.9m in 1987, most of which was spent in the engineering operation but a fair amount was for increasing production capacity at Nigel Brick and Clay yard by 50% and upgrading the plant at Brickveld Brickworks.

A problem area has been Capeças, where cost increases eroded profitability and a loss is forecast this year. Paull says that Lucem is in the process of considering what action to take, though higher petrol prices should make increased gas prices more acceptable.

As the major portion of the group’s profit is earned from activities linked with the mining industry, chairman Solly Krok expects a slowing in EPS growth. This will be aggravated by the fact that the group will return to a full tax rate. Last year, almost no tax was paid, but the dividend will be unaffected, as the policy has been to calculate it based upon a full tax rate. Dividend cover is 4.7 times, which could be sharply reduced.

The market has been taking these factors into account, though, as the share is on a dividend yield of 8%. This seems high, even with a slower growth in earnings, as the dividend is not likely to be reduced.
Control of Mewa, whose subsidiaries make and distribute stainless steel products and which was involved in merger discussion with Bousmat earlier this year, is to change hands for R7.1 million.

Financial services group Supreme Bond Trust is acquiring a 79.47 percent interest in Mewa from the Rabie family for 79.5c a share, ex-dividend. Minorities will be offered 79.5c.

Mewa’s pre-tax profits for the six months to August are warranted to be not less than R1.4 million. This compares with R2.5 million in the previous financial year.
JOHANNESBURG — Old and new, far from their home, in the heart of the Union of South Africa, 1,800 workers at the wire plant have been fired after plans in the past week of an industrial strike by the South African Wire & Wire Rope Makers' Union. Wages are believed to be the root cause of the dispute, which was settled after negotiations on August 11.
Mossgas contract to provide 900 jobs at Babcock

From PAT CANDIDO

PORT ELIZABETH — Jobs for about 900 people will flow from the fabrication here over the next two years of four large steel modules for the Mossgas production platform.

Babcock, the company recently awarded contracts totalling nearly R100-million for fabricating the modules, says engineering companies in the city will also receive a boost.

The company says it will be fabricating the process, wellhead, power generation and utilities modules and a new company, Babcock Mossel Bay Contractors, has been formed with an overseas company to carry out the work.

Local skilled and unskilled labour will be employed and Babcock will be making use of the services of the Eastcape Training Centre to train people.

A 10ha site on the Charl Malan Quay is to be used for the fabrication of the modules.

Several Babcock engineers and managers have already moved to the city and a temporary office block is being erected.

The modules will be fabricated from 2500 tons of special 50e grade iscor steel and 8km of stainless steel and carbon steel piping. The work on the modules will include the installation of 1200 tons of mechanical equipment.
IRON STEEL
AND ENGINEERING
GENERAL
1988

(No Exported)
It's low-key for Seifsa

RICHARD SAVAGE, who resigned last week as the CEO of Reunert, will continue as president of the Steel and Engineering Industries Federation of SA (Seifsa).

He has accepted a position with an engineering group, but not to disclose details until next month.

Speaking earlier on Seifsa's role, Savage said that some business organisations had not hesitated to express political viewpoints and put pressure on government for change, and welcomed Press publicity, the organisation had adopted a different policy.

"Savage is adamant his employers' association will not be 'manipulated' or become anyone's political tool. Under no circumstances will Seifsa take a high profile in the Press to put pressure or anything else on the government and we will not be drawn into conflicts," says Savage.

"However, if legislation is contemplated that may directly affect our employees in their working environment, or there were to be seriously disadvantaged by such legislation, then we would take the issues up with the various authorities, discuss them and find a solution that is satisfactory to everyone.

'Sefisa has substantial contact with government up to Cabinet Minister level but keeps a low profile about its dealings with it.'

Accessible

"If there is a problem with the police, or trade and industry export allowances or manpower we can make contact with these people — who are always accessible and who give us all the necessary courtesies — and we are very careful not to misuse it," Savage says.

He believes SA will go through some tremendous changes over the next 10 or 15 years, with a massive population explosion and very serious shifts in the political area. Businessmen will be heavily involved in all of it, he says.

"These changes are going to impact on everyone's lives and they are already impacting on businessmen because the blacks are not involved in the tricameral Parliament.

He asks what other way do blacks have to express their political rights except through the trade unions.

"If SA is going to go through these changes it is essential for us industrialists to keep our act together and the top engineering people must meet regularly to discuss subjects such as the RSCs, the new export levies, job discrimination and the Group Areas Act, and we must discuss these things internally so that we can help government in giving them some unified ap-proach — this is more important now than ever before," he says.

Another major area Savage sees is the industrial wage agreement which is negotiated annually. This is becoming even more difficult because the unions — one way or another — are bringing in political issues and there are differences between the predo-nominantly white unions and the black ones.

"The white unions Seifsa has been dealing with over the past 34 years and the black unions are only now emerging and still have to learn the ropes. They will have become more forceful on them to bring in political issues. It is these things that Seifsa will have to see its way through and discuss, including wage negotiations which have become more complex every year," he says.

To Seifsa's credit, wage negotia-tions in the past have been very successful.

Savage is prepared for the changes and says, "What was good for Seifsa 10 years ago may not be so good in the next four or five — we will all have to be flexible."

Seifsa too, has had its own problems because of the recession. With the cut-back in demand for engineering equipment from Sats, the Post Office and Eskom, the membership has remained the same but employment in the industry has fallen quite dramatically.

Companies in the metal and engineering industries are very involved in heavy capital projects, but over the past five years or so there have been substantial cut-backs in capital works and this has seen employment drop from more than 450 000 to 330 000 hourly paid employees. These companies also have a support staff of about 70 000.

Seifsa is very conscious of the need for training and education and its 1987/88 budget for scholarships and bursaries amounts to R703 300.

It has awarded 40 university bursa ries to undergraduate students and four for postgraduate students. Technician bursaries have been awarded to 300 students. Taking engineering courses at Technikons and 130 for teachers from less privileged sectors of the community studying at teacher training colleges to become secondary school teachers.
More dynamism

Activities: A holding company with interests in the steel, engineering and allied industries. Holds a 60% stake in Dobry, 100% of Metkor Industries, 100% of Wispaco, 50% of Apasap Gas and 27.8% of Union Steel.

Control: Rembrandt Industrial Mining Holding has 49.9%.

Chairman: T F Muller, deputy chairman F P Katsee

Capital structure: 108m 50c shares of each

Market capitalisation £R153m

Share market: Price £140c; yields 7.1% on dividend, 18.9% on earnings, PE ratio 6.3, cover 2.7, 12-month high 285c, low 130c.

Trading volume last quarter, 291,000 shares.

Financial: Year to December 30

‘84 ‘85 ‘86 ‘87
Debt
Short-term (Rm) 34.1 194.5 181.9 150.4
Long-term (Rm) 143.9 161.6 87.9 78.4
Debt equity ratio 0.35 0.51 0.31 0.31
Shareholders’ equity 0.55 0.50 0.67 0.94
Int & leasing cover 3.6 1.9 2.6 3.8
Debt cover 0.43 0.23 0.42 0.48

Performance:

Return on cap (%) 8.8 7.1 7.1 11.0
Turnover (Rm) 1,544 1,683 1,737 1,973
Pre-tax profits (Rm) 113 97 86 107
Pre-tax margin (%) 7.3 5.9 5.1 5.7
Taxed profit (Rm) 52 51 52 66
Earnings (c) 21.8 16.7 14.1 26.6
Dividends (c) 7.25 3.0 6.6 10.0
Net worth (c) 298 288 274 292

Benefits appear to be flowing through from the re-organisation and rationalisation announced last year. Earnings per share rose 88% to 26.5c in the year to end-December. Yet the share, after peaking at 285c last year, is back in the 85c-165c range where it has generally traded for the past seven years.

The company — apart from its effective 60% stake in Dobry (see Leaders) — runs some interesting operations. The Hart divi-

sion makes household appliances, hollowware and plastic and metal packaging. Hendler makes similar lines as well as galvanized products and Wispaco makes steel and aluminium doors and window frames and aluminium ladders. These businesses should have growth potential in line with a recovery in consumer spending in the building sector.

Metkor also has links with the mining industry through the manufacture of chain, washers, bright steel bar and roof bolts.

The adverse side to Metkor is that it retains close ties with Sats. The group designs, constructs and maintains railway tracks and makes steel railway tyres.

However, last year’s surge in EPS did not come only from higher taxed profits. Benefits of a 21% increase in operating profit and an 11% decrease in the interest bill were partly offset by increased tax, as the tax bill doubled last year to R15.8m (R7.7m). Biggest boost came below the line income attributable to outside shareholders dropped from 7% to 6% of taxed profits and thus was the main reason why EPS soared by 88%.

Diversification away from mechanical engineering (Dobry) and railway holdings (the latter has been probably hurt by Sats present capex squeeze), makes the share look more interesting. Hendler’s houseware, hollowware, enamel and stainless steel products are a new acquisition Sandvik’s saw and hand tool business was acquired last year to complement the group’s Lasker business, while another acquisition, Gravity Ladders, has been added to Wispaco.

These activities suggest that Metkor is becoming more aggressive. While Dobry may take a couple of years to grow its earnings, suggestions of a greater dynamism in the operating divisions make the share look worth watching, even though the 10c (6.5c) dividend did not measure up to the increase in earnings. At 140c, Metkor stands on a 5.3 times p/e compared with Dobry’s 5.2 times and the engineering sector average of 7.1 times.

Dave Edwards
Angry words at Ccawusa talks

BY MONO BADELA

The troubled Commercial, Catering and Allied Workers Union of South Africa (Ccawusa) stumbled over the second last hurdle towards unity on Sunday — bruising its shins badly.

At Sunday's annual general meeting of the Johannesburg branch, the largest in Ccawusa, one of the two rival factions dissociated itself from proceedings, describing branch elections at the meeting as "undemocratic and unfair".

The Johannesburg branch was the sixth of eight to hold AGMs before a national conference due on May 15. Two factions are contesting leadership of the union: a pro-Freedom Charter group under the leadership of Papi Kgana and an opposing group led by national secretary Vivian Mtwa.

It was the Kgana group which refused to participate in Sunday's proceedings, seeking observer status. Five of the eight branches have elected delegates to support the Kgana group at the convention: the Pretoria branch is the only position they are well able to afford increases substantially above inflation.

The IMF unions are also demanding:

- A 40-hour week (at present the industrial council agreement specifies a 45-hour week).
- An increase in overtime rates.
- Six months' paid maternity leave (the present agreement grants only unpaid leave) and 14 days' paternity leave.
- March 21, May 1 and June 16 as public holidays.
- A guaranteed annual wage.

The negotiations could see a dispute declared almost as soon as they open.

The IMF unions want a response from Sefsa to the Labour Relations Bill at the opening of negotiations —
**Wage talks begin**

Negotiation to set new wage rates and employment conditions in the metal industry for the year starting June, began in Germiston this week, with Seifsa batting on behalf of the industry.

The negotiating forum is the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry. Currently, there are 50 employer and 50 employee representatives on the council. Their industrial agreement is given force of law by being gazetted and thus applies to all employers and workers in the industry whether or not they sign the agreement. This in effect prevented the strike called by the Metal and Allied Workers Union (Mawu) — which is now part of Numsa — last year.

The metal sector represented by Seifsa embraces more than 9,000 firms employing about 326,000 people — or more than a third of the work force engaged in all manufacturing activity in SA.

Two main union groupings are involved. There are the four affiliated to the SA Council of the International Metalworkers' Federation (IMF), which includes Cosatu and Nactu affiliates and speaks for 129,000 workers.

The second, smaller and more conservative group comprises nine older unions, including an independent, under the Confederation of Metal and Building Unions (CMBU), whose biggest member is the SA Blacksmiths and Boilermakers. The CMBU represents some 98,000 workers.

While Seifsa could not divulge its wage proposals before Tuesday's meeting, the union's opening demands for amending the industry's Main Agreement have been announced.

The IMF unions are seeking a R3.61 increase to the minimum hourly rate, which would make it R9.50, and R1.50 an hour across the board. They also want the working week reduced to 40 hours from 45, more overtime pay, six months' paid maternity leave and two weeks' paternity leave; paid holidays on March 21, May 1 and June 16; and a guaranteed annual wage.

The CMBU wants a 20% increase in the minimum rate. Seifsa's opening offer is, of course, unlikely to match the unions' demands — especially those of the IMF unions, which will also want employers to oppose the Bill amending the Labour Relations Act, as well as the latest restrictions on unions' "political" activities.
FSI shares tripled

JOHANNESBURG — FSI Industries' interim results — the first since the acquisition of W and A — reflect earnings a share more than tripled to 41.6c (13.4c) in the six months to end-December compared with the same period in 1986.

FSI says earnings for the 12 months to end-June will "materially" exceed the annual report forecast of 69c a share.

A maiden interim dividend of 10c is to be paid — close to the 12 cents for the whole of last year, when the 1986 payout was doubled.

FS Group, the FSI pyramid, is to pay a maiden interim of 5c.

Operating profit at FSI leapt from R15m to R82.4m, in the six months and pre-tax profit climbed more than 400 per cent to R47m (R9m).

Attributable profit was up from R5.1m to R17m — barely R750 000 below the total for the whole 1987 financial year — Sapa.
**Growth from within**

Anglo's expansion of its industrial interests held in Anglo American Industrial Corp (Amic) has been a more low-key affair than the growth of other conglomerates such as Barlow Rand, or even Malbak.

Unlike most other diversified industrial groups, Amic made few acquisitions in recent years when management chose to take a more introspective approach and invest in grassroots projects and modernisation. It has poured funds into the R1bn Mopani pulp mill

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**Amic has concentrated on capital-intensive industries which require substantial investment. Now it is benefiting from earlier spending.**

at Richards Bay, built a second iron plant at Highveld Steel, nursed the haemorrhaging Samcor back into profits and continued the expansion of drilling and exploration company Boart International.

In the four years from 1982 to 1985, shareholders saw dividends pegged at 180c per share while earnings per share crashed by 48% from the 663c peak of 1981. By end-1987, earnings were back up to 663c, the dividend had been lifted to 225c, total borrowings including redeemable prefs were chopped back during the year by R343m and the major capital projects were coming fully
on stream with promise of more surging profits.

Amic chairman Graham Bousted, who is also a deputy chairman of Anglo American, sees little reason to change the basic philosophy: "At the moment it seems to be working OK," he says "Our results speak for themselves.

In its structure the group must be easily the most decentralised of SA’s industrial conglomerates. The head office team is small, essentially comprising Bousted, Highveld chairman Leslie Boyd, another Amic director Brian Bullet and a small administrative staff. This does not mean Amic gets by without other central services when necessary it calls on the financial, administrative, legal, industrial relations and other resources of 44 Main Street. These are unlikely to come cheaply but would certainly be less costly than employing in-house specialists.

In another sense, however, there is a highly centralising force at work in Amic. This exists largely in the dominant personality of Bousted, who entered the Anglo group when it acquired Seaw Metals in the Sixties. Bousted subsequently served as chairman of Highveld Steel and remains chairman of Amconal, which he built up into SA’s largest coal producer.

Avidly conservative by temperament, he professes disdain for growth by "shuffling paper around" and says he is happier pursuing organic growth. "We all prefer to do things we enjoy," he points out. "I was originally a geologist, and I remain a geologist at heart."

Amic’s last major acquisition was the purchase in 1984 of a 20% stake in Venteron, holding company of Bill Venter's Altron group. After this move into high technology (it also holds a direct 7% of Altron and 6% of Powertech), which filled a conspicuous gap in the product range, the group again turned inward, save only for the exchange of its original stake in Freight Services for 25% of Rennies during the Rennies-Safmarine merger in 1985.

It would be idle to argue that acquisitions have not played a big part in the expansion of the group. It lists only six operating subsidiaries compared with 12 principal associates and investments (see organogram), and the latter include sizeable stakes in some of SA’s biggest industrial companies. But a number of the associates were shifted into Amic from elsewhere in the Anglo group, particularly during the Debnor restructuring in 1982 when interests such as AECl and Tongaat were acquired.

Some acquisitions have been made by subsidiaries and associates, including AECl, Haggle and Venteron. By and large, however, management has eschewed an aggressive chase after acquisitions. Bousted says it has been a deliberate strategy to concentrate on building the major subsidiaries — for pragmatic reasons as well as temperament.

He says candidly that one practical consideration was that the group’s share price generally had not been at levels to encourage takeovers by issuing scrip. Another, perhaps more important, constraint was that the internal projects were soaking up cash and pushing up borrowings. The Mondi mill, for example, was started almost a decade ago and expenditure was building up rapidly during the early Eighties when the economy turned downwards.

Now some benefits are being reaped. From 1985 to 1987, Mondi’s attributable earnings jumped from R11m to R95m, Highveld’s rose from R41m to R57m, and Boart’s from R35m to R63m. In the associates, most performances were improving, particularly at AECl, the biggest single contributor to equity-accounted earnings. Heavy capital spending and export allowances helped to keep group tax payments down — the rate was 10% last year and gross cash flow rose by 32% or R152m to R634m although group turnover was up by only 13%.

This not only means a last year’s 28% earnings advance, but also to a stronger balance sheet. With debt down from the year ago R593m to R535m, gearing on gross borrowings was reduced to 0.47 from 0.71, while cash balances stood at R146m (R153m).

Apart from the rising cash inflow, Bousted says that both Mondi and Highveld, the major borrowers, have put "tremendous efforts" into asset management and containment of capital expenditure so as to get debt down in addition, the group raised R113m in equity funds last year when holders of 2.5m options exercised their rights to subscribe for new Amic ords at R45 a share. This was used to repay debt in Mondi and Highveld after issue of preference shares.

Exposure to foreign exchange losses has ended. In 1985, there were deferred exchange losses of R48m to be amortised over the remaining lives of the relevant long-term loans. Write-offs were actually accelerated and a R31m loss was realised in 1986, followed by a R14m write-back last year, at year-end there were no uncovered foreign loans.

The interest bill was slashed by R24m to R46m last year but could rise again because of higher rates. Bousted says that this year’s borrowings are expected to remain around present levels or fall only slightly lower, as capital spending will continue. He stresses that the group is largely involved in capital-intensive industries where heavy investment in modernisation and technology is essential to attain quality and capacity requirements.

With the pulp mill on stream, Mondi is likely to make "quite significant" investments in other operations, particularly in the board mill division. "We really have to do something about the output and quality of board," Bousted says. "There is a shortage of board and the quality of..."
the product manufactured in this country is not up to the latest international standards.”

Highveld has had no major capital programme since its second iron plant, officially opened in February 1987. Other projects are now being considered, but until a decision is taken policy remains to keep a tight rein on capex and reduce debt further. Scaw Metals is busy with a R50m sponge iron project, and Boart International will remain a substantial spender.

Some of the associates have large capital programmes, particularly AECI. As the associates are equity accounted this will not affect Amie’s balance sheet. But, Bousted points out, the group has to keep considering the possibility of an AECI rights issue which may be necessary to support its mooted synfuel venture — if and when this goes ahead.

Dividend cover was increased this year, rising to 2.9 times from the low of 1.8 in 1984. But this remains low compared with historical levels which were as high as 4.0 in the early Eighties, and Bousted says it could easily go higher, apart from capital spending, costs remain under pressure from inflation and currency fluctuations have squeezed international margins.

Even though management is keeping an eye on rising interest rates and the possibility of another slowdown in the economy, there is little sign yet that earnings will run out of steam soon. “None of our companies is on a plateau,” says Bousted. Benefits from the recent projects will continue, there should be further gains from growth in the economy, and the investments being planned at present should help towards a new growth phase later. Despite the large spread of interests, the efficacy of previous internal investment is clear. More than 75% of 1987 equity earnings of R346m was derived from four companies, of which three are subsidiaries AECI (24.3% of the earnings), Boart (18.1%), Mendi (17.3%) and Scaw Metals (16.1%). A further 14.5% came from Highveld (8.5%) and Tongaat-Hulett (6%).

The bulk of the subsidiaries and investments are dependent mainly on either fixed investment in the local economy or are exporters which rely on activity in foreign markets — the key economic indicators to watch. Even so, many of the products manufactured by group companies do end up in consumer markets — including structural timber, paper and packaging from Mendi, steel for the motor industry from Highveld, plastics and chemicals from AECI, electronics from Ventrion, motors from Samcor and McCarthy, and food, building materials and bricks from Tongaat.

With the gold mining industry an important customer for Amie’s major contributors, there is reason for concern about the cost squeeze on the gold mines. Cutbacks in the mining industry’s expenditure would be adverse for groups like Boart, but Boart, like other fellow subsidiaries Highveld and Mendi, is active in world markets and would benefit from rand weakness. The worldwide boom in gold prospecting and exploration has helped boost Boart’s profits, but in view of the uncertain gold price and world economy, management says it may be difficult for Boart to repeat the 1987 results in real terms.

Currency fluctuations could also be important for motor manufacturer Samcor, which is now contributing a profit. Bousted says that current activity will remain vital for the company and the rand/yen rate will have to be watched. A more important contributor this year should be Tongaat, involved in food, building materials and textiles, which should show further recovery off its low base.

Mendi should keep growing at operating level, but it is budgeting for unchanged earnings this year owing to rising deferred taxation. Mendi could also be affected this year by the new minimum tax on companies — as could Amie as a whole — and management is currently assessing the implications for cash flow and the financial structure, which could need adjustments.

Overall, growth should continue for some time and the conservative approach of organic expansion could stay in place. But it would be a mistake to assume that Anglo’s industrial group will abstain from other forms of growth indefinitely. It now has greater financial flexibility to make acquisitions. And Amie is currently assessing directions. Bousted says that a high-level committee has been formed — comprising executives from Amie and Anglo and including specialist personnel — to identify opportunities for investment, with the emphasis on changing technologies.

Andrew McNulty
Pay increase talks resume

By Mike Siliena,
Labour Reporter

Negotiations aimed at setting 1988 wage increases for more than 320,000 metal industry employees resumed yesterday.

The Steel and Engineering Industries Federation (Seifsa) met representatives of the National Union of Mineworkers, the SA Iron, Steel and Allied Industries' Union, affiliates of the International Metalworkers' Federation (IMF), and the Confederation of Metal and Building Unions (CMBU).

IMF unions have demanded a R1.50 across-the-board hourly increase plus a minimum wage of R5 an hour for labourers and a R1.50 an hour rise for artisans.

The rest of the unions proposed increases ranging from 52c an hour for labourers to R1.31 an hour for artisans.

The employers offered increases in hourly pay for labourers of 21c and 52c for artisans.
Corrosion costs SA R6.8bn

CSIR Launches Major Research Programme

The CSIR has launched a major research programme to address the high cost of corrosion in South Africa. The programme, known as the Corrosion Research Programme (CRP), aims to develop new technologies and methodologies to mitigate the effects of corrosion on infrastructure, industries, and the economy.

Corrosion is a significant issue in South Africa, with an estimated cost of R6.8 billion per year. The CRP is funded by the Department of Science and Technology (DST) and is led by the CSIR's Materials Engineering and Manufacturing (MEM) division.

The programme will focus on developing innovative solutions to corrosion problems, such as the development of new materials that are resistant to corrosion, the improvement of existing materials, and the development of new technologies for monitoring and preventing corrosion.

The CRP will also involve collaboration with universities, industry, and other research institutions to ensure that the research is relevant and applicable to the needs of South Africa.

The CSIR is committed to addressing the high cost of corrosion in South Africa and believe that the CRP will make a significant contribution to reducing this cost and improving the country's economic performance.
Metal workers want to settle without Bill

Own Correspondent
Johannesburg — Trade unions representing 130,000, mostly black, workers in the metal industry have asked the Steel and Engineering Industries Federation of South Africa (Seifsa) to negotiate a set of dispute settlement procedures, outside the official structures, in an attempt to avoid having to operate in terms of the pending Labour Relations Amendment Bill.

The proposal, made at Tuesday's industrial council wage talks, came days after National Union of Mineworkers general secretary Mr Cyril Ramaphosa told a Cape Town conference employers should enter into such agreements with unions.

Mr Ramaphosa said unions would, in return, have to undertake that strikes took place in an orderly fashion.

Key issue
These developments suggest this could become one of the key labour issues of the next few years.

Certain prominent individual employers — including SAB, ASCL and Premier — have indicated their willingness to negotiate deals. But this is the first time it has been proposed at industry level.

The five metal unions party to the proposal are affiliates of the International Metalworkers' Federation (IMF).

Seifsa director Mr Brian Angus said that while the organization had not yet considered the proposal it had indicated it was open to discussion.

The secretary of the local IMF council, Mr Brian Fredericks, said the unions had proposed that all dismissal, recognition, retrenchment and collective bargaining disputes be referred to compulsory arbitration, after an expedited conciliation process. A panel of mutually agreed arbitrators should be set up.

Right to strike
In addition, he said, Seifsa should accede to union rights to strike.

This encompassed an undertaking that no disciplinary action (including dismissal) would be taken against workers who had complied with agreed procedures and whose actions were authorized by their union.

And employers should, in the event of wildcat strikes, give unions 48 hours to resolve the matter before disciplinary action is taken.

Mr Fredericks said such a system could well include a set of definitions of unfair labour practices agreed between unions and employers.

The IMF unions have also asked Seifsa publically to oppose the Bill and have submitted, in writing, their detailed objections to the Bill.

Mr Angus said Seifsa would soon give a detailed response to the unions' submissions. However, it would not reject the entire Bill as it believed that despite various shortcomings, it contained much of value.

At Tuesday's negotiations Seifsa increased its wage offer to 12.2% on the bottom rate down to 10.1% for artisans. The IMF unions reduced their demands to 53% on the bottom rate, while the latest CMBU demand is 13%
Metal unions' target: colour-blind pay

By EDDIE KOCH

Engineering Industries Federation of South Africa (Seifsa) The move marks an unprecedented alliance between members of the rival union federations.

"The anomalies in wages have arisen because, historically, Seifsa has negotiated wage increases with mainly white unions, that are primarily concerned with the interests of their members, and then extended these to unskilled workers who are mostly black," said Frederckse.

Seifsa director Brian Angus agreed that anomalies in the system of wage rates existed and said an in-principle agreement had been reached with the unions to investigate ways of eliminating these.

He also acknowledged that most workers at the lower end of the skills categories were black but denied any racial discrimination in the wage system. "Each rate is for the job done and this is paid irrespective of race."

He rejected the IMF unions' argument that increases had been unilaterally imposed on black workers in the past and said the Natau affiliates had been party to last year's agreement.

The other major issue likely to arise at the next round of talks, due to take place on May 10, is the IMF unions' demand that Seifsa sign an agreement that will bypass provisions of the Labour Relations Amendment Bill that are designed to contain the strength of militant unions.

Frederckse said Seifsa was expected to reply in writing by the end of the week to complaints about the Bill that had been drawn up by IMF unions.
Robor benefits from productivity boost

By Ann Crotty

Stronger demand and improved productivity have helped Barlow subsidiary Robor Industrial Holdings to report a 67 percent surge in earnings to 49,5c a share in the six months to end-March.

The group enjoyed a significant recovery in demand for its products in both local and overseas markets and was able to boost turnover by 26 percent from R213 million to R265 million.

The improvement at the operating income level was substantially greater due to the group’s enhanced productivity which saw operating margins up from 5.5 percent to 7.7 percent. The improved margins and the increased turnover combined to produce a massive 78 percent surge in operating profit from R10.9 million to R19.2 million.

Interest paid was up 89 percent to R1.4 million from R735,000. Managing director Jack Crutchley points out that the higher interest bill is a function of working capital requirements which increased in line with the improved trading position.

The group’s balance sheet at end-March shows working capital up only 13.3 percent to R96 million (R84.7 million). A 27 percent increase in stock to R130 million was chief reason for the 20 percent rise in current assets.

But the surge in interest payments appears to reflect the more than doubling of short-term loans to R44 million (R20.5 million).

Pre-tax profit was up 75 percent to R19.2 million. This got a bit of a knock, from a 123 percent increase in tax (normal and deferred) to R3.3 million (R1.4 million). Mr Crutchley notes that the more than doubling of the tax bill reflects the greater domestic component in the marketing mix.

Attributable profit was up 67 percent to R15.8 million (R9.4 million) and an interim dividend of 16c (10c) a share has been declared.

Looking to the second half of the year, Mr Crutchley believes that domestic demand in the engineering and construction sectors will show further improvement for the remainder of 1988 but that margins will remain most competitive.

“Profitability should exceed that of the first half provided the annual wage negotiations are settled in a responsible fashion.”
Darmag's 2c maiden

Darmag, the diversified industrial group, yesterday reported a 60.5 percent increase in attributable income to R2.3 million (R1.4 million) for the year to February.

Earnings a share were 11c (7.6c). A maiden dividend of 2c is being paid.

The improvement flowed largely from substantial tax savings, tax falling from R1.7 million to R84 000.

Net income before tax was marginally down at R2.7 million (R2.8 million), despite higher-than-forecast turnover of R18.9 million (R15.6 million).

Managing director Monty Dersley foresees further substantial tax savings and improved performance in the current year. — Sapa
Union wins R400 000 for its workers

Own Correspondent

JOHANNESBURG — The National Union of Metalworkers of SA (Numsa) has negotiated a R400 000 disinvestment deal with UK-based Gallaher Ltd, which has just sold off its subsidiary Mono Pumps to Maibak’s Fluid Corporation.

After an all-day negotiating session last Thursday with Gallaher representatives, Mr Michael Kettle, it was agreed Gallaher would finance a R200 000 trust fund, while a similar amount would be paid out in equal portions to the firm’s 250 employees, said shop steward chairman Mr Abraham Motha.

The settlement followed a union campaign locally and overseas since the sale was announced in March.

Mr Motha said the total payout was not so much as was hoped for. However, members were satisfied with the deal as, till Thursday, Gallaher had resisted any immediate payout to workers at all. "The R575 per person half-loaf was better than none," he said.

The trust fund, to be established after lawyers draw up a set of rules, will be administered by one person elected by hourly-paid employees, one union official, one representative of salaried staff and two nominees of an investment company.

The intention is to allow the fund to build up its capital for about a year. Thereafter, Mr Motha expected, funds would be used mainly as housing loans to employees.

Mr Kettle left for the UK on Friday morning and could not be reached for comment.
JOHANNESBURG. — The National Union of Metalworkers of SA (Numsa), in its proposals for the 1988 wage talks with Iscor, has demanded a R5-an-hour minimum wage and that it undertake to end all racial discrimination. The wage demand is R2.71 above the present minimum for the lowest-grade workers.
Wedge on course to see R100-m turnover

After four-and-a-half-months trading in the current financial year, Wedge Holdings feels its is in “excellent” shape to meet or beat its turnover and profit targets for the 12 months.

This emerged at the annual meeting in Germiston today, where chairman Peter Thomas told shareholders that the group was on target to achieve a turnover of R100 million this year.

Last year turnover jumped 119 percent to R57.8 million.

Thomas said management was continuing to pay close attention to overheads and he was confident that a further substantial increase in taxed profits would be achieved.

“As far as trading conditions are concerned, the market has firmed since the beginning of the year although prices are still extremely competitive,” he noted. — Sapa
Simchowitz has pivotal role in FS restructuring

By Magnus Heystek, Finance Editor

Mr Manny Simchowitz and the other minority shareholders in London-quoted AAF Finance find themselves in a pivotal position regarding the proposed restructuring of the FS Group, virtually dictating terms with regard to any offer to minority shareholders in at least three quoted companies in the FS fold.

Mr Simchowitz was chief executive of the W&A group of companies until he sold control to the FS Group for R100 million in September last year. He also was chairman of AAF but has since been appointed non-executive director on the grounds of his 11 percent shareholding remaining in the company.

The minority shareholders in AAF have already scuttled the planned trading company Mr Brian Joffe and FS Industries hoped to create out of Aurochs, a locally quoted company in which AAF has an indirect interest via its 50 percent holding in Hunts.

Hunts, part of the W&A group of companies, is the immediate effective holding company of Aurochs, owning 37 percent of the equity.

The proposed deal wherein Mr Joffe, in partnership with FSI, was to acquire Aurochs from Hunts and create a trading organisation (after the disposal of the property assets) was called off after it was intimidated by Mr Simchowitz and other minority shareholders in AAF that they would block the deal on grounds of it being a class 4 transaction in terms of the rules of the London stock exchange.

In terms of this ruling a company (in this case FSI, Hunts and Aurochs) cannot be seen dealing with itself, leaving it to the minority shareholders to accept or reject any proposed deal.

Speaking from Los Angeles last night Mr Simchowitz reacted to the report in The Star yesterday saying that he and other important minority shareholders were not satisfied with the offer made to Aurochs on "commercial grounds".

"Shareholders at the recent annual meeting of AAF also expressed concern about the way the company was being run," Mr Simchowitz said. In this instance he was referring to Mr Joffe’s resignation as chief executive of AAF in January, his re-appointment in April which was again followed by another resignation in May.

This appraisal of Mr Joffe’s management abilities, however, differs sharply from the latest annual report of W&A in which high praise is expressed for Mr Joffe.

Mr Philip Jacobson, chairman of W&A has the following to say about Mr Joffe: "Brian embodies a rare mix of a razor-sharp business brain, accuracy of thought, and a calm, reasoning manner. His stewardship of the group’s fortunes will, I trust, continue for many years."

However Mr Joffe announced his resignation as chief executive of W&A two weeks ago together with his intention to use the cash shell of Aurochs to build a major trading company. He was not available for comment yesterday.

According to JSE analysts Mr Simchowitz will virtually be able to dictate the offers made to minorities in Hunts, General Tyres and Tarrys, all three companies quoted on the JSE.

When asked whether he intended selling the shareholding of 11 percent he has in AAF Mr Simchowitz said: "I will sell anything if the price is right."

Mr Jeff Liebesman, chief executive of FS Industries, the new controlling shareholder of the W&A group of companies at was not prepared to discuss the matter yesterday, saying that the restructuring is nearing completion and that an announcement would be made within two weeks.
Breath-taking Year for FinTech
NO PRODUCTION AT AUTOMOBILE PLANTS

THE output of the entire South African motor industry came to a standstill yesterday as all seven major assembly plants closed down in response to stayaway threats to production track schedules.

The National Association of Automobile Manufacturers confirmed that production would also be at a standstill at all seven plants today. Certain producers had decided not to resume assembly tracks until tomorrow or Thursday.

NAAMSA executive director, Mr Nico Vermeulen, estimated that between 20,000 and 25,000 production workers were directly affected. Only salaried staff and administrative employees remained at work.

The closures would halt production of all passenger cars and commercial vehicles.

The Steel and Engineering Industries Federation reported that while certain big factories had been hit by 100 percent stayaways, others had a full labour force at work and operations were normal.

Seifa spokesman, Mr Hendrik van der Heever, said the stayaway by workers in the industrial division run by Barlow Rand on the Reef was almost 100 percent yet at the Highveld Steel Corporation works at Witbank the stayaway had been totally ignored.

In Cape Town, about 70 percent of factory labour forces had ignored the stayaway and in Durban about 80 percent of workers in the non-ferrous metals sector had reported for work as normal.
Toco pips prospectus forecast at the post

By Ann Crothy

Columba subsidiary, Toco Holdings, which is involved in industrial marketing and was listed on the JSE last September, has reported a 56 percent increase in its turnover index and a 100 percent improvement at the pre-tax-profit level.

The annualised results for the seven months to March show a pre-tax profit up from R4.9 million in the thirteen months to March 1987 to R9.9 million. With the effective tax rate down from 50 percent to 26 percent due to export activities, the improvement at the earnings level was an even stronger 192 percent, up from R2.5 million to an annualised R7.3 million. The increase in the weighted number of shares in issue, from 32.5 million to 62.2 million, diluted the improvement at the per-share level to 54 percent, equivalent to 11.7c (7.5c).

The performance at the per-share level is just slightly ahead of the prospectus forecast of 11.5c. A dividend of 4.5c a share has been declared.

Last October, Toco acquired seven companies in a deal worth R3.7 million, which was forecast to add at least R2 million to group 1989 pre-tax profits.

The directors are optimistic about prospects, saying it is the first year that all the divisions will be operating for a full year as an integrated, rationalised unit.

"A substantial portion of the rationalisation and strategic planning programme, originally earmarked for 1989, was actually completed in the review period."
Eurefin's puzzling share price

ANN CROTTY

With details of the Eurefin deal expected to be announced within the next few days it is somewhat puzzling that the share has not attracted more interest.

Eurefin's assets comprise R30 million cash and Atlas-Utass which is estimated to be worth about R25 million. The plans are for Eureka, which has a 40 percent stake in Eurefin, to strip out Atlas-Utass and then sell Eurefin as a R30 million cash shell.

Eurefin has just over 7 million shares in issue which means that the cash value alone is equivalent to 400c a share. Toss in another 30c a share for Atlas-Utass and the share price should be closer to 700c. This amount should be increased further in order to allow for a premium for the cash shell.

As the market sees it the minority shareholders in Eurefin are likely to be offered just over 400c a share for the cash portion as well as a share in the separated Atlas-Utass.

If somebody of the calibre of Brian Joffe is the buyer of the cash shell, it is unlikely that many of the minorities will accept the cash offer and will instead opt to remain in for the ride. This means that the shell buyer stands to get access to R30 million cash for an outlay of just R12 million, which is what will have to be paid to Eureka for its 40 percent stake.
Metal workers fail to hammer out differences

By Alison Campbell

A MAJOR strike is looming in the metal industry because of an impasse between Sefsa represented employers and unions affiliated to the International Metalworkers Federation (IMF) during their annual wage negotiations.

Four unions, representing some 129 000 workers, have decided to hold wage strike ballots after declaring themselves in dispute with industry employers.

A spokesman for the IMF unions says a ballot will be held among members on July 20. Votes will be counted three days later.

Last year's negotiations ran into similar problems with the then Metal and Allied Workers Union (MAWU) refusing to support the industrial council's main agreement and resolving to strike on the wage issue.

The strike was rendered illegal by a controversial last-minute renewal of the previous year's agreement.

MAWU has since merged with other unions to form the National Union of Metal Workers of South Africa (NUMSA).

Sefsa chief executive Brian Angus says this year Manpower Minister Piet du Plessis is likely to be asked to renew the main agreement — which expires at the end of the month — excluding the four IMF-affiliated unions.

This would clear the way for a legal strike to take place.

Mr Angus has denied IMF union claims that Sefsa and the NUMSA unions are planning to extend the existing main agreement in order to make the proposed strike illegal.

The latest round of negotiations saw the IMF unions bid for an increase of R1.04 per hour for labourers (a 40% increase), down from original demands made in March for a R1.50 across the board hourly wage.

Employers put their final offer at a 41 cents per hour increase for labourers — a raise of 15.7%.
By Sven Forssman

Mr Ed Ashe, managing director of 3M South Africa, this week laid to rest speculation that the company was planning to disinvest from South Africa.

"3M South Africa has been established in the country for some 30 years and is fully conscious of its responsibility to its customers and employees. We have no plans to withdraw," Mr Ashe said.

"And at the company's annual shareholders meeting in Minnesota recently, a proposal by the National Council of Churches of Christ in America for the company to withdraw from South Africa was defeated."

More than 90 percent of the shareholders voted against the proposal.

Mr Ashe added that 3M South Africa, which has 850 employees with its head office at Elandsfontein, had in recent years concentrated on acquiring locally sourced raw materials.

Chairman and chief executive officer of 3M St Paul, Minnesota, Mr Allen Jacobson, told investors recently that one of the company's strategies was to "expand global penetration."

He said although 3M derived 40 percent of its sales from international operations—of which the South African subsidiary contributed one percent—he saw large opportunities for further growth because the market share remained well below what it was in the US.

"To capitalise on this opportunity, 3M is systematically strengthening every area of its global operations with regards to research, manufacturing and marketing."

The company ranks 37th in sales on the list of the 500 largest US industrial companies. In 1987, 3M earned $918 million.
Order books at highest level since 1981 — Seifsa

Order books in many sectors of the metal and engineering industries are currently at their highest levels since 1981, says the Steel and Engineering Industries Federation (Seifsa) in its quarterly survey.

Companies report new orders are up by about 9.5 percent on the previous quarter and by as much as 30 percent over the 1987 average. The also report the trend is continuing in the current quarter, although manufacturers of consumer durables and semi-durables are starting to see some levelling off of demand.

Seifsa says that business conditions have been consistently improving since the middle of 1987 and that there was considerable improvement in production volumes in the first quarter of this year, compared with the same period last year.

Volumes increased by 5.6 percent in this period, but only registered a three percent increase over the last quarter of 1987 and 2.8 percent on 1987 as a whole.

Seifsa says "In comparison, total manufacturing, of which the metal and engineering industries represent about a third, showed a 6.1 percent increase in physical volumes in the first quarter."

The survey also shows that total manufacturing output increased by 0.5 percent on the 1987 figure and that the first quarter was one percent down on the figure for the same period in 1987.

Seifsa says "In the metal and engineering industries, it is expected that major capital projects such as Mossel Bay and possibly other synfuel project will lift sectors of the industry, especially the heavy engineering and construction sectors to further improved levels later this year."

"However, the consumer-led recovery, which began during the second half of 1987 and which has continued into 1988 with only a minor levelling off in demand, shows signs of weakness."

"Efforts to combat inflation through restraint on wage increases and higher interest rates may further dampen demand during the rest of 1988 and it is not at all certain whether the recovery is sustainable into 1989." — Sapa
Demand soars in metal and engineering

ORDER books in many sectors of the metal and engineering industries are at their highest levels since 1981, the Steel and Engineering Industries Federation (Seifsa) says in its latest quarter survey.

Companies reported that new orders are up by about 5.5% on the previous quarter and by as much as 30% over the 1987 average. They see the trend continuing into the second quarter although manufacturers of consumer durables and semi-durables are starting to report some leveling off in demand.

Seifsa says business conditions have been consistently improving since the middle of 1987 and that there has been considerable improvement in production volume in the first quarter of this year compared with the same period last year.

Volumes increased by 5.6% in this period but only registered a 3% increase over the last quarter of 1987 and 2.8% on 1987 as a whole.

"In comparison total manufacturing in SA (of which the metal and engineering industries represent about a third) showed a 6.1% increase in physical volumes in the first quarter."

The survey also showed that total manufacturing only increased by 0.5% on the 1987 figure and that the first quarter was 1% down on the figure for the same period in 1987.

As regards the metal and engineering sectors, Seifsa says "Efforts to combat inflation through restraints on wage increases and higher interest rates may further dampen demand during the rest of 1988 and it is not at all certain whether the recovery is sustainable into 1989."

Also, exports would have to improve — Saps.
Unions warn of strike ballots
Steel Industry braces as four
weekly mail, June 11 to June 22, 1988

BY EDWIN KOCK

Unions warn of strike ballots
Steel Industry braces as four

Weekly Mail, June 11 to June 22, 1988

BY EDWIN KOCK
SA metalworkers plan strike ballot

By KERRY CULLINAN

About 129 000 metalworkers are to cast votes in strike ballots starting on Monday.

This follows the failure of their unions and employers — who are grouped in the Steel and Engineering Industries Federation of SA — to reach agreement over wage increases.

The National Union of Electrical and Allied Workers Trade Union of SA and the Engineering and Allied Workers Union — both members of the International Metalworkers Federation — declared a dispute with Seifsa after their demand for a 46 percent wage increase was refused.

Seifsa has indicated that its final offer stands at a 15 percent increase for unskilled workers and an 11 percent increase for skilled workers.

Meanwhile, the CMBU unions, which represent 60 000 workers and have also been party to wage negotiations with Seifsa, have decided to accept the employer body's offer.

Metalworkers' grievances have been building up since last year. However, the IMF has made it clear that it will oppose the extension of the agreement this year, as it believes it was agreed to by a minority.

Although member unions of the IMF hold differing views, with Numsa affiliated to Coasa and Seawus to Nactu, co-operation over the wage negotiations has been good.

Not only have officials from the four unions been meeting, but this week a meeting of 530 Transvaal shop stewards belonging to the four different unions, was held to plan further action.

"We believe that working with the other three unions has been constructive," said a Numsa spokesperson. "Should the IMF unions decide to strike, the IMF unions will hold."
Hudaco earnings rise by 42% (89)

Own Correspondent

JOHANNESBURG. — Hudaco Industries achieved a strong profit advance in the first half of the year and, with 1987's acquisitions now fully integrated, is looking for a major strategic acquisition.

Earnings for the six months to May increased by 42% to 33.4c a share (23.6c a share) while the interim dividend has been raised by 50% to 15c (10c).

All three divisions — Deutz Dieelpower, bearings and power transmission — contributed to a 33% rise in turnover to R119,96m (R90,43m) with operating profit up 22% to R11,2m (R9,17m).

The group incurred net finance costs of R1,1m (R63,000 income in 1987 half-year). The tax rate was 44%.

Hudaco's continued earnings growth, coupled with strong cash generation in the past six months, resulted in borrowings being cut substantially to R9,5m at the end of May from R20m at the end of December 1987.

The group is now in trim shape following integration of acquisitions, including restructuring of the power transmission division through the disposal of both Terraquip and the Frencorp listed shell to Duros.

Stock turnaround has improved — stocks are down at R34,3m (R47,2m at the end of December) — and management's handling of the restructuring augurs well for an acquisition.

Hudaco directors say in the interim report that further earnings growth is expected in the second half of the year, which is traditionally better than the first half.

The shares have lifted off their low and are currently trading at 490c.
Hudaco to seek major acquisition

Hudaco Industries, after showing earnings growth of 42 percent to 33.4c a share for the six months to end-May, has hinted that it is looking for a major acquisition soon. Hudaco upped its interim payments by 50 percent to 15c.

Commenting on the results the directors said that against the background of strong management, combined with positive cashflow, Hudaco was well resourced to identify a major strategic acquisition in the medium term.

The stronger balance sheet derives largely from the successful integration of major acquisitions made in 1987 and the restructuring of the power transmission division, through the disposal of both Terracup and the Prenocorp listed shell.

The directors expect earnings growth to continue in the second six months.
METAL INDUSTRY

Wedges in the deadlock

Seifsa's Angus ... May Day bargaining chip offered

The unions grouped together under the International Metalworkers' Federation (IMF) are unperturbed by Seifsa's objection to their allegedly "illegal and defective" strike ballot papers. If indeed they are, this could, of course, spell the unions' planned strike against the steel and engineering sector - assuming the ballot result, expected this Thursday, is in favour of one.

While Seifsa is seeking legal advice on the matter, IMF spokesman, Numsa's Geoff Schreiner, describes the objections as "totally spurious." He points out that the ballot has been done under the supervision of independent mediators, Lmsa, whose involvement would seem to give the union's cover, so, it's over to the labour lawyers.

Despite all that, Schreiner tells the FM a meeting is due this Friday between Seifsa and the IMF unions, which declared a dispute with the industry late in May. Seifsa, however, said that negotiations had reached "futility." But on Tuesday, it conditionally offered to recognize May 1 as a public holiday in substitution for an existing public holiday if the IMF unions accept the employers' final wage offer.

Seifsa is highly unlikely to better its final wage offer of a 15,7% increase to labourers, which would give them R3,02 an hour, as against the IMF demand for R3,65. Therefore, the deadlock reached in May over the annual negotiations on the main industrial council agreement, remains - unless a deal is reached on the May Day offer.

Seifsa's Brian Angus said members were this week fully briefed on how to deal with a legal strike and contingency plans have been drawn up. The industry's main agreement on wages and conditions expires on June 1. Seifsa has meanwhile applied to the Manpower Minister to implement the employers' final offer, which would than apply to the 11 unions grouped under the main body of the Confederation of Metal and Building Unions (CMBU), which accepted the offer, as well as to non-unionised workers. This would cover roughly half the workforce in this sector, which employs some 350,000, accounting for 55% of all manufacturing activity in SA. In these circum-
stances, some wonder whether the IMF unions have a power base big enough to mount a successful strike.

If the minister does implement this "partial" new agreement, it would, says Schreiner, be "novel." The IMF unions also have a legal duty to up their sleeve, they will call into question the procedures. Seifsa has followed in seeking to get the partial agreement implemented - if it is. They would also question the legality of having the agreement apply to non-unionised employees.

Once again, over to the labour lawyers.

CAPE TEACHERS

Left turn

At its annual congress last week at the University of the Western Cape, the Cape Teachers' Professional Association (CTPA) celebrated its 21st birthday by adopting the Freedom Charter. This is a watershed event in the politics of the coloured community, arguably, the conference was the most important political happening in the region since the launch of the UDF at Mitchell's Plain in August 1983.

Most of the four-day conference was devoted to dealing with matters of specific professional interest. More significant, however, were the political undercurrents. From the emotionally charged opening evening onwards, there was a clear feeling, repeatedly expressed in the speeches, that "the time has come" for the organisation to stand up and be counted.

The political significance of the conference boils down to this: an organisation which in the past has been seen to be equivocal about its political stance, hitched its wagon to the most convincing way to the "democratic movement." This was most obviously done through the organisation formally accepting the charter. It also decided to align with Sacs and the non-racial sports movement and discussed the formation of a central teacher union affiliated to Cosatu (which itself adopted the Freedom Charter last year).

CTPA's political stance is remarkable when the constituency of the organisation and its past are considered. This is not an outfit of T-shirt sporting political activists. It is an essentially moderate, God-fearing (in the words of their president, Franklin Soni) group of people. It is also, with 22,000 members, probably the largest organised group in the coloured community.

The opening ceremonies were dominated by such luminaries of the Left as Allan...
Aisin Industries of America, a subsidiary of Toyota, plans to lay off 120 workers at its Columbus, Ohio, factory. The move, which is expected to be completed by the end of the year, is part of a broader restructuring effort at the company.

In a letter to workers, Aisin's Human Resources Department said the decision was made after a comprehensive review of the company's operations. The letter noted that the Columbus facility was no longer as competitive as other plants in the company's network, and that the layoffs would help the company reduce costs and improve efficiency.

The letter also thanked workers for their contributions and offered assistance with job placement and other services. It urged workers to consider the opportunity to transfer to other Aisin facilities or seek employment elsewhere.

The layoffs are expected to impact a wide range of workers, including direct employees and contractors. The company said it would provide affected workers with severance packages and other benefits as part of the transition.

Aisin is a major player in the automotive industry, with facilities throughout the United States and Canada. The Columbus facility is the company's second-largest in the country, after its plant in Fort Wayne, Indiana.
Drop racism, says union

OWN CORRESPONDENT

JOHANNESBURG — The National Union of Metalworkers of SA (Numsa) included in its wage demands with Seifsa yesterday that Seifsa undertake to ensure member companies abandon racism.

Seifsa said it would distribute the demand to its members.

Numsa organizer Mr Bobby Marie said the union found evidence of racism in at least five companies employing about 40,000 workers.

Numsa declared a dispute with Union Steel Corporation claiming discrimination in pay scales and overtime rates.
Metalworkers favour ‘industrial action’

JOHANNESBURG. — Of 90,000 National Union of Metalworkers of SA (Numsa) members, 87% voted in favour of industrial action over wage increases.

A total of 130,000 International Metalworkers Federation (IMF) workers will take part in the current ballot.

An IMF spokesman said the “Industrial action” would still have to be decided upon.

A strike would be included among the possibilities.

The four unions linked to the IMF are Numsa (Cosatu), the Steel, Engineering and Allied Workers Union of SA, the Engineering and Allied Workers Union of SA and the Engineering and Allied Workers Trade Union.

The unions demand an across the board increase of 60 cents an hour.
Strike ballot as metal talks deadlock

By KERRY CULLINAN

Employers in the metal industry and unions from the SA Council of the International Metalworkers' Federation have once again reached deadlock on wages and working conditions.

And preliminary results of a strike ballot over the last few weeks reveal that 87 percent of workers are in favour of a strike.

Last week, after holding a number of mass meetings with its members, the IMF unions submitted six revised demands to employers, who are organised in the Steel and Engineering Industries Federation of SA.

These included reducing wage demands from 40 percent to between 14 and 23 percent.

However, the employers' reply this week indicated that they were determined to stick to their proposals.

According to the employers' federation: "Employers are prepared to make the final employer offer - a 17.4 percent increase - retrospective to July 1, 1988, but are not in a position to make a further offer on wages."

Seifsa also refused to endorse the call for the suspension of the Labour Relations Amendment Bill and discuss a proposal for an internal dispute procedure to establish labour relations for the industry.

"Seifsa supports the decision of the Minister to promulgate the Bill on September 1, to allow more time for the discussions currently taking place between Saccoa, Cosatu and Nactu," said Seifsa.

Union observers believe that, following the Chamber of Mines' settlement of a wage dispute with the National Union of Mineworkers - more or less on its terms - metal employers are determined to do the same.

However, since last year's planned strike in the metal industry was outlawed by a Government Gazette, anger has been steadily building up among workers on the factory floor, and the IMF may be compelled to call a strike.
Malbak forges ahead

By Ann Crotty

Malbak management is forecasting earnings per share of 106c for the 12 months to end-August and a dividend payment up by 26-30 percent which means that shareholders can look forward to a dividend in excess of 25c a share.

The 106c forecast represents a 54 percent increase on financial 1987's actual weighted average performance and is 40 percent ahead of the pro forma earnings.

Referring to the group's third quarter performance, to end-May, the directors note a continued improvement in profitability and state that earnings per share are well ahead of last year and budget.

"As a result of the major acquisitions made during 1987 and further acquisitions during the current financial year, group turnover is 302 percent ahead of last year."
Strikes start industrial action

Johannesburg — Strikes at three metal companies yesterday heralded the beginning of a wave of selective industrial action over the wage dispute between the Steel, Engineering and Industrial Federation of South Africa (Seifsa) and International Metalworkers' Federation unions, a union spokesman said.

A spokesman said the strikes were in protest against management's refusal to agree to plant-level negotiations. (189)
McCallum.

Strikes at three metal factories

Johannesburg. — Strikes at three metal sector companies yesterday are the latest step in the wage dispute between Seifsa and the International Metalworkers' Federation unions. Strikes at Femco, Brits and Denver Steel in Benoni were in protest against management's refusal of plant-level negotiations. — Sapa
New Eurefin listing pitched at 200c

By Ann Crotty

Eurevest, the latest product to come from the Ronnie Price stable, looks set to get a listing via a one-to-one rights offer to existing Eurefin shareholders at an issue price of 200c. The deal should boost Eurefin's current cash holdings of R30 million to R40 million.

Yesterday, Eurefin closed at 400c after heavy trading. Ahead of the announcement of the deal, the group was sitting with cash of R30 million, equivalent to 40c a share, so the market appears to be putting no value on the additional assets that Eurefin is now selling, or is perhaps uncertain of how to rate its total assets.

It seems likely that the investment community will, at least initially, be somewhat taken aback at the price at which Eurefin management is pitching the issue price of Eurevest.

According to management, the 200c is in line with Eurovest's net asset value, which is said to include cash of about R6 million, equivalent to 75c a share.

Some time ago Eurefin management said the book value of Atlas-Utas, which is to be part of Eurovest, was in the region of 67c a share. (However, analysts believe its earning capacity should ensure a much higher market value.) If the 67c is accepted for Atlas-Utas, then the remaining assets are being valued at around 130c, of which 75c is represented by cash.

Apart from Atlas-Utas and the cash, Eurovest will comprise Durafoam and Utas Investments. Atlas-Utas is a distributor of automotive reconditioning machine tools and has long been part of the Eurefin group. Durafoam is a manufacturer and distributor of PVC plastic outdoor and leisure furniture and is a recent acquisition by Eurefin. Utas Investments holds a portfolio of selected marketable securities.

If the deal goes ahead as planned (management has said it is subject to certain conditions precedent), then Eurefin will with one hand be giving over R6 million to Eurovest, but with the other hand will be taking in some R15 million from the sale of assets on which the market seems unwilling or unable to put much value.

So Eurefin is now a cash shell with R40 million and, with the collapse of the Sage deal, there is talk once again of a possible deal with Brian Joffe.
Allegations fly in metal industry.

Strike action set to begin

CO-ORDINATED and "strategic" strike action in the metal industry would begin tomorrow, the SA council of the International Metalworkers' Federation (IMF) said yesterday.

Mass meetings of shop stewards at the weekend had endorsed recommendations to that effect made by the IMF negotiating team last week.

The IMF said the action would take place primarily in the major industrial areas and in companies which were important in Seifsa decision-making.

The four unions involved are demanding a 23% increase in the minimum wage, while Seifsa has offered 14% to 17%.

However, 65 companies which had "decided to move away from Seifsa's rigid position", most of whom had already agreed to increases close to the IMF demand, would be excluded from the action. So would others which made acceptable offers before tomorrow.

The IMF said Seifsa's wage offer did nothing to reduce the industry's wage gap, which was a result of a history of job reservation and the exclusion of African workers from collective bargaining.

Seifsa director Brian Angus said those allegations had been raised and refuted several times during negotiations.

He said employees at another company had yesterday notified management of acceptance of the Seifsa offer, suggesting certain elements in the National Union of Metalworkers of SA were not supporting the union stand.

Employer sources said they understood there had been substantial worker support for the acceptance of the wage offer. However, a group of militant East Rand elements had swung the decision in favour of a strike.
Metalworkers opt for strategic strike

Johannesburg — Co-ordinated and "strategic" strike action in the metal industry is to begin tomorrow, the SA council of the International Metalworkers' Federation (IMF) said yesterday.

Mass meetings of shop stewards at the weekend had endorsed recommendations of this effect made by the IMF negotiating team last week. Strike action involving about 2 000 workers is already occurring at seven Transvaal firms.

The IMF said the action will take place primarily in the major industrial areas, and in some companies which are important in Seifsa decision-making.

The four unions involved are demanding a 23% increase in the minimum wage, while Seifsa has offered 14% to 17%.

However, 66 companies which have "decided to move away from Seifsa's rigid position", most of whom had already agreed to increases close to the IMF demand, will be excluded from the action. So said the statement, which made acceptable offers before Wednesday.

The statement said Seifsa's wage offer did nothing to reduce the industry's wage gap, which was a result of a history of job reservation, the exclusion of African workers from collective bargaining.

The wage gap was also a consequence of Seifsa's continuing practice of signing agreements with predominantly white minority unions, and its refusal to bargain properly with the majority unions representing semi-skilled and unskilled workers, the IMF said.
Metal workers set to strike tomorrow

Mass meetings of shop stewards from International Metalworkers' Federation unions at the weekend endorsed recommendations of the IMF's negotiating committee for strike action in the metal industry from tomorrow, a statement from the National Union of Metalworkers of South Africa said today.

The statement followed the Steel and Engineering Industries Federation of South Africa's (Seifsa) refusal "to make any further move on the wage offer if agreed with minority unions".

The statement said the IMF represented the majority of organised workers in the industry and its members rejected Seifsa's wage offer which "does nothing to reduce the wage gap in the industry".

"This gap is a result of job reservation, of the exclusion of black workers from collective bargaining in the past, and the continued practice of Seifsa to sign agreements with predominantly white minority unions and refuse to bargain properly with the majority unions."

66 COMPANIES

The statement said the "legal strategic strike action" would occur primarily in the major industrial areas and at some of the companies which are important in Seifsa decision-making.

"The action is scheduled to begin on Wednesday August 3."

Numsa said 66 companies had decided to move away from Seifsa's position.

Wage increases close to the IMF's demand and been agreed in most of the 66 companies and they were not expected to be included in the strike.

Other companies which made acceptable offers on the IMF demands before tomorrow would also be excluded, the statement said.

The IMF was looking for an average wage increase of 23 percent and wanted to exchange two public holidays for June 16 and Sharpeville Day.

Seifsa had offered increases of between 14 and 17 percent and had agreed to May 1 as a workers' holiday.

A spokesman for Seifsa was not immediately available for comment — Sapa
HUNDREDS of workers continued their strike in the metal industry demands to their stick. The dispute is a symptom of an attempt to pressurize management to accede to their wage rise and improve working conditions. The IMPS union, Workers' Union, Engineers' Union, and other unions are united in their struggle. After Eleventh and Advanced Metalworkers' Union of South Africa, Electrical, and Allied Workers' Union, the National Union of South Africa Union, and others, locked out workers are the latest in a wave of disputes in the metal industry.
Strike to focus on PWV area

THE metal industry strike planned for today is likely to be based mainly on the Witwatersrand, National Union of Metalworkers of SA leader Bernie Fanaroff said yesterday.

He declined to estimate how many of the 130 000 members of the four unions affiliated to the International Metalworkers' Federation, which had called the wage strike, would take part.

Companies with 'normal in-house agreements', as well as those which have made satisfactory offers outside the industrial council, have been exempted from strike action.

ALAN FINE

These include many of the industry's large groups, and it is expected the action will hit mainly smaller plants. However, there are some large groups, Doby, for example, which have refused to bargain outside the council. Fanaroff said few companies outside the Transvaal did not bargain outside the council.

However, 70% of the industry's workforce is based in the Transvaal.

Seifsa chief economist Michael McDonald said base metals producers were unlikely to be affected.
UNIONS affiliated to the International Metal Workers Federation are expected to step up industrial action today in another bid to force metal companies to meet their wage demands.

IMF secretary Mr Brian Fredericks said "strategic strike action" would take place in major industrial areas, and at some of the influential companies affiliated to the employer body, the Steel and Engineering Industries Federation of South Africa (Seifsa).

"The IMF represents the majority of organised workers in the metal industry and our members reject Seifsa’s wage offer. The offer does nothing to reduce the wage gap in the industry," he said.

"The IMF remains open to negotiations, but Seifsa has not replied to the IMF's request."

Mr Fredericks said the strike is a result of the exclusion of African workers from collective bargaining in the past, and the continued practice of Seifsa to sign agreements with predominantly white minority unions," he added.

Sixty-six companies, the official said, had decided to "move away from Seifsa’s rigid position". Wage increases close to the IMF’s demands had been agreed to by most of these companies, he said.

A Seifsa spokesman referred the Sowetan to an earlier statement issued by the employer body in which it refuted any of the IMF’s claims.

He said employees at another company had already accepted the Seifsa offer, suggesting that some members belonging to one IMF affiliate did not support the union’s stand.

At least 11 companies in the metal industry have had production strikes by IMF unions in the past week.

Meanwhile Seifsa is still awaiting response from its member companies whether lock-outs should be effected in the event of strike action by IMF affiliates, a spokesman for the employer organisation said.

Seifsa is conducting a ballot over the issue among its more than 30,000 members.
Metalworkers begin selective national action

By Adele Balata and Janet Heard

Thousands of metal workers — mainly in the Transvaal — began strike action today to induce industry employers to reopen wage negotiations for 1988.

However, spokesmen for the National Union of Metalworkers of SA (Numsa) and the Steel and Engineering Industries Federation of SA (Seifsa) could not give an indication of the areas and exact number of workers on strike at the time of going to press.

Numsa spokesman Dr Berne Fanaroff said reports on the selective strike action called by the International Metalworkers' Federation (IMF) would be received from local offices during the day.

Mr Brian Angus, Seifsa director, said today there has still been no communication between the IMF and Seifsa regarding the union's decision to strike.

He said the bulk of Seifsa's 3,500 members were unlikely to accede to the IMF demands because they regarded the employer final offer to the unions as "very fair."

The IMF is demanding an average wage increase of 23 percent and a minimum hourly rate of R3.21, against an employer offer of 17 percent and R3.01. The parties are also in dispute over the recognition of June 16 and Sharpeville Day (March 21).

The unions want the days exchanged for two existing public holidays.

IMF spokesman Mr Brian Fredericks said the unions were still open to negotiations.

In addition to Numsa, the other unions involved in the dispute are the Electrical and Allied Workers' Trade Union of SA, the Steel Engineering and Allied Workers' Union and the Engineering and Allied Workers' Union.
Metalworkers on strike for 23% wage increase

JOHANNESBURG — Metalworkers yesterday went on strike in demand of a 23% wage increase, but figures for numbers who took action differed and employers said the strike had limited impact. International Metalworkers' Federation secretary Mr Brian Fredericks said reports showed that 20,517 union members at 111 factories were involved. The majority were members of the National Union of Metalworkers of SA (Numsa). The action is confined to the PWV area in all but two cases.

A statement by the employer body, the Steel Engineering and Industrial Federation of SA (Seifsa), said members reported that 10,123 workers at 83 companies were on strike. This represented 8% of total IMF membership and suggested employees were generally not in favour of strike action.

Numsa leader Mr Bernie Fanaroff said the union had received indications from certain major groups in Seifsa that they may be prepared to negotiate.
PWV metalworkers begin wages strike
Witbank workers down tools

By Adele Baleta

At least 1,000 National Union of Metalworkers of South Africa (Numsa) members at Middelburg Steel in Witbank went on strike yesterday to back demands for the dismissal of a management staff member, a union spokesman said.

A management spokesman said last night that the strike which involved between 350 and 500 members ended only yesterday afternoon following talks with Numsa.

This happened during Numsa’s in-house wage negotiations with Barlow Rand, owners of Middelburg Steel, he said.

A hearing exonerated the official, he said.
Metalworkers continue strike action today

Between 10,000 and 21,000 metalworkers continued strike action today aimed at persuading employers to resume 1986 wage negotiations.

International Metalworkers' Federation (IMF) secretary, Mr. Brian Fredricks, said yesterday the strike could last between two and five days, depending on the Steel, Engineering and Industries Federation of SA (Seifsa) response to the action.

He said 111 factories had been hit by the strike and 20,517 union members, mostly National Union of Metalworkers of SA (Numsa) members, had participated in the action which began yesterday.

By Adelle Bala-ita
And Janet Hird

But in a statement yesterday, Seifsa said 93 companies were affected and between 10,000 and 11,000 employees were involved.

Seifsa director, Mr. Brian Angus, said the strike appeared to have "limited impact" and would not affect Seifsa's final wage offer.

The strike arose from an ongoing dispute over wages and conditions of employment between the 3,000-strong employer federation and the four trade unions belonging to the International Metalworkers' Federation (IMF).

The IMF is demanding an average wage increase of 23 percent and a minimum hourly rate of R3.21. Seifsa has offered a 17.4 percent increase including an hourly minimum rate of R3.02.

The strike has centred primarily on the Witwatersrand, Mr. Fredricks said.

The number of companies which had agreed to negotiate at plant level rose from 68 to 76 yesterday, he added. Mr. Angus however, said he had not received reports from members who had reopened negotiations.

In a statement, Seifsa said reports had been received from certain companies yesterday that strikers were singing and chanting and interfering with the work of temporary employees.

"The companies have advised that they intend to seek court interdicts against striking workers and others have indicated that lock-out action is being considered"
Metal workers strike swell in talks bid

Johannesburg — Metal workers from another 19 companies began striking yesterday in an attempt to reopen wage negotiations, bringing the total number of companies involved up to 130, the local secretary for the International Metalworkers Federation (IMF), Mr Brian Frederick, said yesterday.

About 23,000 workers were now engaged in the strike, he said.

However, director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Mr Brian Angus, said the situation was "generally unchanged" from yesterday, and only one or two companies had reported strike action yesterday — the second day of the wage strike. — Sapa

STC employee dies after falling from bus

Johannesburg — An employee of Standard Telephone and Cables (STC) in Boksburg was killed instantly last night when she fell under the wheels of a bus after allegedly being pushed off, group executive of Altech, Mr Jacques Selschap, said yesterday.

Mr Selschap stressed that the woman was completely off STC property when the incident happened, adding that the bus was not a company vehicle.

East Rand police spokesman, Lt. Willie Meyer, confirmed that the worker was killed after being run over by the bus, but said they had not received any information that she had been pushed off.

The incident happened after a group of women were leaving the factory premises, Mr Selschap said.

"To what extent the incident is industry related, we do not know, as an investigation into her death has not yet been carried out."

He said between 70 and 90 workers out of the 3,800-strong workforce went on strike for a few hours yesterday morning over a wage dispute, but were back at work in the afternoon.

Between 10,000 and 23,000 metal workers began striking yesterday in an attempt to coerce employers to push up their wage offer. — Sapa
Metal strike starts to harden
Metal wage strike spreads

ABOUT 25 000 workers were staging wage strikes in the metal industry yesterday as the industrial action spread to 130 factories, a spokesman for the National Union of Metalworkers of South Africa said.

Numsa official, Mr Bernie Fanaroff, said between 10000 and 21 000 workers participated in the industrial action on Wednesday — the first day of the strike.

The strikes are aimed at forcing the "employer" body, "the Steel and Engineering Industries' Federation of South Africa (Seifsa), to settle a wage dispute between itself and four unions affiliated to the International Metalworkers' Federation (IMF).

The IMF unions involved in the wage dispute include Numsa, Engineering and Allied Workers' Union and Steel Engineering and Allied Workers' Union. They demand — among other things — an average wage increase of 23 percent and a minimum hourly rate of R3.21.

Seifsa, which represents about 3 500 firms, has offered a 17.4 percent rise including an hourly minimum of R3.02.

Mr Fanaroff said management had instituted lockouts at some plants affected by the strikes. These companies, he said, included Tilley MacMill, Austen-Safes, Printers' Rollers Services, Akmans Steel, Dorbyl Heavy Engineering and Mitco Tools.

The Numsa official said a number of large companies were not affected by the industrial action because they had separate, in-house agreements with the IMF affiliates.
Metal industry is set for long strike

By Adele Baleta

The metal industry appears set for a long strike following a hardening of attitudes by the Steel and Engineering Industries Federation (Seifsa) and metal unions.

Employers reported yesterday incidents of intimidation and violence at a number of factories, and unions said workers were evicted from factories.

At the same time, the Congress of SA Trade Unions (Cosatu) entered the fray by promoting support for the thousands of metalworkers "fighting for a living wage".

WOMAN KILLED

A National Union of Metalworkers (Numsa) spokesman said it was not known whether the death of a Standard Telephone and Cables employee in Benoni yesterday was a consequence of the strike.

Police said the woman was killed after being run over by a bus, but could not confirm allegations that she had been pushed off the bus.

A Seifsa statement said employers had told it they intended to "sit out" the strike and many were employing temporary staff to ensure production was not disrupted.

And the International Metalworkers’ Federation (IMF) warned yesterday the strike could last for two to three weeks as there had still not been any Seifsa response to the IMF’s call to re-open the 1998 wage negotiations.

IMF local secretary Mr Brian Fredricks said metal workers from a further 29 companies came out in support of a 23 percent wage increase yesterday, bringing the total number of companies affected to 140.

There were 25,000 workers on strike.

Seifsa said reports showed that 12,000 workers at 89 companies were involved and said it had been informed that strikers at two companies yesterday decided to accept the Seifsa wage offer and return to work.

A Numsa spokesman, Dr Bernie Fanaroff, said the union was planning to meet Seifsa to discuss the eviction of workers from at least 11 companies and the seeking of court interdicts by companies against striking workers.
Metal industry shop stewards meet today

JOHANNESBURG — Some 450 shop stewards in the metal industry will meet here today to decide whether to extend the strike, now in its third day.

The local secretary of the International Metal workers' Federation (IMF), Mr Brian Fredericks, announced yesterday that the strike — initially planned to last between two and five days — could be extended to two to three weeks.

Between 14,000 and 25,000 workers, mostly in the Witwatersrand area, have been striking since Wednesday morning.

The proposed extended action is an attempt by the union to push Seifsa into reopening wage negotiations and raise their offer of a 17.4% increase, including an hourly minimum rate of R3.92. The four IMF unions are demanding a minimum wage increase of 23%.

Mr Fredericks said the full shop stewards council would meet at Wits University today to decide whether the strike should continue for longer than five days.

Seifsa's director, Mr Brian Angus, yesterday said he had received more reports of strike action, but could not confirm when the workers had begun striking. He said 14,000 workers at 102 companies had taken action since Wednesday — Saps
6 saw blast suspects

AT LEAST six people saw a white couple, who allegedly planted the Ellis Park car bomb on July 2, fleeing the scene minutes before the explosion.

The blast killed two people and injured 35.

Police have confirmed that they are hunting for a white couple who allegedly parked a stolen BMW car outside the stadium in an area reserved for Transvaal Rugby Union members.

The investigation is said to be at a sensitive stage. — Sapa.

Metalworkers may extend strike

ABOUT 450 shop stewards in the metal industry will meet in Johannes burg today to decide whether to extend the strike.

The local secretary for the International Metalworkers’ Federation (IMF), Mr Brian Fredericks, announced on Thursday that the strike — initially planned to last between two and five days — could be extended to between two and three weeks.

Between 14 000 and 25 000 workers, mostly on the Witwatersrand, have been striking since Wednesday.

The proposed extended action is an attempt to push the Steel and Engineering Federation of South Africa (Seifsa) into reopening wage negotiations and to up their offer of a 17.4 percent increase, including an hourly minimum rate of R3.02.

The four IMF unions are demanding a minimum wage increase of

Landmark settlement to metal strike

are due back at work by Monday. Fana- roff said most would return by today.

The settlement was based on an eight- point offer made by Seifsa, which supplements the final employer offer made earlier July 1.

It included one feature that will add to employees’ annual pay packets this year — an attendance allowance of up to two days’ pay a year. Angus said the quid pro quo for employers was the prospect of better attendance.

However, other aspects of the deal were noted as even more significant. These included:

☐ employer acceptance of a five-year programme to eliminate anomalies in the industry’s wage curve,
☐ a procedure to investigate allegations of racial discrimination in individual firms. This will also be used for investigating alleged intimidation and violence,
☐ May 1 and June 10 as paid holidays in exchange for Workers’ Day and Founders’ Day, subject to a 75% vote in favour by employees at each plant. Minorities will be protected through allowing them to work in extra hours so as to take leave on the latter two days if desired. This is believed to be the first such industry-wide agreement.
☐ Seifsa will support the Sacta’s initiatives regarding the Labour Relations Amendment Act.

SIPHO NGCBOBO reports that Costero in a statement yesterday saluted the metalworkers for having won “major gains” following the strike, saying they had shown tremendous courage in pressing their demands “against one of the most hardcore” employer bodies.
Metal workers down tools

METAL factories in the PWV area came to a standstill this week as some 20 000 workers downed tools in support of a 23 percent wage increase.

The International Metalworkers Federation, which represents the workers, said that 20 517 of its members at 111 factories were on a strike which would last from two to five days.

The action comes in the wake of deadlock between workers in the IMF and employers organised in the Steel and Engineering Industries Federation of SA.

Those firms which had indicated that they were prepared to negotiate separately from Selfisa had been exempted from the strike. This meant that those taking part represented 60 percent of those eligible, said IMF.
Estimates differ on striking metalworkers

The metalworkers’ strike entered its fourth day today with employers and the union providing markedly different estimates of the number of workers and factories involved.

A National Union of Metalworkers of SA (Numsa) spokesman said a meeting of shop stewards at the weekend had decided that the strike was to continue beyond Tuesday of this week.

The meeting was told that 28,745 workers were involved at 160 factories.

An employers’ spokesman said that the numbers involved were 14,050 workmen at 102 factories. -- Staff Reporter
Another 300 men fired

Metalworkers strike extended until end of week

By Adele Baleta

Another 300 striking metalworkers were dismissed yesterday, bringing the total number of those who have lost their jobs so far to over 1,200, a National Union of Metalworkers of SA (Numsa) spokesman said today.

The spokesman said the 300 workers had been fired from Vetsak in Isando, Johannesburg.

A company spokesman confirmed the dismissals but could not give an exact figure.

Numsa reported yesterday that 500 workers were dismissed by Vetsak in Bothaville in the Free State, 19 were fired by Pruntor Rollers in Germiston, 400 from Maksal Tubes in Springs and 48 from Basch Engineering in Kempton Park.

The union would soon be taking legal action against the dismissals, the Numsa spokesman said.

The Steel and Engineering Industries Federation of SA (Seifsa) said 947 employees of two firms had been dismissed.

The employer federation also reported that 15,400 workers at 113 factories were on strike and 1,291 workers at seven companies had returned to work.

The International Metalworkers Federation (IMF) said a total of 30,835 workers were now on strike at 179 factories. This was an increase of more than 10,000 workers since the strike started on Wednesday last week.

An IMF spokesman said a meeting between Dorril Metkor and union shop stewards ended in deadlock yesterday with the group refusing to raise the Steel and Engineering Industries Federation of SA (Seifsa) wage offer of 17.4 percent. Workers are demanding a 23 percent wage increase.

The strike, which was originally due to end today, would last until Friday.
Court action over metalworker sackings

NEARLY 1,000 striking metalworkers at four firms had been dismissed and legal advisors would be proceeding with an Industrial Court action on these cases soon, International Metalworkers' Federation local secretary Brian Fredericks said yesterday.

He added that Vetsak in Bothaville had dismissed 500, Maksal Tubes in Benoni, 400 and two Kempton Park small firms a total of 65. Seifsa said it had been notified that 847 employees of two firms had been dismissed.

According to the federation, 10 firms had applied for interdicts ejecting employees from premises and nine of these had been granted.

Seifsa said 15400 workers at 113 companies were involved in the strike yesterday while 1291 at seven firms had returned to work. Of the 113 firms only three had agreed to bargain at plant level. Employers, on the whole, were determined to resist union demands.

The IMF said an additional 18 firms had been hit by the strike and that 30,835 union members were now out.

Reacting to Seifsa allegations of violence and intimidation at six firms, reported on Friday, Fredericks said strike organisers had made it clear that such action would not be tolerated.

"If necessary we will send organisers and officials to the plants where this is allegedly occurring. But it would help if Seifsa supplied us with details," he said.
Seifsa workers' strike spreads

JOHANNESBURG.—The metalworkers' strike entered its fourth day yesterday with management and unions providing different estimates of the number of workers and factories involved.

One of the four unions involved in the strike, the National Union of Metalworkers of South Africa (Numsa), said the number of striking workers had increased by 8,745 to 28,745 since the start of the strike. But the director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Mr Brian Angus, said the number of workers on strike was 14,059 and 102 factories had been hit.

A spokesman for the International Federation of Metalworkers, Mr Brian Fredericks, said 500 workers had been dismissed by Vetsaak in the Free State town of Bothaville while two other companies in the PWV area had dismissed a total of 65 others.

The IFM was granted a Supreme Court interdict yesterday restraining the management at Dorbyl (Vaal) from evicting workers on strike there.

Management at Dorbyl informed the IFM that it intended to stick to the Seifsa offer and would not be induced to make a separate deal with the union.

The IFM unions are demanding a minimum wage of R3.21 an hour and June 16, May 1 and Sharpeville Day as public holidays. Seifsa have offered a minimum wage of just over R3 an hour and May Day as a holiday.
28500 involved in metal industry strike
Metal strike costing R3.5m a day

The week-old strike in the metal industry is costing R3.5m a day in lost production, calculations by Sellosa's economics division head Michael MacDonald reveal.

The estimate was released yesterday as both sides met for the first time since the strike began.

They held talks on allegations of violence and intimidation and employer applications for interdicts for the eviction of strikers from company premises.

Sellosa said the R3.5m figure was based on employer estimates that the strike involved 18 400 workers at 118 companies, the industry's projected total output of R3.6bn for 1988, and on the assumption that affected companies were maintaining production at 50% to 60% of normal levels.

McDonald also assessed strikers were losing about R500 000 a day in wages.

A union spokesman said yesterday the strike had spread to encompass 31 083 workers at 180 firms. Another 728 workers at four firms had been dismissed and two interdicts had been granted to employers — including one because of workers singing at the plant.

Sellosa said export supplies were not being disrupted by the strike because base-metal producers had separate wage agreements.
31 000 strike

By LEN MASEKO

THE wage strike in the metal industry spread to more companies yesterday bringing the total number of workers involved in the industrial action to about 31,000, a spokesman for the National Union of Metalworkers said.

Numsa national organiser, Mr Peter Dantji, said 178 factories were affected by the strikes while 91 had so far reached wage settlements with the union through the International Metalworkers' Federation (IMF) affiliates which include Numsa and Steel Engineering and Allied Workers' Union — are locked in a wage dispute with the employer body, the Steel and Engineering Industries Federation of SA (Seifsa).

Demand

The IMF unions demand — among other things — an average wage increase of 23 percent and minimum hourly rate of R3,21 while Seifsa has offered an average 17,4 percent increase and a minimum rate of R3,02 an hour.

Mr Dantji said other developments related to the strikes included:
- Plant-level bargaining between union officials and Printers Rollers' Services resumed yesterday in an attempt to resolve the wage dispute;
- Fresh wage talks between union officials and Dorbyl ended in a deadlock this week after, he said, the company indicated it would only negotiate wages and working conditions through Seifsa.
- Some of the 91 companies which had settled with the IMF had agreed to wage increases higher than the 23 percent demanded by the unions, and
- About 1200 workers had been dismissed at several companies as a result of the strikes.
Strike costing R3.5 million a day

By Adele Baleta

The pay strike by thousands of metal workers was costing the industry an estimated R3.5 million a day in lost production, the Steel Engineering and Industries Federation of South Africa (Seifsa) said yesterday.

For the first time since the strike began a week ago, both sides met yesterday to discuss employer's allegations of violence and intimidation.

A statement by executive director Mr Brian Angus said the projected value of production in the industry for 1988 was expected to be R36 billion.

DISMISSED

He said 113 out of nearly 9 000 (1.2 percent) companies in the industry had been hit by the strike which entered its eighth day today.

The employer federation said yesterday the situation remained unchanged, with 15 400 workers on strike. A total of 847 employees were reported to have been dismissed from two companies.

But the National Union of Metalworkers of SA (Numsa) spokesman, Mr Jeff Schreiner, said yesterday the strike had continued to gain momentum, with 31 083 workers involved at 180 factories.

SETTLED

Another 380 workers had been dismissed yesterday, raising the total number of those who had lost their jobs since the start of the strike to more than 1 647, he said.

He said settlements had been concluded with more than 100 companies.

Many of these companies had agreed to wage increases higher than the 23 percent demanded by the unions, he said.
Metal strike affects 1% of firms — Seifsa

JOHANNESBURG. — The Steel and Engineering Industries Federation of South Africa (Seifsa) said yesterday that this week's metal industry strike had affected "just over one percent of the nearly 9 000 companies in the industry".

A statement by Seifsa said that 113 companies had experienced strike action involving 15 400 workers.

The International Federation of Metalworkers (IMF), whose four member unions are involved in the strike, claimed that strike action involving more than 800 workers at 178 companies had taken place since last week.

Seifsa confirmed that more than 800 employees had been dismissed by two companies because of the strike.

The IMF said on Monday that workers were fired from Vetsak plants in Bothaville and Sandton. — Sapa
Pay strike costs R3.5-m a day — metal industry

The Argus Correspondent

JOHANNESBURG — The wage strike by thousands of metal workers was costing the industry an estimated R3.5-million a day in lost production, said a statement from the Steel Engineering and Industries Federation of South Africa.

In the statement issued by executive director Mr Brian Angus, the federation said more than one percent, or 115 of nearly 9 000 companies, had been hit by the strike, which entered its eighth day today.

Seasia said some firms had hired temporary labour and others were maintaining production with non-striking employees.

"Assuming that companies affected by the strike are managing to maintain between 50 and 60 percent of normal production levels, it is estimated that the strike is now costing R3.5-million a day in lost production," the statement said.

The employer federation said yesterday the situation remained unchanged with 15 400 workers on strike.

A total of 847 employees were reported to have been dismissed from two companies.

But National Union of Metalworkers of SA spokesman Mr Jeff Schremer said the strike continued to gain momentum with 31 063 workers involved at 180 factories.

"LOCKED-OUT" He said another 386 workers were dismissed yesterday, raising the total number of sackings since the strike began last Wednesday to 1 647.

"Standard Telephone Cables has again moved to evict workers.

"One hundred and fifty workers were locked-out at the British Doughty company because they were singing and Hart employees in Alrode were threatened with eviction because they were also singing," he said.
Metal workers pour back to work

By Adele Baleta

Thousands of striking metal workers returned to work yesterday after wage settlements were reached between the International Metalworkers' Federation (IMF) and the managements of several companies.

The IMF and the Steel and Engineering Industries Federation of SA (Seifsa) both reported a fall-off in the number of workers striking for more pay and to force employers back to the negotiating table.

An IMF spokesman said yesterday more than 100 companies had negotiated separate wage agreements with the union federation and more than 4000 workers had returned to work so far this week.

Most of the firms involved in the agreements had offered more than the IMF's demanded 60c an hour increase.

He said two of the major settlements reached yesterday were with the giant Siemens group and National Bolts. Both companies had agreed to pay more than the Seifsa offer of 41c an hour.

A Siemens spokesman confirmed the settlement. He said the 1400 workers on strike at five plants had returned to work.

National Bolts managing director, Mr Alan Schlesinger, said "constructive" negotiations had resulted in a minimum increase of 50c an hour. The agreement would affect more than 600 workers at four plants, he added.

Seifsa said 90 factories were still hit by strikes yesterday — 23 fewer than the previous day. A total of 11270 workers were said to be on strike and four companies had dismissed 1214 workers.

A Seifsa spokesman said 4368 workers had returned to work at 25 companies and 10 of those firms had agreed to the 17,4 percent wage increase offered by Seifsa at industry level.

He said it not clear on what basis the remaining 15 companies had secured a return to work.
Metalworker strikers reach agreements with two major groups

The spokesman said the company traditionally negotiated additional merit increases once the industry agreement had been concluded.

Normally these were over a specific range and finally determined on merit. On this occasion, however, the extra increases would be paid across-the-board in each job category.

National Bolts MD Alan Schlesinger confirmed minimum increases of 50c an hour had been agreed for 600 workers at four plants.

He said workers had returned to work last week after four days on strike and "intensive and constructive" negotiations had then begun.

Employer-body Seisa had offered hourly increases of 41c on the bottom rate, with the unions demanding 60c, when negotiations deadlocked.

The National Union of Metalworkers of SA (Numsa) said yesterday a total of 4,404 members had returned to work since Tuesday after reaching settlement with several companies, including two in the Haggie Rand group.

In all, spokesman Geoff Schreiner said, the union had concluded agreements with 122 companies, most of which had not been affected by the strike.

There was no sign of a settlement with the Dorbyl/Mehtar group where, according to Numsa, 31 plants were affected.

A Seisa spokesman said 4,388 strikers employed by 28 companies had returned to work. At 10 of these employees had accepted Seisa's 17,4% offer.

"We saw 90 companies remain unaffected by strike action involving 11,570 employees. Four companies had dismissed 1,214 strikers. Siemens and National Bolts settlements would not affect most employers' determination to remain firm on their final wage offer," Schreiner said.

Schreiner added an increase in the number of plants evicting workers from premises had taken place yesterday.

He added worker representatives remained ready to enter negotiations with Seisa unconditionally.
1214 workers fired, '28,000 still on strike'

JOHANNESBURG — At least 1214 striking metalworkers have been dismissed because of the stoppage while 4366 workers have returned to work following the wage strike that started last Wednesday, the Steel and Engineering Industries Federation (Seifsa) said yesterday.

The statement said Seifsa was notified that 90 companies had experienced strike action involving 11,270 employees.

The International Federation of Metalworkers (IMF) earlier estimated that between 28,000 and 29,000 workers were still on strike at 180 companies.

"So far 25 companies have informed Seifsa that 4,366 workers are back at work," the statement said.

Of the 25 companies, 10 have confirmed to Seifsa that workers had accepted the 17.5% wage increase offered by the employer federation while the IMF unions were demanding increases of around 23%.

Seifsa said it was not clear on what basis the remaining 15 companies had secured a return to work.

The IMF said that more than 100 companies had negotiated separate wage agreements with the IMF. Most of the companies involved in the agreements had offered more than the IMF's demanded 23% increase.

Seifsa said it had been confirmed that 1214 striking workers had been dismissed by four companies involved in the dispute — Sapa.
IMF in wage rise deal

JOHANNESBURG. — The International Metalworkers' Federation (IMF) yesterday concluded a wage deal with the giant Siemens group for wage increases ranging from 56 to 80 cents an hour. The IMF said striking employees at their plants returned to work yesterday.
Decision leaves metal industry without agreement

Potential investment of R1.865bn

IN BRIEF

The Manpower Department's statement on the wage agreement on the metal industry that was unable to be finalized due to a wage agreement on the metal industry that was unable to be finalized. Decision leaves metal industry without agreement.

THE MINISTER OF LABOUR

Potential investment of R1.865bn

IN BRIEF

The Manpower Department's statement on the wage agreement on the metal industry that was unable to be finalized due to a wage agreement on the metal industry that was unable to be finalized. Decision leaves metal industry without agreement.
Strike continues to see-saw in metal industry

By Adele Baleta

The metal industry strike is continuing to see-saw, with more workers going on strike while others return to their posts at the conclusion of wage deals between the International Metalworkers Federation (IMF) and several companies.

A National Union of Metalworkers of SA (Numsa) spokesman, Dr Bernie Fanaroff, said yesterday workers at another seven firms had joined the strike, which entered its eighth working day today.

They included four Dorbyl/Metkor plants, raising to 35 the number of the group's operations affected by the strike.

DEADLOCK

A meeting between Dorbyl/Metkor and union shop stewards ended in deadlock this week with the group refusing to better the Steel and Engineering Industries Federation of SA (Seifisa) offer of 17.4 percent.

A union spokesman based in the Eastern Cape said six companies in Port Elizabeth and Uitenhage had been affected by the strike.

Company comment was not available at the time of going to press.
Wage action becomes more bitter

Lock out strikers

Metal firms sack,
Wage Loss

Strikers Cost Metal

THE METALWORKERS

BY ROBYN CHALMERS

Industry Runs Arm So Far

None of the Workers

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Union to meet on Seifsa strike offer

Own Correspondent

JOHANNESBURG — The International Metalworkers' Federation's national strike committee is to meet today to consider a fresh offer by the Steel and Engineering Industries' Federation of South Africa (Seifsa) aimed at resolving the 11-day-old metal industry wage strike.

Neither the unions nor Seifsa would disclose details of the offer Seifsa stressed it had been made informally after three meetings last week and still had to be confirmed by membership...
Strikes periodically close motor assembly plants

JOHANNESBURG. — Strikes at motor components manufacturers have forced at least two motor assembly plants to shut down production lines periodically over the last 10 days.

A Samcor spokesman said the company's Pretoria plant had been shut down twice early in April. He would not say which parts were unavailable, but a union spokesman said he thought it was a product of a company affected by the main metal industry strike.

A Delta spokesman said a wage strike at Hella had caused a shortage of wiring looms and the vehicle assembly plant been forced to close early last Monday and Wednesday and for the full day on Tuesday.

The Hella strike, now resolved, was not part of the Seifsa dispute.
AFTER a day-long meeting yesterday to discuss a fresh Seifsa offer aimed at resolving their wage dispute, representatives of striking metalworkers requested a further meeting with Seifsa on the proposed deal.

The meeting was scheduled for last night. However, Numsa official Berne Fanaroff said no further statement would be made until after today’s meeting.

Neither he nor Seifisa director Brian Angus would disclose details of this offer, because unions not party to the dispute had to be informed first.

Sasa reports the strike, now in its third week, has been hit by another violent outbreak, with two Hart workers stabbed to death at the weekend.

Police said two Indian workers were killed in Belair on Friday. They were Gautam Ganase, 29, of Merebank, and Dass Venkatesh, 44, of Chatsworth.

Meanwhile, the number of striking workers has dropped drastically. A total of 5,804 workers from 35 companies had returned to work since the strike began on August 3, Sasa said.
Two metal workers die in stabbing

JOHANNESBURG
The metal workers' strike, now in its third week, has been hit by another outbreak of violence, with two Hart workers stabbed to death at the weekend in what is believed to be a strike-related incident.

Police said yesterday the two workers were killed on Friday afternoon at the Buttercup tearoom in Bellair while on their way home from work.

However, though the managing director of Hart, Mr Edward Parritt, confirmed the murdered men were Hart workers, he would not say whether the assailant was an employee of his firm.

He also declined to say whether the incident was strike-related.

The dead men have been identified as Mr Gotaul Ganase, 29, and Mr Dass Venkatspatly, 44.

The Steel and Engineering Industries Federation's (Seifsa) director, Mr Brian Angus, said yesterday that the employer group would be meeting with its members to consider a fresh wage offer discussed at the weekend — Sapa
Metal workers come out of strike ‘stronger’

The Argus Correspondent
DURBAN — The national strike by unions affiliated to the International Metalworkers Federation has been called off and workers are expected to return to work by tomorrow.

A statement from the National Union of Metalworkers of South Africa said members had been asked to convene meetings of the shop stewards’ councils tonight to discuss this.

“General meetings of workers should be held tomorrow so that there can be a return to work by Thursday,” Numsa said.

The union said although they did not force the Steel and Engineering Industries Federation of SA to move on money, the employer organisation gave them benefits that would make them much stronger in future.

The strike had damaged the Steel and Engineering Industry of South Africa’s ability to control its members as more than 120 companies had offered more than Seifsa’s 41c increase an hour.

The wage structure of the whole industry had been changed as many companies were now paying more than R4 an hour.

Pressure would be put on companies to reinstate dismissed workers, the union said.

The union said their strike was the only national industrial strike which had taken place this year.
Decision likely on metal strike

LEADERS of the National Union of Metalworkers of SA (Numsa) have made a recommendation to regional union structures on Sefasa's new offer, and a final decision on ending the two-week-old strike is expected today.

Numsa official Bernie Fanaroff declined to give details of the recommendation or of the offer, but Sefasa described the offer as one which had been developed jointly between Sefasa and Numsa leadership.

The offer does not include any changes to the basic wage rates on the table at the time the strike began.

In the event of acceptance by Numsa members at meetings scheduled for last night, an agreement will probably be formalized at the industrial council on Thursday.

Sefasa said the strike involved 10,650 employees at 95 firms yesterday.

Meanwhile, Durban-based Numsa officials visited the Hart factory yesterday to investigate the killings of two Indian employees on Friday.

A spokesman said they had found no clear evidence linking the deaths to Numsa members, but the union was prepared to take the matter further if management supplied more detailed information.

He said the visit was in response to a telex from Hart's attorneys about a number of incidents of violence and intimidation allegedly perpetrated by union members.

Hart GM Ted Parrett confirmed the visit but declined to comment further.
Meeting over IMF wage deal

THE International Metalworkers Federation strike committee yesterday met with local shop steward councils to discuss the offer made by metal industry employers at the weekend.

The Steel and Engineering Industries Federation of SA (Sefisa) package offer did not include an increase on their wage offer of 17.4 percent. An IMF spokesman said yesterday the Shop Stewards councils would report back today on meetings held with workers.

17/8/88

He declined to give details of the Sefisa proposals. Sefisa director, Mr Brian Angus, said Sefisa officials had ratified the proposals.
T & N posts 38% higher earnings

DURBAN — Turner & Newall Holdings (T & N) has posted a 38% increase in attributable earnings and a 47% increase in interim dividend for the six months ended June.

A dividend of 11c was paid and the directors anticipate dividends totalling 44c will be declared for the year, which reflects an increase of 28% over the 34.5c paid last year.

The increase in earnings — from R6.5m to R9m — has arisen primarily from an 83% increase in trading profit which, to an extent, was offset by a higher interest bill.

The investment in Everite yielded a 75% improvement from the R1.6m reported last year.

"This positive start to 1988 is based on major restructuring of the group last year," the directors said.

The automotive division boosted turnover 115% over last year. A large part of this was attributable to the Silverton Engineering and Silverton Services which were acquired last October.

Ferodo and Belaco-Beral, the friction material units, also achieved significant growth with substantially increased profits as has Payen, the gasket manufacturer, according to the directors.

"SHE, one of the T & N's automotive divisions, is committed to a vigorous export programme which augurs well for the future.

Exports from the new brazed aluminium plant have begun and record profits are predicted for the unit for the third successive year — Sapa.

SAICA supports accounting for inflation
Metal strike settlement ‘soon’

METAL industry sources said yesterday
settlement of the 15-day-old wage strike,
which involved at its height up to 30,000
workers, appeared imminent.

An employer spokesman monitoring
the action said information was that
most strikers had decided on a return to
work.

National Union of Metalworkers of SA
spokesman Berne Fanaroff said yester-
day the union was still receiving reac-
tion from regions to new Seisa propos-
tions negotiated at four meetings between
Thursday and Monday.

Both Numsa and Seisa have sched-
uled media conferences for tomorrow
after an industrial council meeting in
the morning.

Seisa officials yesterday briefed
leaders of the Confederation of Metal
and Building Unions, which was not in-
volved in the strike, on the details of the
offer.
Nusaw holds talks

THE National Union of Steel and Allied Workers is to hold its annual conference in Pretoria on Saturday.

Nusaw general secretary Mr Ndomane Tibane said the conference would elect — among others — executive and management committee members as well as shop stewards.

Nusaw, which has 6 000 members in the steel industry, was formed two years ago.

The one-day meeting will be held at Laudium Hotel, and starts at 8am.
Metal workers' strike ends with settlement

The Argus Correspondent

JOHANNESBURG — The metal workers' strike is over.

A settlement described as historic by the National Union of Metalworkers of SA (Numsa) and the Steel and Engineering Industries Federation of SA (Seifsa) was agreed to this week, securing a return to work by thousands of metal workers by Monday.

Although workers will not get an increase above the Seifsa final offer of 17.4 percent, Seifsa has made concessions concerning public holidays, attendance bonuses and stop order facilities.

It was the first time the 90 000-strong union — the largest in the industry — had agreed to sign the main agreement for the metal industry.

The Confederation of Metal and Building Unions, representing mainly skilled workers, the Mineworkers' Union and the SA Iron, Steel and Allied Industries Union also accepted the proposals at a special Industrial Council meeting yesterday.

Numsa spokesman Dr Bernie Fanaroff said the strike had been "successful" and had "changed the power-balance in the industry.

"It is the first time Seifsa has recognised that it must now deal with the unions that represent the majority of workers in the industry," he said.

Seifsa director Mr Brian Angus described the agreement as a "breakthrough" for collective bargaining.

Agreed proposals included:

- A 17.4 percent rise (76c an hour for artisans and 41c an hour for labourers), backdated to July 1, and
- An amendment to the main agreement to give compulsory stop order facilities to unions which are party to the Industrial Council.
Way now paved to restructuring

Metal strike settlement a landmark

THE strike in the metal industry ended yesterday after a landmark agreement between Seifsa and the National Union of Metalworkers of SA (Numsa) that heralds the beginning of a restructuring of employment conditions in the industry.

While it contains no improvement to the original employer wage offer, the deal establishes a five-year programme to eliminate anomalies between different skill levels in the wage curve — seen by Numsa as racially based — and a procedure for dealing with alleged discrimination at individual firms.

This is the first time in five years on the council Numsa has agreed to sign the main wage agreement, which covers some 300,000 employees at 9,000 firms.

— Numsa's Bernie Fanaroff said the main significance of the "historic" deal was that it had changed the balance of forces in the industry. It was the first time Seifsa had recognised it needed to deal primarily with the unions representing the majority of organised workers rather than pushing through agreements with the support of the smaller artisan unions.

Seifsa director Brian Angus, who agreed that Numsa had to be reckoned with, said three major factors had facilitated settlement, which he also described as historic.

They were Numsa's accommodating approach to negotiations over the past week, union fears of mounting dismissals of strikers, and the Manpower Minister's decision that he could not lawfully gazette an agreement so as to exclude members of the unions in dispute.

Fanaroff said the latter was decisive in strengthening the union's position.

Angus estimated the strike cost R50m to R70m in lost production. All strikers

P.T.O.
Metalworkers' strike is over

THE metal industry's wage strike, which involved about 31 000 workers at its peak and cost the sector an estimated R17 million in production losses, was resolved yesterday.

The International Metalworkers' Federation affiliate, the National Union of Metalworkers of SA, reached an agreement with the Steel and Engineering Industries' Federation of SA (Seftsa), ending a three-week-old strike by thousands of Numsa members in the Pretoria-Witwatersrand-Vaal areas.

In terms of the agreement, the two parties have settled on — among other things:
* Seftsa's final offer of between 41 cents-an-hour increase (labourers) and 76 cents-an-hour (labourers) to be backdated to July 1,
* compulsory stop orders for unions which are party to the industrial council,
* bonus an extra day's pay for employees who work 180 shifts "in one leave cycle", a two day's extra pay for those who work 235 shifts,
* Recognition of June 16 as a paid holiday in exchange for Founders' Day and May 1 for Workers' Day (first Monday in May),
* Wage anomalies to be eliminated in the industry over the next three years,
* Seftsa agreed to recommend to its members and the South African Consultative Committee on Labour Affairs (Saccola) not to rely on the rights conferred on them by the Labour Relations Amendment Act

THE Roodepoort Durban Deep mine this week honoured nine employees — among them Mr Mathews Maphukata — who have completed 25 years' service with the company. Presenting Mr Maphukata with a wrist watch and a certificate is Mr C Webster, the company's Industrial relations officer.
Landmark deal ends strike

Own Correspondent

JOHANNESBURG — The strike in the metal industry ended yesterday after a landmark agreement between Seifsa and the National Union of Metalworkers of SA (Numsa) which heralds the beginning of a restructuring of employment conditions in the industry.

While it contains no improvement to the original employer wage offer, the deal establishes a five-year programme to eliminate anomalies between different skill levels on the wage curve — seen by Numsa as racially-based — and a procedure for dealing with alleged discrimination at individual firms.

This is the first time in its five years on the council that Numsa has agreed to sign the main wage agreement, which covers some 330,000 employees at 9,000 firms.

Numsa's Mr Bernie Fanaroff said the main significance of the "historic" deal was that it had changed the balance of forces in the industry. It was the first time Seifsa had recognized it needed to deal primarily with the unions representing the majority of organized workers rather than pushing through agreements with the support of the smaller artisan unions.

Seifsa director Mr Brian Angus, who agreed that Numsa had to be reckoned with, said three major factors had facilitated settlement which he also described as historic.

They were Numsa's accommodating approach to negotiations over the past week, union fears of mounting dismissals of strikers, and the Manpower Minister's decision that he could not lawfully gazette an agreement so as to exclude members of the unions in dispute.

Mr Fanaroff said this was decisive in strengthening the union's position.

Mr Angus estimated that the strike cost R50m to R70m in lost production. Mr Fanaroff said most strikers would return by today although some, not happy with the absence of an improvement in basic wages, were reluctant.

The settlement was based on an eight-point offer made by Seifsa which supplements the final employer offer made last month. The entire deal was backdated to July 1.

Mr Fanaroff said he was pleased this year's only industry-wide strike had ended with a minimum of damage and casualties. Mr Angus conceded the action had largely been conducted in a disciplined way and the union had attempted to prevent incidents of intimidation and violence.
Strike cost tops R50m

THE metalworkers strike cost the industry upwards of R50-million.

The National Union of Metalworkers (Numsa) and the Steel & Engineering Industries Federation of SA (Seifsa) reached an agreement on Thursday to end the three-week strike.

Seifsa economics division head Michael McDonald estimates that the strike cost the industry between R50-million and R70-million, but this is worked out on Seifsa's figure of about 15,000 striking workers.

Mr. McDonald says "It is difficult to come to an exact amount because there are no exact figures on how much production each company lost or of how many workers went on strike.

"We calculate the amount of revenue lost from industry sales of R36-billion for 1988 as opposed to R31-billion in 1987. We found the value output a man by dividing the number of workers in the industry — 350,000 — into R76-billion.

"This we multiplied by the number of workers on strike, keeping in mind that we believe that most companies managed to maintain between 50% and 60% of production, "

The union says there were 30,000 strikers. If that were so, the cost of the strike would be more than R100-million.

Large operations, such as Messias and Eckom, were indirectly affected by the strike, and so were motor manufacturers who had to go into slow time last week.

All of the Seifsa-member companies which did not reach individual agreements with Numsa were affected, some to a larger degree than others.

Concessions

Mr. McDonald says, however, that because most companies have been working below capacity for some time, they can probably make up the loss over the next month or two.

The four unions linked under the International Metalworkers' Federation (IMF) failed to gain the wages they demanded, but won concessions.

They include:

- May Day and June 16 as public holidays
- From Page 1 paid holidays in exchange for any other public holidays
- Elimination of anomalies between different skill levels in the wage curve
- The acceptance that Numsa represents most blacks in the industry
- Permission for IMF unions to collect membership dues by stop orders on wage cheques.

A Numsa spokesman says "This is a breakthrough for the unions as it has set a precedent for restructuring of wages and conditions. It has also damaged Seifsa's ability to keep control over its members.

"Seifsa has agreed to encourage its member companies to reinstate dismissed workers. At least 1,000 of them have been reinstated."

□ From Page 1

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□ To Page 3
Metal unions trying to resolve squabble

DAYS after metalworkers ended their wage strike, metal industry unions are trying to resolve a domestic squabble over the agreement ending the stoppage.

Smaller affiliates of the International Metalworkers Federation (IMF) have not yet signed the agreement, alleging they were left out of the negotiations with the Steel and Engineering Industries Federation (Seifsa).

The two-week strike ended last week after Seifsa reached agreement with the National Union of Metalworkers (Numsa), the majority union in the IMF.

IMF spokesman Brian Fredericks yesterday said a special meeting had been called for Friday to discuss the matter.

"It was not a good situation, I am optimistic we will be able to resolve the problem on Friday," he said.

He said members of the Steel, Engineering and Allied Workers' Union, Engineering and Allied Workers' Union and the Electrical and Allied Workers' Trade Union had voted against the strike during ballots.

He said 99% of strikers were Numsa members and "at the end of the day, Seifsa negotiated with Numsa. The other unions were not part." "I accept Seifsa did divide the unions," Fredericks said.

The strike ended after Numsa accepted a compromise offer from Seifsa, granting May 1 as a paid holiday and June 16 as unpaid holiday.

The wage offer had not been improved and the union accepted increases of between 14 and 17%. Its original demand was 24%.

EAWTU secretary J Hlongwane said union members would meet at the weekend to decide whether or not to sign the agreement. The other unions were not available for comment. — Sapa.
Johannesburg — A row has broken out between the National Union of Metalworkers of SA and other affiliates of the International Metalworkers' Federation (IMF) over NUMSA's "unilateral" settlement with Seifsa last week of the 15-day wage strike.

Mr Tommy Ohlfont, IMF local president and general secretary of the Electrical and Allied Trades Workers' Union, said on Friday that his union and two others felt betrayed at not having been involved in the negotiations which finally resolved the strike.

"Seifsa has won the day. They succeeded in dividing the IMF unions — with NUMSA's help," he said. The wage dispute was originally declared jointly by the four IMF unions.

A NUMSA spokesman said the allegations were without basis. The deal had been negotiated with NUMSA because only NUMSA members had participated in the strike, he said.
Row erupts over metal strike settlement

A ROW has broken out between the National Union of Metalworkers' of SA and other affiliates of the International Metalworkers' Federation (IMF) over Numsa's "unilateral" settlement with Seifsa last week of the 15-day strike.

IMF local president and general secretary of the Electrical and Allied Trades Workers' Union Tommy Ohfant said on Friday his union and two others felt betrayed at not having been involved in settlement negotiations. "Seifsa has won the day. They succeeded in dividing the IMF unions - with Numsa's help," he said.

The wage dispute was originally declared jointly by the four IMF unions. A Numsa spokesman said the allegations were without basis. The deal had been negotiated with Numsa because only Numsa members had participated in the strike.

Seifsa director Brian Angus said there had been only a handful of non-Numsa members on strike. Therefore Seifsa needed an agreement primarily with Numsa.

Ohfant said the three unions left out had not yet signed the agreement as they had no mandate to do so. Members were angry about an agreement that contained no improvements in the employer wage offer, he added.

IMF local secretary Brian Fredericks also questioned why the IMF had been excluded from the talks leading to settlement, but added that the agreement was "the important thing"
Unions clash over settlement of SA metalworkers’ strike

By Adele Baleta

The International Metalworkers’ Federation (IMF) will hold a special meeting this week in an attempt to resolve a row over the settlement which ended the two-week metalworkers’ strike last Thursday.

The National Union of Metalworkers of South Africa (Numsa) was the only one of four IMF affiliates to sign the agreement with the Steel and Engineering Industries Federation of SA (Seifsa).

The IMF meeting will be held on Friday to discuss accusations that the remaining three IMF unions were excluded from the settlement negotiations.

The three smaller unions—the Steel, Engineering and Allied Workers’ Union (Seawusa), Engineering and Allied Workers’ Union (Eawusa) and the Electrical and Allied Trade Workers’ Union (Eawu)—have not yet signed the agreement.

Numsa spokesman Dr Bernie Fanie said the settlement was signed with Numsa because members of the other three unions had not taken part in the strike.

Northern Transvaal regional Numsa organiser, Mr Jerry Moropa, was detained in terms of the emergency regulations last Thursday, a union spokesman said yesterday.
UNITY has become the key issue as both the trade unions and employers in the metal industry enter the aftermath of a twoweek wage strike which set back the bonuses about R70 million in production losses.

The strike, which involved about 31 000 workers at its peak and resulted in losses of about R3.5 million a day in the sector, was called off last Thursday after a historic settlement between employers and the National Union of Metalworkers of South Africa (NUMSA).

The settlement, in the meantime, has sparked an internal debate among union affiliates, particularly the NUMSA's core union, the South African Council of National Metalworkers' Federations (IMF).

The IMF comprises the NUMSA, the Steel Engineering and Allied Workers Union (Seawau), and the Electrical and Allied Workers' Trade Union of SA (Eawatu) and Engineering and Allied Workers' Unions (Eawau).

The dispute revolves around the "unconstitutional" agreement reached between Numsa and the employer body, the Steel and Engineering Industries Federation of SA (Seifsa), which represents about 9 000 firms.

It was the first time Numsa — now the largest union in the industry — had agreed to sign the union agreement for the second time.

The four unions normally present joint demands, under the umbrella of the IMF, during annual negotiations at the industrial council.

IMF local president and Eawatu general secretary, Mr Tommy

SEIFSA executive director Mr Brian Angus.

NUMSA official Mr Peter Danilo

LABOUR LESSON

What the steel industry bosses learnt

Ollipants, has questioned Numsa's decision to sign the agreement, without the other three IMF affiliates, and without any improvement on Seifsa's wage offer.

"Seifsa has succeeded in dividing the IMF unions. How could Numsa decide to sign the agreement when we have said, in the past, that it would break solidarity among IMF unions, that lives have been lost and dozens of strikers dismissed during the strike, and that it would not be able to resolve the problem today?" IMF local secretary, Mr Brian Fredericks, said, referring to a special meeting between IMF affiliates scheduled to take place today.

He said 99 percent of the strikers were Numsa members and "at the end of the day Numsa negotiated with Numsa.

"I accept that Seifsa divided the unions," Mr Fredericks said.

Members of Eawatu, Seifsa and Soweto had not taken part in the strike because they had voted against industrial action during ballots.

Numsa officials Mr Peter Danilo said "the strike involved Numsa members only."!

"It was a strike we did not want," Mr Danilo said.

Meanwhile, the three IMF unions have not yet agreed on the agreement, had failed to take into consideration a number of factors which included the move would "break solidarity among IMF unions" that lives had been lost and dozens of strikers dismissed during the strike, and that it would not be able to resolve the problem today.

"I accept that Seifsa divided the unions," Mr Fredericks said.

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Meanwhile, the three IMF unions have not yet agreed on the agreement, had failed to take into consideration a number of factors which included the move would "break solidarity among IMF unions" that lives had been lost and dozens of strikers dismissed during the strike, and that it would not be able to resolve the problem today.

By LEN MASEKO

members — that's why we signed the agreement.

The matter, he said, would be resolved at today's meeting, with Seifsa as they still have to seek a mandate from their members on the matter.

Seifsa and Numsa have agreed to propose a proposal which includes:

- Implementation of the 17.4 percent wage offer (60 cents an hour for men and 41 cents an hour for women)
- Stop our affiliates from using strike weapons as they will be party to the industrial council.
- Acceptance of a three-year term to take wage anomalies.
- The submission of May 1 for Workers Day (first Monday or May) as a paid holiday and the submission of June 16 for Founders Day or another holiday.
- An industrial council to be developed to investigate allegations of racial discrimination by appearing in a panel of arbitrators and arbitrators.

Seifsa has undertaken to appoint representatives to member companies to support the South African Council of Trade Unions Committee on 10 hours of an average for regulations regarding the Labour Relations Amendment Act.

Before the agreement is signed, the IMF unions committed an average wage increase of 23 percent and a minimum hourly rate of R7.21.

In all the metal industry, a strike had a significant impact on the employers that they will have to take the IMF unions seriously in future negotiations.

In the past Seifsa — in agreement with the National Union of Metalworkers of South Africa. — has proceeded with the granting of the main agreement without the IMF affiliates.
IMF unions’ Fredericks... better placed for the future

Manpower Minister Piet du Pisani’s refusal to go along with Seifsa’s request that he gazette the “partial agreement” which had been accepted by the mainly white, minority Council of Mining and Building Unions. While this undoubtedly strengthened the IMF unions’ hand and undercut Seifsa’s stance, the unions too would have faced the impossible task of negotiating plant-level deals with, in all, some 9 000 companies which adhere to the Main Agreement’s provisions.

It may be recalled that the metal unions were in the last two years snookered out of launching legal strike action when the minister at the final moment went ahead and gazetted the Main Agreement despite their refusal to sign, which the IMF hadn’t in the past five years. This year’s belated agreement is, therefore, “historic,” in the words of IMF affiliate Numsa’s Bernie Fanaroff.

The strike had in any event begun to fizzle out. By last Tuesday, Seifsa said, 6 555 striking workers at 29 plants had returned to work, leaving 95 of the 3 500 member companies experiencing strike action involving about 10 650 workers. Of course, the unions’ figures differed. At its peak, the unions say the strike involved 31 000 employees. They also claim that more than 103 plants “broke ranks” with Seifsa’s refusal to budge on the central demand — a 23% wage increase (60c/hour) for the lowest grades — and granted increases near or at that level. Seifsa stood by its 17.4% (41c) offer to the end.

This may be regarded as its face-saver. The increase is to be backdated to July 1 (when the old agreement expired), but excluding the period of industrial action which began on August 3.

For the party that appeared at one stage to be over a barrel in the dispute, the unions in fact came out of it with a nice clutch of improvements to their members’ conditions of employment, despite losing the wage rise battle.

Most important, Seifsa accepted “a five-year timetable to eliminate anomalies in the industry’s wage curve starting in 1987. This means that the final special wage adjustment will be made at the 1991 annual negotiations. The size and extent of the wage anomalies have yet to be agreed between the parties.”

The Main Agreement will now include provision for stop-order facilities for the payment of union dues. It will also be amended to accommodate May 1 and June 16 as paid holidays where requested, on the basis of swapping them for, respectively, the first Monday in May, and Founders’ Day (April 6).

An attendance bonus will be introduced amounting to a day’s payment for 180 shifts in one cycle, and two days per 235 shifts. The shifts will include authorised absences.

An industrial council procedure is to be developed which will aim to investigate and determine allegations of racial discrimination by appointing a panel of “facilitators” from the industry. Appeals against their decisions will be decided by a “panel of arbitrators” selected by the industrial council. This arrangement will be coupled to a formal procedure to resolve allegations of violence and intimidation at company level, as well as cases of violence.

Seifsa undertook “to make representation” to those member companies which had dismissed or locked out legally striking employees. This will be done on the basis of its guidelines on strikes and lockouts.

The employer body also undertook to support the current Saccola initiative on the Labour Relations Amendment Act, and to support any Saccola recommendations to amend it.

Despite all this, the future of the union negotiating front, the IMF, seems rocky, since, towards the end of the dispute, Seifsa effectively clinched the deal by talking to the main affiliate on strike. Numsa. A meeting of the IMF to address the issue takes place this Friday.

Yet IMF secretary Brian Fredericks says the deal is “reasonable and leaves us better placed for future collective bargaining in the industry. It has stabilised the relationship between Seifsa and the IMF on the industrial council. This doesn’t necessarily mean labour peace will stem from this factor, but we have a more equal standing and respect for each other’s position, which augurs well for the future of collective bargaining.”

The union has also learned that “strategic strike action” like this has many problems. Not all the IMF’s four affiliates were able to muster support for the strike, nor, evidently, have an equal say in negotiations.
MAY Day has been celebrated by trade unions for many years with official recognition, but not in SA.

Celebrations of this kind are viewed as subversive in SA. This year, unions were denied permission to hold outdoor rallies. They went indoors where meetings were watched by police who filmed the proceedings.

The latest Steel and Engineering Industries Federation of SA (Seifsa) agreement with the National Union of Metalworkers (Numsa) is therefore significant.

**PRECEDENT**

It allows workers to take May Day and June 16 as paid public holidays. This was decided as part of the settlement which ended a 16-day strike in the metal industry.

Numsa spokesman Bernie Fazarri said it is an important breakthrough for unions and could set a precedent.

"To the best of our knowledge it is the first such industry-wide agreement. Seifsa has always been a trendsetter and we hope to see more companies going this way," he says.

Seifsa does not see the granting of May 1 as a holiday as conflicting with Government policy.

A spokesman says "It merely formed part of the employer response to trade union demands of three or four years, and was a deal struck during negotiation."

Companies may decide whether they wish to give their workers May Day as a paid holiday. The State calls it Workers Day, which President Botha last year proclaimed as the first Friday in May.

The Government's reason for choosing the first Friday is that the holiday will not interrupt the working week. It argues that it will guarantee a long weekend every year instead of awkward midweek holidays.

Most unions have rejected the proposal. Many thousands of black workers congregated and protested peacefully on May 1 against the Labour Relations Amendment Bill, the banning of organisations and the state of emergency.

Trade unions affiliated to SA's two biggest labour federations, the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu), ignored Workers Day.

For them, May Day is more a political than a labour issue.
Restructuring boosts D&H

By Ann Crotty

Malbark subsidiary Darling & Hodgson is reaping the benefit of the restructuring of the past few years.

For the 12 months to August, it has reported earnings of 60,7c a share, which is at the top end of most analysts' expectations.

It is paying a dividend of 18c.

Comparison with the previous period is only useful in so far as it reveals the extent of the changes that have been effected.

Earnings of R39,4 million are up 243 percent, compared with the annualised R11,5 million of the previous eight-month period.

The dividend payment is 260 percent up on the previous 5c.

A key indicator of the enhanced prospects for D&H is the improvement in operating margins from 7,3 percent in the eight months to August 1987 to around 19 percent in the review period.

This suggests the cleaning-up operations have left D&H with tighter run and more profitable interests.

As MD Richard Bruyns says, the group is now based primarily in manufacturing, rather than in the low-margin, high-risk contracting activities that previously dominated its portfolio.

The results for the eight months to August 1987 include those of Group Five for the six months to June when D&H sold its 76 percent stake.

It appears that all divisions contributed to the improved performance.

The latest figures include the results of Rocla and Solid Manufacturing, acquired with effect from September 1987.

The directors say the strong performance from these acquisitions justified the restructuring.

D&H's 42,2 percent stake in Blue Circle made a substantial contribution to group earnings.

The improvement in earnings per share is all the more impressive considering the doubling in the weighted average of shares in issue.

A major benefit of the massive increase in shares in financial 1987 has been a strong turnaround in the gearing situation.

In financial 1986, the group was carrying borrowings of R67,5 million. At end-financial 1988 it was sitting with R1,2 million cash which, as Mr Bruyns says, puts D&H in a strong position for acquisitions and organic growth.
"I foresee that Seifsa will need to broaden its scope of activities and become more involved with issues such as decentralisation, regional development, encouragement of exports, tax reform, the Group Areas Act and regional services councils," he told representatives attending the organisation's annual meeting.

"These issues have a direct impact on Seifsa members and the federation could play a more active role by encouraging positive changes which would benefit both themselves and the community at large."

Seifsa already shares the views of other employer bodies like Assacom and the FCI on a range of business issues. But these bodies would undoubtedly welcome the added muscle Seifsa's voice would give to the business lobby in its negotiations with government.

Whether government would feel the same way about having one more business terrier harrying it over group areas and other sensitive issues is another matter.

It is already feeling the heat over Seifsa's campaign for integrated technical and vocational training for industry apprentices and technicians.

So far, though, Savage says the Department of National Education has insisted technical training remain an "own affair," and that to allow all race groups to train together would "conflict with the provisions of the Constitution."

It's not a view shared by the Houses of Representatives and Delegates, which have cleared the way for people of other races to enter institutions falling under their educational departments.

Savage says the problem is particularly worrying because of the continuing decline in metal industry apprentice numbers. "The anticipated grave shortage of artisans is likely to prove a major constraint on economic growth in the metal industry in years ahead," he notes.

METAL INDUSTRIES

Steeling for change

The giant Steel and Engineering Industries Federation (Seifsa) is preparing to shed its emphasis on industrial relations and join other employer bodies in pressing for economic and socio-political change.

Richard Savage, who retired this week as Seifsa president, says the federation is no longer sure it can afford industrial relations, particularly annual wage negotiations, to dominate its affairs. He says the overall interests of metal industries employers have gone beyond that and Seifsa is reviewing its role.
Strong performance by Malbak's management

By Ann Crotty

Malbak's first full year results, since last year's R307 million deal which saw it become Gencor's industrial arm, reflect an excellent performance that appears to be in line with management's own expectations. From earnings of 104.3c a dividend of 25c has been declared.

Comparison with financial 1987's actual figures are of little use given the massive changes that have taken place. But comparison with the pro forma figures that were provided in the 1987 annual report (which assumed that the R607 million deal had been in effect for financial 1987) demonstrate the success that management has had in bedding down this major group.

Turnover is up 47 percent to R8.2 billion (R3.5 billion pro forma) and operating income surged 58 percent to R500 million (R316 million) as margins improved significantly from 8.8 percent to 9.5 percent.

Interest paid was up to R83 million compared with financial 1987's actual interest bill of R35 million. Earnings were up 56 percent to R180 million from the pro forma figure of R115 million. This is equivalent to 104.3c on a weighted average number of shares in issue and is 46 percent ahead of the previous year's pro forma earnings of 71.3c. On a fully converted basis the earnings per share figures are 96.1c and 65.3c respectively.

Even before moving into the Malbak camp, many of the companies that were acquired in last year's deal were showing signs of recovery from troubles that had dogged them in earlier years. But the fact that operating margins have improved reflects the Malbak management team's success in sweating even more from the assets.

Executive chairman Grant Thomas notes "It has been a busy year for management as we bedded down the new acquisitions. Further improvements in productivity, expense control and operating margins improved earnings substantially and we are confident that continued real growth will be achieved in the year ahead." The only disappointing areas were engineering and workwear.

Additional evidence of the improved performance is seen in the increase in operating income as a percentage of total funds employed which is up from a pro forma 1987 figure of 23.4 percent to 27.5 percent.

Although the actual interest bill has surged, the enlarged group has gearing of only 34 percent and has increased interest cover from 4.6 to 6 times.

Dividend cover has been raised from 3.3 times to 4.2 times which management regards as prudent in view of inflation trends. It also ensures that the group is able to contemplate further acquisitions.

Malbolde, holding 58.3 percent of Malbak, earned R8c a share from which it is paying a dividend of 70c.
Seifsa and unions seek meeting with minister

SEIFSA and some trade unions, which are parties to the metal industrial council, are seeking an urgent meeting with Manpower Minister Pietie du Plessis after being notified that he is unwilling to gazette, in its present form, the wage settlement reached in August after a three-week strike.

It is anticipated Du Plessis will refuse to gazette any reference to May 1 and June 16 as public holidays — which, subject to the wishes of employees in a ballot, was a feature of the strike settlement.

Manpower deputy director-general Joel Fourie said the minister had previously indicated he was not prepared to make secondary legislation, through the council system, which was contrary to government policy.

Furthermore, Du Plessis has said he was unwilling to extend a provision, which backdates wage increases to July 1, to employers not members of Seifsa.

His grounds are that “retrospective law is bad law”.

Some 5,600 of 9,000 metal-sector firms are not affiliated to Seifsa and, therefore, not parties to the council. They employ about one-quarter of the 320,000-strong workforce. The entire agreement is usually extended to cover the whole industry.

Fourie confirmed a meeting to discuss the issue was being arranged.

Confederation of Metal and Building Unions (CMBU) director Ben Nicholson said the minister’s intervention, particularly on the pay issue, could threaten the existence of the industrial council.

“It gives non-party employers a competitive edge and will encourage others to withdraw,” he said.

He said the National Union of Metalworkers of SA (Numsa) strike had delayed finalisation of the agreement, but added the CMBU had agreed in June to the wage increases in the agreement.

All employers, therefore, knew long ago what would be required of them.

Seifsa director Brian Angus said the parties wished to meet the minister to explain the difficulties the back pay issue caused for both.

He said Du Plessis’ attitude to public holidays was “unfortunate”, as the objective was to include it in the agreement. However, if this was not possible, Seifsa would examine alternative ways of giving effect to the accord.

A Numsa spokesman said the union would comment later on the matter.
The reasons why

The merger of Nampak and Metal Box two months ago created one of the world's largest and most diversified packaging groups. But, experts warn, there is a danger that the deal may fail to live up to the expectations of shareholders who hope to see a new powerhouse in the packaging industry.

Nampak, for years the dominant player in the industry, now towers above its rivals when measured by size. Preliminary figures for the year to end-September show that Nampak produced operating profit of R310.9m (R242.3m) on turnover of R2.1bn (R1.96bn). In the year to end-June, Anglo-American Canco made operating profit of R182.6m (R142.4m) from turnover of R755m (R930.7m), and in the year to end-August Malcolms Kibler produced operating profit of R193m (R142.4m) from turnover of R774m (R534.5m).

Unlike many other large acquisitions, management does not explain this one on the strength of opportunities for superior rationalization. What there was to be achieved in this case has largely been done in the few months since the deal took effect.

As John McCarron puts it, the old Nampak and Metal Box were complements, the former in print and packaging, the latter in primary packaging and printing and related products, and the latter in primary packaging products. That does not mean there hasn't been plenty of tidying up. "The number of companies in the enlarged group will be slashed from 120 to just 13 (excluding the licenses interests), and management is expected to cut costs even further.

The group has extended the net and can take the opportunities this creates," Mr. McCarron added. Mr. McCarron added that the group had not been overly cautious towards research and development. "We were motivated to get a new idea and then run with it. Metal Box tended to stick with a proven formula."

With the restructuring in place, management will be focusing on volumes and margins. Nampak wants to maintain its record of generating annual earnings growth ahead of GNP plus the CPI, and the GBP appears to be more attractive for better returns in the Metal Box operations. One hurdle for Metal Box would be the need to import certain raw materials. Inherently, this has been a major factor in its profitability, local producers and polymers are running into similar constraints, unlike many higher-cost suppliers, and all are based on local consumers. Most of the divisions engaged in the group's strong growth this year, particularly those supplying consumer goods. Brown says that the group's focus in the past has been to "sell our products as much as we can". In the future, the group will focus on "building a solid foundation".

The group's turnaround of 5.6% last year, which has been a major factor in its growth, will continue, according to Brown. "We have been able to generate a strong profit margin, and we are well placed on a growth basis."

The group's programme includes the addition of new capacity, particularly in the industrial sector, and the acquisition of metal boxes. Capex for 1989 is budgeted for R200m, of which about 50% is for replacement and modernization.

This includes two major projects - a new brewery can line and a new 5000-ton-per-year canning line.

In addition, the group has established a new joint venture with a local company to produce a new range of metal boxes. The new company, South African Metal Boxes, will invest R100m in new machinery and technology, and the group expects to increase its market share by 20%.

This year's firming up in the group's earnings growth was due to higher prices, particularly in the industrial sector. The group expects to achieve a 6% increase in sales this year, with a similar increase in earnings.

The group's balance sheet is expected to show a profit of R350m, up from R180m last year. This is due to higher prices, lower interest rates and lower taxation.

The group's shares have risen by about 20% this year, which has been due to higher earnings per share and the expectations of higher profits in the future.

The group's management is confident of reaching its targets for the year, and expects to continue to grow at a strong pace. The group's shares are expected to continue to rise, with good prospects for further growth.
METAL PRODUCTS

1989

(No Exports)
Cost of making white goods to rise 3%

THE cost of manufacturing white goods would rise by up to 3% after next month's steel price hike, SA Domestic Appliance Manufacturers (DAMSA) vice-chairman Ronnie Herrmann said yesterday.

He said the mark-up to retailers could increase by as much as R30.

Iscor announced last month that cold rolled steel — employed in the manufacture of white goods — would climb by 10.5%.

"Sales through retailers have been affected by higher surcharges, the credit restrictions, petrol price increases and now the steel price increase," Herrmann said.

"We hope after these setbacks stability will once again return to the white-goods industry."

These "setbacks" meant manufacturers had constantly to renegotiate prices with customers, and there was uncertainty regarding pricing among manufacturers because of all the changes.

Herrmann said there was also a danger that manufacturers would cut down on certain non-strategic appliance parts to maintain present price levels.

"These would include things like a shelf in a fridge or a rack in a stove," he said.
More major losses push Steelmetals into the red

ANGLOVAAL'S Steelmetals incurred more major losses after discontinuing the sale of construction equipment and the group sank into a loss in the six months to December.

Borrowings soared to R220m from R98.7m, the debt/equity ratio climbed to 120% and shareholders' funds were eroded to R16.3m (R230.3m). Net asset value declined to R11c a share from 65c a share a year ago.

Steelmetals' bottom line loss amounted to R134.0m (4.2c a share) compared with a taxed profit of R467.0m in the six months to December 1987 (14.7c a share).

Tax

The losses arose mainly from the need to repossess certain equipment sold under the suspensive sale agreements. This resulted in substantially increased borrowings and interest charges took a R1m bite out of profits (R650.0m interest paid in 1987 half-year).

As most other divisions had a satisfactory half-year, the decline in operating profit was limited to 6% at R2.1m (R2.3m). But the group's tax increased to R1.2m (R976.0m), equivalent to a rate of 101.7% (55.2%) as a result of good performances in some divisions.

Steelmetals directors say in their interim report that earnings continue to be affected by the adverse tax rate which reflects the increase in estimated tax losses in certain group companies.

Due to more proposed rationalisations and the unknown extent of the liability applying to the recourse debentures of the construction equipment division, it is not feasible to estimate earnings for the full year.

Distribution

Meanwhile, King-Pac has bought 100% of Clean Pac - an industrial cleaning materials distributor - and 52% of Pacforce, a company operating in the same field as King-Pac.

The bearings division has enlarged its distribution network with the acquisition of Salsen Bearing World.

Steelmetals shares are trading at about 28c and seem overpriced on results and prospects. The dividend was passed in 1987. The group has a history of trading on narrow margins and its turnover growth rate has been marginal - the past half-year's sales were up only 2.2%.

In addition, it will have to progress faster to restore the tattered balance sheet.
Steelmetals posts a consolidated loss of R134 000

Steelmetals had a consolidated loss of R134 000—or 4.2c a share—against the year-ago R497 000 profit, equivalent to 14.7c per share in the six months to December.

After the decision to discontinue construction equipment sales, further major losses arose because of the need to repossess certain equipment sold under suspensive sales agreements, the board says.

These agreements had been discounted with recourse. Their repurchase led to an increase in borrowings and a much higher interest charge of R1,840 million (R692 million) (R497 million).

Most other divisions had a satisfactory half-year. Total turnover was slightly higher at R35,143 million (R34,966 million). The decline in operating profit was limited to 6 percent at R2,110 million (R2,246 million).

Interest received declined and, after deducting interest paid, pre-tax profit was R1,134 million (R1,171 million).

Estimated tax losses of certain group companies caused the effective tax rate to jump to 101.7 percent (55.2 percent), resulting in a taxed loss of R19 000.

Minority interests absorbed R115 000 (R324 000), leaving a bottom-line loss of R134 000 (R467 000 profit). Both the bearings division and King-Pac Materials performed well. The machine tool and contracting divisions operated successfully. Although the latter expects to close several contracts in the current half-year, its order book has not increased as was hoped for—Sapa.
Acquisitions Retains Cash to Fund Diversification
OLD MUTUAL Properties may shortly be in a strong position to end the long controversy over which form of construction — of concrete or steel frame — is financially the best option for developers in the current economic climate.

Shortly before 1066 Kerk Street comes on stream, the company will be starting work on another, similar, full block development across the road to house its local branch operation.

But while 1066 has been constructed over a period of 24 months using a conventional concrete frame, the very similar Old Mutual Building will be built on fast track using a steel frame and is scheduled for completion only 18 months after construction started.

The two projects are very similar in size. Old Mutual Building comprises 19 storeys, with a lettable floor area of 24 650m², while 1066 is 20-storeys with a lettable office area of 24 875m², plus 850m² retail space at ground level.

Parking is provided at 1066 for 330 vehicles, and at Old Mutual Building for 292 vehicles, at a ratio of slightly over one bay per 100m².

A major disadvantage to concrete-based construction in the CBD, where buildings tend to be high-rise, is the slowness of construction. The market can turn right around in the time that elapses between deciding to build and starting a letting programme.

“This problem doesn’t arise to the same extent in the suburbs, where buildings are usually smaller and take less time to complete,” comments regional property manager (Witwatersrand) Lin Watt.

On the other hand, Watt points out, the far greater cost of steel construction introduces an element or risk that cannot be justified unless a building is fully let well ahead of completion.

This was one of the factors that made the construction of the Old Mutual Building in steel feasible, since it is to be fully taken up by Old Mutual.

A striking characteristic of both projects is their low-tech design, chosen because the developers believe it to be more “user friendly” than the hi-tech common to most modern developments. Minimal deep space ensures that most people in the building have ready access to windows, which are of clear glass and, in many cases, can be opened.

“From the time we made the commitment to develop in the CBD, we attempted to analyse what it is that attracts people to work in the suburbs,” adds Watt.

“We found that a desire to escape what is perceived as a sterile, isolated working environment was a major factor. People don’t like to be cut off from the outside world, dependent on artificial lighting and unaware even of what the weather is like.”

In addition, there is no central air-conditioning system, and tenants will specify where they want modular air-conditioning units installed. This will both enable individuals to set the air temperature in their offices to suit their personal comfort levels and also dramatically reduce running costs.

Watt tends to discount the importance of a high parking to floor area ratio in attracting people to the suburbs. “Bus transport into the CBD is far better than it is for the suburbs, where relatively low echelon workers have a need for cars.”
Extremely low tax rate saves Metkor

Once again Metkor has produced a boring, unamigmatic annual report.

The five-year trend between 1984 and 1989 shows management lacks flair. Sales of R1,54 billion in 1984 produced pre-tax income of R34,57 million compared with sales of R2,42 billion in 1988 producing R109,3 million.

Ordinary shareholders' interest of R318 million in 1984 has plodded along to only R370 million five years later. Working capital has remained virtually constant.

Only the extremely low effective tax rate of 21 percent in 1986 and 19,3 percent in 1987 made the bottom line look respectable. This low rate will continue until the enormous tax losses (1987 R112 million, 1988 R76 million) are fully utilised.

With hefty borrowings up 22 percent in 1988 and with spiralling interest rates, finance charges, which continue to plunge the income statement, look set to rise.

The most disappointing aspect was the chairman's dreary review offering no statistics or comments on the progress of each major subsidiary.

Furnishing the head office address and location of manufacturing cities was irrelevant. What were the major problems and bottom line contribution from the main activities? Poor industrial relations in 1988 adversely affected certain of the group's operations.

Sales increased to R2,42 billion (1987 R1,97 billion) producing net income before finance charges of R1,44,62 million (1987 R187,04 million).


After outside shareholders' share of income R55,6 million (1987: R42,44 million) and crediting the R5,56 million (1987 R5,24 million) net income of associated companies, the bottom line totalled R35,97 million (1987: R26,81 million).

An extraordinary net credit of R3,05 million made the "net income attributable to ordinary shareholders R39,02 million" (1987: R39,41 million) look good. But consider; a mere 1,6 percent of sales (1987: 1,44 percent). Earnings per share were 33,1c (1987: 26,5c) with dividends upped to 12,5c (1987: 18c).

The overall improvement stems from improved activity in the motor industry and action taken to reduce the group's involvement in heavy engineering, says the new chairman Mr F P Kotze.

Acquisitions during the year included the aluminium business acquired from PG Glass Holdings which, together with the aluminium extension business of the Aluminium Extrusion Company, were merged with the contracting and aluminium division of Wespaco.

Surplus properties in the Newtown area of Johannesburg fetched R7 million.

Subsidiary Dorbly is proceeding as a 50 percent participant in a R120 million joint venture with Iscor to upgrade the seamless tube facility of TOSA.

None of the above has a material effect on the net asset value or group earnings in the short term.

Modest improvement

The three-week strike over wages in the metal industry adversely affected certain of the group's operations. Results and comparisons from major divisions within the group were once again omitted, leaving shareholders no way of determining how subsidiaries are performing.

The balance sheet featured only a modest improvement

Helped by the significant outside shareholders' interest of R433,6 million (1987: R427,85 million) — more than 50 percent — total shareholders' interest rose to R83,6 million (1987: R73,85 million) at end-September 1988. Total debt increased to R278,76 million (1987: R220,8 million).

Rather disturbing was the investment in associated companies of R62,8 million (1987: R42,1 million) having a valuation of only R45,3 million (1987: R40,56 million) — a material difference of R17,3 million which certainly warranted comment.

Despite a lower growth rate and increase in interest rates, a further earnings improvement is forecast for 1989.

The results of companies manufacturing capital goods that are being scaled down in relation to demand, will be more favourable.

With a net asset value R3,41 (1987 R3,06) compared with the current JSE price of R3,00, shareholders are showing disenchantment.

Metkor's psychology makes it the leading candidate to buy Iscor/Vecor and leave other more progressive groups such as Alotech's Powertech and Aberdare welsh the heavy engineering limelight.

Without the massive tax losses the bottom line would look pitiful.
M & R Foundries in major Cosworth deal

PORT ELIZABETH — Agreement has been reached between British engine manufacturer Cosworth and Murray and Roberts to produce aluminium alloy cylinder heads at Ferroform in Port Elizabeth.

This was confirmed at the weekend by Murray and Roberts Foundries group managing director Gordon Scott. He said the proposed production of the cylinder heads under licence to Cosworth would involve a R30m investment.

The local content of the cylinder heads would be about 85%.

Cosworth is famous for its Formula One racing engines. Its other clients include Jaguar, Mercedes-Benz, Ford, Opel, Rolls-Royce and Maserati.

Mr Scott said it was proposed that initially an R11m pilot plant would be established at the Stanford Road foundry. It was expected to go into production in July next year with a run of 40,000 cylinder heads a year for cars and light commercial vehicles.

“This represents 15% of the needs of the South African motor manufacturing industry. Once phase two has been completed in 2½ years, the plant will be able to supply the industry’s total needs into the 21st century. The agreement with Cosworth also provides for exports.”

“The production of cylinder heads in Port Elizabeth will be a major import substitution programme.”

Mr Scott said the process which used special zircon sand-casting and heat treatment techniques was ideally suited to the relatively low volumes of vehicle production in South Africa.

He said the agreement with Cosworth had been clinched in the face of stiff competition from other South African companies.
Cosworth teams up with M&R in aluminium casting project

By Stan Kennedy

Port Elizabeth is to be the site of a proposed R30-million aluminium casting operation involving a major South African industrial concern and an international force in high-performance engines.

An agreement was signed this week by M&R Foundries and Cosworth Engineering, England, which will pave the way for the investment and the creation of 300 jobs. A third party in the agreement is International Machine Metal Company.

The foundry will have sole manufacturing rights for the production of high-quality aluminium cylinder heads in southern Africa using the Cosworth process. Cosworth is renowned as manufacturers of Formula One racing engines.

The first phase of the programme will be the setting up of an initial manufacturing line, costing R11 million, which will be commissioned in July next year, and which will produce 40,000 cylinder heads a year or 15 percent of local industry's requirements.

A further R19 million will go into the main production line within the next two-and-a-half years. The third phase will be a plant for the manufacture of engine blocks but there is no definite timing for this at present.

The facility will have the capacity to provide South Africa's total requirements for cylinder heads into the next century and make massive savings in foreign exchange, says Mr Gordon Scott, group managing director, M&R Foundries.

Engine blocks

"We will initially concentrate on manufacturing Cosworth-process cylinder heads and later move into other components. Eventually, we plan to produce aluminium engine blocks, which is a natural extension of our operations."

He says the quality of the components manufactured using the process could be gauged from the Cosworth's Formula One racing engines and manufacturers using Cosworth components. These include Jaguar, Mercedes-Benz, Ford, Opel, and Triumph.

The process is such a success that car manufacturers say it is the ideal production method for aluminium heads.

M&R Foundries started its search in the international market for a process that would meet local requirements. It had to be capable of providing consistently high-quality castings to all specifications and to be compatible with South Africa's low-volume production by offering competitive capital investments in plant and tooling in relation to production costs.

It also had to be a technology which was in line with the pattern and toolmaking foundry capability available here.

Local content of the plant will be 80 to 83 percent while the parts will contain 88 percent. Aluminium and the Zircon sand will come from Richards Bay.

Staff from Port Elizabeth will be trained at Cosworth's research and development centre in Worcester, England, and expertise from there will come to Port Elizabeth to assist in the start-up.
COMPANIES

Clyde Industrial’s earnings drop 31% after labour unrest

CLYDE Industrial Corporation’s earnings dropped 31% after labour unrest and tight competition in new markets eroded the benefits from a 44% increase in turnover.

The steel-product manufacturing company’s earnings dropped to 85c a share from 12.3c, preliminary results for the year to February show.

While turnover increased to R62m (R43.1m), income attributable to shareholders fell 50% to R1.46m (R2.93m).

The level of profitabilty dropped in the second quarter resulting in an 18% decrease in pre-interest and tax income of R3.34m (R4.01m). Taxed income dropped 49% to R1.46m from R2.93m.

The drop in profitability was due to labour unrest resulting in the dismissal of a major part of the workforce. With subsequent recruitment, difficulty was experienced in maintaining previous production levels.

The directors, who hold 69% of Clyde Industrial, reported aggressive pricing structures to pursue new markets led to a trimming of margins which added impetus to the drop in profitability.

Interest charges increased to R33 000 from R462 000 as a result of an increase in the rate of interest and the level of debt.

The increase in debt arose from working capital requirements and capex expansion of R3.8m. The directors thought it would be wise to increase the company’s dividend cover from 2.5 times earnings to 3.3 times earnings.

A dividend of 0.6c a share has been declared. Clyde Industrial traded at 38c a share on Friday.
Papers served on company

PAPERS have been served on Premier Wire and Steel Products following the dismissal of 143 workers over a June 16 stay-away controversy.

The papers were served yesterday by Bernadí, Vukcu and Potash, attorneys for the Electrical and Allied Trade Workers' Union of which the 143 are members.

They were dismissed on June 15 this year and seek an Industrial Court order directing the company to reinstate them on the same terms and conditions as prevailed at the time of their dismissal.

According to an affidavit filed by shop steward Mr Ivan Daniels, he and his colleagues had several meetings with the management regarding the issue of June 16 during that week. Initially, shop stewards had suggested that employees work either on October 10 or two Saturdays as an alternative to June 16.

In addition, workers requested that they be paid on June 15 and not the following Monday, as this would cause them severe financial hardship. On June 13 management rejected their proposals and "was not prepared to enter into an agreement". Mr Daniels said the entire workforce reported for duty on Thursday, June 15, but found the company's front gates locked. Wages were paid after 9am.
ALLEGATIONS that businessman Ivan Brownlee embarked on a scheme to strip assets from a company he acquired on behalf of JB Foundation SA of Luxembourg were made in papers supporting a winding up application in the Rand Supreme Court yesterday.

Steel shaft manufacturers Mono-Die Engineers (Pty) Ltd was placed in liquidation yesterday after an application by Rechmans Ltd and two of the company's shareholders, Joseph Beno Annegarn and Joseph Mana Annegarn.

Rechmans have a R1 965 759 claim against Mono-Die.

SUSAN RUSSELL

According to affidavits, Mono-Die's shareholders sold the company to JB, represented by Brownlee, for R5m last December.

Lewis Fredus, representing Rechmans, said in his affidavit that since then Brownlee or his nominees had had physical control of the company which had not been paid for.

He said action had begun to set the sale aside.

Fredus said Mono-Die also owed Iscor R1.1m and R513 073 to Seaw Metals, one of its major raw material suppliers.

Standard Bank has a R469 714 claim against the company.

Fredus said the company had offered abnormally large discounts to customers.

He said customers' money was not being deposited into Mono-Die's account.

"It is clear that every attempt is being made by Brownlee and his associates to try and frustrate Rechmans' rights to collect Mono-Die's debt," he said.

In an affidavit, Joseph Beno Annegarn said it became apparent during April this year that JB did not intend to pay any part of the purchase price for Mono-Die which had no ready cash to pay its debts.
Supreme takes over Sam Steele for nearly R40m

CHARLOTTE MATHEWS

CASH-STRAPPED furniture company Sam Steele Holdings has been taken over by financial and industrial holding company Supreme Bond Trust in a deal worth about R40m.

Supreme Bond Trust is the holding company of Supreme Industrial Holdings, previously Mewa Holdings.

Sam Steele's main manufacturing division is Steel and Barnett, a veneered board, bedroom furniture and kitchen cabinet factory outside Johannesburg. The retail division is the Protea Furnishers chain with 75 stores around the country.

For the year to August 1998 Sam Steele posted an attributable profit of R2,3m against R1,4m for the previous year, but the total dividend for the year was 2c a share compared to 1987's 4c. Gearung was 152%, the highest for five years.

Supreme Bond Trust has acquired for R38m claims of R45m by banks against Sam Steele. In addition, the 49% stake of Joe Berardo's Johannesburg Mining and Finance Corporation in Sam Steele has been bought for R1,47m, representing an offer of 20c a share. This will give Supreme an 88% holding in Sam Steele.

Resume

An offer of 20c a share will also be made to the remaining shareholders, which, if taken up, would cost another R1,5m.

Subject to shareholder approval, Sam Steele will issue to Supreme 50-million shares at 20c each, by capitalising R10m of the claims of R45m.

Sam Steele shares were suspended at 35c last week and trading will resume today.

Supreme financial director Roque Hafner said last night that existing board members of Sam Steele would remain and they would be joined by Supreme chairman Edward Roubeck, Herman Erdmann and himself.

"In due course the main board will be reconstituted," he added.

"Supreme is always looking for acquisitions. We saw the opportunity and having the available cash resources we decided to buy the company to turn it around as a viable venture. We already have manufacturing interests and this acquisition will give us a retail interest."

Supreme Industrial Holdings has interests in stainless steel products through Mewa Manufacturing, and in cold rooms, refrigeration units and insulated panels through Insulated Structures.
THIRTY-TWO workers at the Allicast Foundry in Parow Industria yesterday struck in support of higher wages.

A worker said labourers, who earned R3.62 an hour, were demanding R4.80 and artisans, currently earning R6.30 an hour, demanded R7.20.
High interest bill hits Prestige at halfway-mark

SYLVIA DU PLESSIS

PRESTIGE'S current financial year would be one of consolidation following moves to make the group trimmer and leaner, MD Angus Snowden said yesterday.

The Undve-controlled manufacturer and distributor of consumer durables has posted a sad set of results in the six months to June.

While it has reported a 56% hike in operating profit to R1,4m (R927,000), a higher interest bill has whittled attributable profit to R519,000 from the previous six months' R543,000.

No provision has been made for taxation as the trading company has an assessed loss.

Earnings a share have been maintained at 1,8c, but net asset value per share has risen to 59,8c from 53,4c.

Reorganisation

Snowden said finance costs were higher at R250,000 (R384,000), but the closure of the kitchen unit division, coupled with improved asset management, had reduced short term borrowings by 30%.

Major reorganisation of the Kroit operation, which manufactures galvanised products and pots and pans for the budget end of the market, had put Prestige's manufacturing and trading divisions on "a sound footing".

Management had implemented efficient controls to cut costs and labour was being better utilised. In addition, stock had been reduced, debtor turnaround time improved and the group was now "trimmer and leaner".

"And historically, Prestige's business is seasonal and turnover in the second half of the financial year represents a major portion of the annual turnover," Snowden said.

He added that the group would relocate its Transvaal-based manufacturing operations from Heriotdale to Ekandustria in Kwandahele, a decentralisation area, in December.

The move was expected to have a favourable effect on its 1990 performance.
Prestige set to consolidate

Finance Staff
Prestige Group, manufacturer and distributor of consumer durables, has closed its loss-making kitchen unit division and is set to consolidate in the current year, says managing director Angus Snowden.

Operating profit for the group was up 56 percent to R1,4 million (R927,000) for the six months to June.

But this improvement was more than wiped out by the steep increase in interest payments.

Net profit was R519,000 — slightly down on the previous six months.

Earnings per share for the group remained at 1.3c.

Mr Snowden says “Although finance costs were higher for this period, the closure of the kitchen unit division and improved asset management reduced the group’s short-term borrowings by 30 percent.”

Mr Snowden says major reorganisation of the Krost operation has put Prestige’s manufacturing and trading divisions on a sound footing.

“We are trading more profitably since closing down the Krost kitchen unit division in December and the growth in turnover is satisfactory, especially in the industrial division.

“We have implemented tight internal controls to cut costs and labour is being better utilised. We have reduced our stock, improved debtor turnaround time and the group is now trimmer and leaner.”

“And,” says Mr Snowden “historically, Prestige’s business is seasonal and turnover in the second half of the financial year represents a major portion of the annual turnover.”

Mr Snowden says the group will relocate the Transvaal manufacturing operations from Heriotdale to Ekandustria in Kwambale, a decentralisation area in December 1989.

“This will allow the group to expand even further into the growing budget end of the consumer market and is expected to have a favourable effect on the performance in 1990.”

Prestige’s products cover a wide range of kitchen utensils and cookware — from microwave cookware and kitchen accessories to baking pans, kitchen gadgets and kitchen knives.”
Toco purchases extend strategic holdings

TOCO Holdings has increased its strategic holdings in Vitrex and Premier Chemical Industries through buying Prade Consultants' and Columbia Consultants' remaining indirect holdings in the two businesses. Toco has acquired from each of the vendors their 20% holdings in and loan accounts to East Rand Chemical Holdings for nearly R33m, to be settled by the issue of 1.84-million Toco shares at 85c. This brings Toco's holding in East Rand to 80% East Rand has a 40% interest in Alzac Holdings, which owns 100% of Vitrex and 60% of Premier. Vitrex makes vitreous enamelled steel composite panels, while Premier is the dominant manufacturer in southern Africa of synthetic body fillers for the automotive refuelling market. Toco's holding in Vitrex goes up to 40% from 21% and that in Premier increases to 24% from 14.4%. Vitrex and Premier are expected to contribute meaningfully to Toco's earnings growth in the current year and in future years.
MEGAPIPE has been awarded a major Mozgas pipeline installation contract.

The main contractor for phase one of the pipeline is CRI Contractors SA. MEGAPIPE’s installation expertise will be used to weld the HDPE pipeline.

The pipeline will eventually extend from the refinery to a point 1.8km out at sea. The sea section will be encased in a steel sleeve. When completed, the pipeline, which will carry refinery effluent, will be 7km long.

MEGAPIPE, a division of Mega Plastics, pioneered the use of HDPE piping in South Africa.
A R1,4 million contract covering the casting and machining of pressure vessels and parts for the pneumatic conveying system to handle fly ash at Kriel Power Station has gone to Cemenco Foundry.

The contract, awarded by Simon Carves, is one of the biggest undertaken by Cemenco. Mr David Moore, director, Simon Macawber, a division of Simon Carves, says: "Our local manufacturing programme has been running for four years and we now have the largest assembly plant outside our parent company in the UK.

"The quality of the components must be equal to, or better than, that expected in the UK. Quality control is, therefore, an extremely important aspect in the casting and machining process."

Cemenco is casting the ash vessels from ductile iron, the valves and components from grey iron and the pipe bends from nodular.
MACHINERY + EQUIPMENT
1989
Valard buys crane firm for £2m

VALARD, which manufactures and sells industrial products, has continued on the acquisition trail with the announcement today that it has bought Tghman and Lasch from Landlock in a deal worth £2m.

Lasch, the dominant player in the SA crane industry about 10 years ago, ran into difficulties in 1983 and many of its operations were closed. The company has not performed well over the past two years, but Valard MD Stephen Connelly believes Lasch will soon be turned around under its new stewardship.

Lasch should fit more easily into Valard, which has smaller businesses involved in mining and heavy industries, while Landlock has larger businesses in the automotive field.

"We see the acquisition of Lasch as an opportunity and feel we can quickly get the company back into profitability."

"Taking an 18-month view, Lasch should be earning a 25% return on total assets, which is in line with the rest of our group," Connelly said.

The Lasch acquisition will have no effect on Valard's earnings for the financial year to March 1987.

But, Connelly said, Valard was well on target to achieving its forecast of earnings of 11c a share for the year.

The forecast was made in November last year when Delta Electrical Industries acquired a 20% stake in Valard.

This was in exchange for the 50% interest in Ernest Lowe Hydrotube (ELH), as well as Delta's loan account in ELH, worth £6.97m based on Valard's then prevailing share price of 65c.

The deal made ELH a wholly owned subsidiary of Valard.

Valard shares closed unchanged yesterday at 75c.
Valard on the acquisition trail

Finance Staff

Valard, manufacturers of industrial products, has acquired Tighman and Lasch from Landlock for a purchase consideration of R2 million.

The Lasch acquisition will have no effect on Valard's earnings for the year to March.

Lasch, once a dominant player in the SA crane industry, ran into difficulties in 1983 and many of its operations were closed.

The company has not performed well over the past year, but Valard MD is quoted as saying it will soon be turned around under its new stewardship.
SHARES in Berzack Brothers and its holding company Bivec have been split and the sub-divided shares will be listed today.

Berzack subsidiaries make and distribute plastics and cable, sewing machines and machinery for the clothing and leather industries.

Berzack shares will be sub-divided five-for-one, while Bivec will be split 20-for-one.

The majority of shareholders have accepted a recent bonus share offer. In response to a bonus share offer made before the announcement of the share split, 90% of Bivec shareholders elected to receive five bonus shares for every 100 Bivec shares instead of the cash dividend of 43c a share.

And 95% of Berzack shareholders accepted the offer of six bonus shares for every 100 Berzack shares rather than the dividend of 270c a share.

Director Myron Berzack says the share split will make the shares more tradeable and enable more shares to come out on to the market.

With the current trading prices, Bivec at 1 250c and Berzack at 7 65c a share, the shares are out of the average income person's grasp, says Berzack.

This has retarded the natural growth of the share.
Rock-bottom Racy racing out of the penny league

Racy Group Holdings shares are among the penny stocks, but could be worth twice the current 80c.

Racy comprises two major divisions: Hendlers Industrial Carriers and Diesel City Hendlers. Hendlers was started in 1971 by brothers Ralph and Cyril, who had only one truck between them. After becoming a Durban branch in 1977, Hendlers became an indirect subsidiary of TIIAC (Trade & Industries Acceptances) in 1981, and four years later the business of Diesel City was acquired.

Racy was listed on the JSE in August 1987 when 7.2-million shares were offered at 75c. Since then the share price has been as low as 42c.

HAPPY

Managing director Allan Jacobson is more than happy with the business, saying: "Everyone keeps saying the economy is slowing down, but we are increasing the capacity of our fleet because demand is so strong."

Handle car for a variety of industries and has warehousing facilities in SA’s three major centres. No single customer accounts for more than 7% of turnover, so vulnerability to a particular field is limited.

"We carry mostly finished goods, nothing messy," says Mr Jacobson. He believes deregulation of the transport industry will take a long time, but Hendlers will be ready to take advantage of the opportunities.

The fleet comprises only a few different models to make maintenance more simple.

For a newcomer to enter road transport even at Racy’s modest size would cost R75 million. Those companies already in the driving seat are also in the pound seats.

REBUILDERS

Diesel City’s workshops are equipped to rebuild, repair and install diesel engines for mining, industry and transport.

Diesel City also imports parts for wholesaling, and has franchises for engine, mechanical and electrical parts and fuel-injection systems.

"We are an accredited dealer for Atlantic Diesel Engines (ADE), which has a big future in SA for engines up to a certain size," says Mr Jacobson.

Diesel City rebuilds an engine with a warranty that it is as good as new in terms of hours of service at a saving of between 65% and 78% on the price of one out of the box. Clients range from mines to Government departments to company fleets.

"We can remake an engine in five to six days. We have a range of engines which can be borrowed by the client in that downtime so that he does not lose money while his vehicle is off the road.

A large capital investment was made in the stock of engines for this purpose, but it has been worthwhile.

Another innovative idea is the leasing or rental of an engine. "We have reached an agreement with a bank to allow the lease or rental of an engine only. A customer does not have to buy an engine outright or lease a new vehicle.

"Buying an engine ties up capital which could be put to better use elsewhere in the business. We will even put engines on standby in the event that a client might need one."

Racy turned over R20 million in the six months to September, and expects to top R40 million for the year to March. Interim earnings were R65,000, a share. Last year’s earnings totalled R11.5c, and the share price of 80c is 5,5 times historic earnings.

This year’s earnings should be between 15c and 16c — a forward price-earnings ratio of only 5 times. The average price in R, for the transport sector is 8.5 times.

MAXIMUM

Racy’s tax rate will be 37% compared with last year’s 28%. Next year the company will pay the maximum rate of tax, but Mr Jacobson does not expect the bottom line to be below this year’s.

The current dividend yield is 8.4%. Dividend cover was increased to 2.5 times at the interim because borrowings had risen, and three acquisitions costing R3.5 million.

"We are 35% geared, and the figure will rise to 45% by March. But we are looking five years ahead with our expansion. We have bought the latest equipment and can move bigger loads while maintaining overheads.

The net asset value at the half-year was R72c — so buyers of shares at the current price are getting in at a rock-bottom price.

Huntcor oddlots

on the way out

HOLDERS of fewer than 100 shares in Huntcor can now boneflock’s listing on the JSE was terminated in August last year when its mem-

Huntcor’s listing is currently in liquidation.

SUNDAY TIMES, Business Times.
to page 7

Finance

Association (Europe) that has developed a European-style
for a European-wide project for expansion of transport links
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Rolf-Schott-Apparate

Realbooting and Capturing

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'Drunk' foreman: 20 men fired

TWENTY workers at Atlantis Steel Engineers (ADE) were dismissed early this morning after they refused to work until a "drunk" foreman had undergone a breathalyser test.

The dismissed employees, all members of the National Automobile and Allied Workers' Union, will have discussions with the company today.

An ADE spokesman declined to comment.
The electricity supply to Mossref's off-shore platform at Mossel bay will be generated by Deutz-MWM engines, currently being manufactured in Mannheim, West Germany.

The award of the R2 million contract came after close international co-operation with Klockner-Humboldt-Deutz (KHD) and Cape Town-based Deutz Dieselpower. The latter is a subsidiary of Hudacon Industries.

KHD is an important shareholder in the local company, which has been building air-cooled diesel engines in South Africa for almost 20 years in terms of a government-approved scheme.

The MWM division of KHD specialises in large water-cooled engines for stationary applications in gensets and standby power generation. It is also a prime mover in the marine field.

Many vessels operating off the South African coast are powered by their generators, whose founders include Messers Otto and Carl Benz, early pioneers of diesel engines in Germany.

The order is for three generating sets each rated at 1500 kW at 1500 rpm and which will be coupled to Fuller alternators.

They are being built to the rules and under the supervision of the Classification Society of Lloyd's Register of Shipping.

Delivery is expected early this year.

Safety first

Driven by the big increase in crime and predictions of tougher economic conditions, the physical security industry is expected to keep abreast of its historical annual 10 percent growth this year, says Mr Peter Depjohn, managing director, Austen Safes.

He estimates that total turnover for 1988 was more than R60 million.

Despite a greater awareness of security, his company received more than 30 calls over the Christmas holidays in the Transvaal.

LHA estimates that the market will increase by five percent this year, mainly due to a favourable growth rate in the mining sector.

The report, entitled "Market Prospects for Fluid Power Equipment in South Africa" quantifies and structures the fluid power equipment market in great detail.

It provides segmentations, regional markets and demand projections for all type of equipment and market segments.

Engine protection

The Jet-Stop engine protection system used on diesel engines for measuring direct cylinder temperature is being offered as a bolt-on steel pipe kit for all ADE and Deutz engines.

The system, produced by Power Protect (PP), Wadeville, has the advantage of being able to feel the direct temperature of the cylinder head and does not rely on heat being transferred through oil or water.

It reacts immediately to an overheating situation and cannot be fooled by pressures or the coolant level.

Says Mr Trevor Madley, PP managing director.

"It is designed to provide management with an arm in the cab, protecting the rolling assets all the time."

"A simple mechanical device constantly monitors the temperature of the engine and its oil pressure.

"When either is out of limit, the driver gets an audio-visual warning that he is going to lose power."

"The fuel supply is automatically shut down and the engine comes to a halt."

"The system will not allow it to start again until the fault is rectified."

Additional features can monitor torque converter temperatures, hydraulic system pressures and oil temperatures.

More than 50 percent of the kit is sourced from locally produced components.
Maxmech ready for next phase

TWO years after entering the DCM, Springs-based mechanical seal manufacturer Maxmech is ready for the next phase of its import replacement programme.

Growth from stage one has been dramatic, with offices and representation in the major areas. Regional service centres are also being formed and will model the successful centre based in Sasolburg.

"Customers are asking us to broaden our range of SA-produced seals that are the equal of expensive imports," says MD Ivan Dettmann. "We have the equipment and the experience of serving special applications. Now we want to complement these strengths with the latest know-how."

The company flirted with the idea of importing further equipment from overseas before deciding to send operations director Andy Nash to Europe and the Far East. He leaves SA in March for a year to probe the latest seal and material technology. He will also represent the East Rand firm's growing export interests on the spot.

Nash is a key member of the team that took Maxmech into boiler feed seals, special cartridge units and pioneered edge-welded bellows seals.

"This injection of technology improves our marketing position and is particularly rewarding as we are 100% SA owned with products locally designed, developed, manufactured and serviced. Now Nash must bring us the latest practical know-how to meet future needs," says Dettmann.

Financial director Peter Frankie says Maxmech is engaged in major projects which will have a major impact on profits in the next financial year.
J I Case in local buyout

By TREVOR WALKER
Business Staff

J I CASE, one of the world's largest manufacturers of agricultural and construction equipment has sold its investment in South Africa to the local management team.

No figures have been released, but the funds were provided by Nedbank and Finansbank, a Nedbank subsidiary.

As part of the deal, Finansbank will hold a minority interest in the new company called Construction Specialist Engineers (Pty)

CSE has five branches in the country based in Johannesburg, Cape Town, Durban and the Eastern Cape.

J I Case sold off its agricultural business in this country to G North and Sons last December and the latest sale of its construction business has finalised the withdrawal of its investment in the South Africa.

A spokesman for the company said the exclusive distribution agreement for Case construction equipment would remain with CSE and "we are well placed to continue the import, supply and service of Case equipment to the South African market."

Case had a turnover of around R180-million a year, split fifty fifty between its agricultural and construction equipment divisions. Case is owned by US multinational Tenneco Inc of Houston, Texas.

Mr Barney Strydom, managing director of Case in South Africa, established the company some 18 years ago and he is confident that the buyout by the management team will lead to increased growth in this country.
KLipton Holdings, the industrial product manufacturer and distributor, has achieved a 31% rise in attributable profits to R1.3m (R985 000) in the six months to December.

No interim dividend has been declared as it is policy to pay dividends at the end of the financial year. Earnings rose by 29% to 20.4c (17c) a share.

The number of shares in issue rose from 5.8-million in 1987 to 6.3-million.

The tax rate increased to 43% (18%) and interest paid jumped 260% to R317 000 (R65 000). These increases were predicted in the annual report and were in line with budget expectations, says joint chairman Nigel Matthews.

Final instalment payments for acquisitions made in the previous year and high stock levels resulted in the group’s gearing peaking in December.

“Interest paid is covered more than eight times by the operating profit and it is anticipated that interest bearing debt will be significantly reduced by June 1989. At that stage gearing should be well within our medium-term objective of 50%,” says Matthews.

Turnover increased by 66% to R12m (R7m), while operating profit improved by 101% to R1.3m (R0.6m) because of increased internal efficiency.

Matthews says all three operating divisions are already obtaining significant orders from the Mossel Bay project and a group sales office has already been opened in Mossel Bay.
Elevator market on the way up

The market for new elevators increased in 1988 and continued to be dominated by the smaller medium-rise elevators typical of low density buildings, Otto M.D. Peter Bredenkamp said in his annual report last week. High-rise buildings were limited to city centres where little recent development had taken place. - Sep. 1889
Prices of big trucks soaring

Business Times Reporter

The large rise in the price of heavy truck rigs in the past three years could have ominous implications for the road freight industry.

All sectors of the industry are feeling the effects of inflation and small operators are likely to be squeezed out or absorbed by large companies.

Jonathan Harrod, chairman of the Information Transfer Group (ITG), says the price of rigs has risen by 275% in the past three years from about R50 000 in 1986 to about R350 000.

ITG specializes in market and business research.

Mr Harrod says that in spite of a 20% increase in the number of trucks of more than five tons, the size of the freight industry has remained relatively unchanged.

"Older rigs are being dropped at much the same rate that new ones are bought."

However, the small operator cannot afford to replace his fleet at high prices. The 11% rise in the fuel price will hurt operators and the start of deregulation will increase competition.
Soaring engine costs bring good times for SA's reconditioners

THE market for reconditioning truck and bus engines has soared to over R100-million a year — 30 percent up on last year.

The main reason for this growth is that fleet owners are having to make their vehicles last longer in the face of continued cost increases for new trucks and the burgeoning demand for used vehicles which are now in short supply.

The market is shared by over 50 reconditioners in the PWV area and close to double that nationally.

Specialised

Of these, a few are subsidiaries of original equipment manufacturers.

The rest of the market comprises specialist reconditioning companies and small backyard operators.

According to Mr Rolf Schudel, managing director of Schudel Swiss Engineering, the specialists are gaining a substantial share of the market.

"Mr Schudel said "Specialised companies can match the quality of the original equipment manufacturers' subsidiaries at competitive costs."

"My company does not rely on agents for parts, but goes directly to other companies that have specialised in genuine parts. We shop around for the best prices.

Schudel Swiss also has a subsidiary company, SMO Trading, which imports parts directly from the country of manufacture — thus cutting out the middleman."

Mr Schudel said specialist reconditioning that concentrated on truck and bus reconditioning kept overheads to a minimum.

"In addition the specialists are independent and have no allegiance to overseas shareholders," he said.

"Despite this, quality is just as good and we back up our work with an as-new 100 000-kilometre or one year warranty."

Mr Schudel warned against dealing with backyard reconditioners which had proliferated recently.

"They may offer cut prices, but the fleet operator needs to ask himself whether they will still be around to honour their warranties."

Guarantee

Mr Schudel believed that the local truck industry would follow established patterns in Europe where a truck was made to last for 20 years or more, with major reconditioning taking place every 500 000 to 750 000 kilometres.

Such reconditioning involves main components such as engines, gearboxes and rear axles.

"Reconditioning a truck from cab to chassis costs 45 to 55 percent of the price of a new truck — and the reconditioned truck has the same guarantee as the new one," Mr Schudel said.

"South Africa can no longer afford to scrap a truck after only 500 000 kilometres and replace it with a new one. I'm afraid such luxuries are over."

Hurry

To keep up with the growing demand for reconditioning, the company is well advanced in its long-term expansion programme. Recently it installed two new machines at its Germiston premises.

These are a Zanrosso Eko reborring machine which will be used to rebore and reshape engine blocks of any size, and a Zanrosso Eka 18 surface grinder which can grind cylinder heads and blocks.

For companies needing engines in a hurry there is an engine service exchange scheme.
Femcotec makes second acquisition

TANIA LEVY

FEMCO Technology has made its second acquisition in less than a month after exceeding prospectus performance forecasts in the year to December.

The acquisition of Cape-based foundry operation Multicast follows the recent purchase of Acaplast Plastic Engineering.

CE James Greig says the sound results reflect the strong demand for the company's electric motors and automobile wiring harnesses.

Attributable profits rose 10.2% to R8.3m from a pro forma R7.9m the previous financial year.

This translates to earnings of 37.5c a share which exceeds the 35.2c forecast at the company's listing in June.

A final dividend of 10.4c has been declared which is also higher than forecast and reflects the stated cover policy of 2.2 times.

During the year under review, Femco, the country's largest producer of small and medium-sized electric motors, boosted turnover 22.5% to R79.5m (R64.3m). The prospectus forecast a year-end turnover of R76.4m.

However the company had to catch up a backlog of orders towards the end of the year resulting from union action as part of the national Steel and Engineering Industries Federation of SA (Seifsa) labour dispute.

For the two years to December 1989, Femco, is committed to a capex programme in excess of R12m, partly financed by a R9.7m facility from the IDC at favourable interest rates.

Femco's share price rose to a recent peak of 305c from the issue price of 200c on solid buying support.
Natbolts’ results justify price tag

Natbolts’ results for the 12 months to end-December should help to persuade the market that the price tag of R140 million put on the group in last year’s deal with Huls was extremely fair and reasonable.

Despite a sharp rise in tax and finance charges, Natbolt has managed to report a 35 percent increase in attributable earnings to R192,2 million, equivalent to 323c (294c), for the 12 months to end-December.

The earnings figure is below most analysts’ expectations, chiefly because few analysts anticipated the massive 179 percent surge in finance charges to R15 million (R5,1 million).

Much of this increase can be attributed to a number of factors including the sharp rise in finance charges at 76,7 percent held FS-Team and the acquisition of Huck and Femo for R36 million cash. But as the Huck/Femo deal was only paid for in September, although it was effective from January 1988, it does look as though the group’s growth has been costly in terms of interest payments.

Against this the balance sheet as at end-December shows gearing down from 90 percent to 59 percent. This reflects both a reduction in interest-bearing debt, (helped by the proceeds from the sale of properties on a leaseback arrangement) and an increase in capital (not only from retained profit but more significantly from the R50 million extraordinary profit that resulted from the Elecentre deal).

At year-end interest-bearing debt was up 74 percent to R76,4 million.

In view of the increase in interest rates and the fact that growth this year will involve some acquisitions, it is unlikely that there will be improvement during 1989. In addition the 3 million redeemable preference shares are due for redemption this year and changes on this front are bound to involve higher interest charges.

On the acquisition front there is at least one candidate. This relates to FS-Team’s speculated acquisition of V&H, which combined with Femo looks set to make FS-Team a major force as a distributor of non-discretionary automotive parts.

The tax bill was up 159 percent to R3,7 million reflecting an increase in the tax rate from 6,4 percent to 12,2 percent. As the group uses up its assessed losses this rate is set to continue rising although some shelter will be provided by investments and the group’s export activities.

The group’s turnover increase of 80 percent includes the Huck/Femo turnover for the 12 months. No figure is provided but in the 12 months to December 1987, Huck/Femo could have had combined turnover of around R63 million.

Group operating margins were down from 10,5 percent to 9,88 percent which, management says, reflects a change in the turnover mix.

While it may be tempting to assess the group’s dividend contributions by looking at the attributable earnings level it is more appropriate to do so at the operating profit level.

The former would suggest that FS-Team accounted for R14,6 million of attributable earnings, leaving all the other interests of Natbolt remaining with a mere R4,0 million.

The picture at the operating profit level is quite different. This shows FS-Team contributing R19 million which is 41 percent of the group turnover of R45,8 million.

The R19,2 million attributable profit represents a 13,6 percent return for Hunts’ R110 million purchase of 78 percent of the group which in real terms is not sparkling but looks good in terms of the 12 percent preferred ordinaries used to fund the deal. It is equivalent to a price/earnings rating of 7,5 times.
NATBOLT SEES EARNINGS OF 435c a SHARE

TANIA LEVY

NATBOLT Group has surpassed forecast earnings in the 18 months to December, achieving earnings of 435c a share. (189) R189,5m
A final dividend of 50c a share has been declared, bringing the total payout to 130c, covered three times.
Since becoming an FSI company in 1984, Natbolt has broadened its activities beyond the manufacture and distribution of industrial fasteners to include products for the agricultural, automotive, building and other sectors.
The company has changed its year end to December.
The unaudited figures for the year to December show that attributable profits rose 35% to R19,2m (R14,3m) after the tax rate increased to 12.2% (6.5%).
A 4% increase in the number of shares in issue limited the earnings increase to 30%.
On a fully diluted basis, earnings rose 28% to 267c (200c) a share in the year to December and 275c in the 18 months.
Turnover swelled 86% to R483,8m (R258,2m) in the year to December and equalled R613m for the 18-month reporting period.
Margins were lowered but operating profits increased 64% to R45,9m (R27,8m).
Because subsidiary FS-Team relinquished its electrical wholesaling and distribution business to Elcentre, Natbolt now holds an attributable 26.5% share in Elcentre, the largest electrical components and cables distributor in SA.
Shareholders are reminded of the cautionary announcement just issued by FS-Team.
On a fully diluted basis, gearing at the end of December stood at 59%. 
Shuffling

Room capital gain boosts Natbowl

"Good deal!"

[Image of room with text: "Room capital gain boosts Natbowl"]
MORE than 89% of Deere & Company shareholders voted at a meeting to continue operating in South Africa according to chairman and chief executive Robert Hanson.

It was said that a withdrawal would adversely affect the company's black and white employees who produce tractors in SA. There has thus been a strengthening of our commitment to SA where we feel we have a progressive role as an equal opportunity employer," says Bill Hubbard, previously managing director of the SA company and now director of Deere & Company responsible for SA, Latin America, Australia and the Far East.
Hunts beats most forecasts

By Ann Crotty

First published results from Hunts, since the implementation of the restructuring last July, have beaten most analysts' forecasts and are well ahead of management's own expectations.

More significantly it looks as though the strong growth evident during financial 1988 will be sustained in 1989.

Analysis of the figures is slightly complicated by the complex restructuring implemented last July, which brought to the Hunts stable 78 percent of Nathbolts (or 62 percent on a diluted basis) and 100 percent of Burhose and Hygiena.

But whatever way you look at them, the figures are impressive.

Earnings per share (on an undiluted basis) were up 60 percent to 197c (123c) and a final dividend of 33c has been declared bringing the total to 56c — 40 percent ahead of the previous year.

The fully diluted earnings figure is also provided. This reflects an increase of 22 percent to 156c a share.

The figure of 156c is based on the assumption that Hunts owned Burhose, Hygiena and Nathbolts for the full year and the preferred ordinary shares (used to finance the Nathbolt purchase) and debentures (used to finance Burhose and Hygiena) are included in the share base for the full year. The effect of this is to lift the share base from an undiluted 18.7 million to 32.3 million.

Assuming "stable operating conditions" management is forecasting attributable earnings of at least R65 million for 1989 which on a fully diluted basis is equivalent to 203c a share and represents a hike of 35 percent on the 1988 figure.

The group's income statement shows turnover has doubled to just over R1 billion (R546.8 million) with operating profit up 138 percent to R121 million (R51 million).

Finance charges took a massive R27.4 million (R4.4 million) of which about R1 million is attributable to the interest payment on the R100 million of debentures used to finance the Burhose and Hygiena acquisition.

The tax rate was down to 30.7 (34.4) percent which left taxed profit showing a gain of 410 percent to R64.8 million (R30.8 million).

Outside shareholders and preference dividends took R27.9 million, leaving attributable earnings of R36.9 million (R19.9 million).
PDS income drops after restructuring

RECENT restructuring by DCM-listed
PDS Holdings and the resultant need for
higher stock levels led to an 11% drop in
attributable income to R147 000 for the
six months ended De-
cember against the
previous interim of
R164 000.

Turnover rose 340% to R3.8m (R2.7m) but a substantial in-
crease in interest charges to R124 000
from R5 000 in December 1987 eroded
profits.

Earnings a share fell to 1.5c on 9.6-
million shares compared with 2.3c on
7.1-million shares in issue the previous
year.

The group's major subsidiary sells
parts and services for large diesel en-
gines and transmissions, but it has also
diversified into vehicle retail, engine
lubricants and generator sets.

Latest

In June 1988 PDS acquired Grabar
Truck and Car for R100 000, and in Octo-
ber acquired P & S Power Products,
which was financed by the issue of 2.9-
million PDS ordinary shares to P & S.

In 1987 the group reported no inter-
est-bearing debt compared with R2m in
the latest results.

"Some 50% of interest-bearing debt is
related to our decision to import gener-
ator sets before the import surcharge
exemption expired in January 1988,"
said MD Brian Graham.

"As a result of this decision we will
enjoy a competitive advantage in the
market.

"In addition, by acquiring Grabar
Truck and Car, the group has inevitably
borne the higher stock levels that apply
to the vehicle retail business and thus
gearing has increased.

"The full benefits of the restructuring
will begin flowing through to sharehold-
ers in late 1989,"

Graham predicts that full results for
1989 should be close to those of 1988,
based on experience of the industry and
performance for January and Feb-
ruary.
**Berzack’s net income spurs to R11.5-m**

Berzack Brothers (Holdings) has followed its record 1988 results with a bumper six months to December 31 which saw a 64.3 percent increase in net attributable income to R11.5 million.

Operating income for the diversified group which completed a 20-for-one share split earlier this year, rose 54.3 percent to R21.7 million before finance costs of R1.9 million. This was only R1 million short of the R32.7 million operating income for the full year to June 30, 1988.

The group, which has been following a more liberal dividend policy since 1986, has rewarded shareholders with a 6.5c interim payout, 100 percent better than the equivalent at last year’s halfway mark.

The dividend declaration follows a six-month period which saw Berzack Brothers lift after tax income by 63.1 percent to R11.9 million. Earnings a share were 44.3c.

Director Myron Berzack expects performance in the second half to be not less than in the first six months.

He says there was a full order book in the first three months of 1989 for the group whose subsidiaries make underground cable and plastic products for the mining, construction and agricultural markets and supply industrial and domestic sewing machines.

Berzack’s parent, Berzack-Illiman Investment Corporation Ltd (Bivec), which split its shares five for one earlier this year, has declared an interim dividend of 4.5c, a 75 percent increase on the 1988 halfway figure.

Bivec which has a 50 percent interest in Berzack, reported net attributable income of R5.5 million, a 63.1 percent increase. This was achieved from operating income of R21.9 million, 53.7 percent better than last year’s R14.2 million.

After tax income rose 62.6 percent to R12.6 million. Earnings a share were 31.5c.
Berzack attributable profit up 64.3%

Financial Staff

BERZACK Brothers (Holdings) which achieved record results in 1988 lifted net attributable income for the six months to December 31 by 64.3% to R11.5m.

Operating income for the diversified group, which completed a 20-for-one share split earlier this year, rose 34.3% to R21.7m before finance costs of R1.9m. This was only R11m short of the R32.7m operating income for the full year to June 30, 1988.

The group, which has been following a more liberal dividend policy since 1986, has rewarded shareholders with a 6.5c interim payout, 100% better than the equivalent at last year's half-way mark.

After tax income rose by 63.1% to R11.9m. Earnings a share were 44.9c.

Director Myron Berzack expects performance in the second half to be no less successful than in the first six months of the financial year.

He says there was a full order book in the first three months of 1989 for the group, whose subsidiaries make underground cable and plastic products for the mining, construction and agricultural markets and supply industrial and domestic sewing machines.

The group continues to look at acquisition opportunities, he adds.

Berzack's parent, Berzack-Ilman Investment Corporation (Bivec), which split its shares five for one earlier this year, has declared an interim dividend of 4.5c, a 73% increase on the 1988 half-way figure.

Bivec, which has a 50% interest in Berzack, reported net attributable income of R5.8m, a 63.1% increase. This was achieved from operating income of R21.9m, which was 53.7% better than last year's R14.2m.

After tax income rose 62.6% to R12m. Earnings a share were 31.5c.
Fenner engineers a 43% EPS rise on strong margin growth

BRENT MELVILLE

FENNER has increased earnings by 43% to 20.9c (14.6c) a share in the six months to end February.

The British-controlled group, a major supplier of mechanical power transmissions, conveyor belting, centrifugal pumps, valves and process control equipment, offset higher interest and tax charges with strong margin growth.

In spite of a leap in interest charges of 247% to R1m (R290 000), a 39% taxation hike to R3.6m (R2.8m), and recent acquisitions contributing to higher borrowings, the group posted a 43% rise in attributable profits to R3.1m (R2.2m).

A dividend of 3.5c (4.9c) was declared, raising dividend cover to 3.8 (3.7) times.

The profit growth was largely due to improved margins of 10.5% (9.7%) on a 33% turnover increase to R79.8m (R59.2m), and a much-reduced preference dividend (the result of an earlier 2.1 million share redemption) down 71% to R34 000 (R119 000).

Chairman Robert Arthur says all group companies contributed towards the satisfactory growth rate with Trek Engineering exceeding expectations.

The R500 000 acquisition of Plato Bearings last month "will strengthen our distribution network and make an immediate contribution to profits.”

"Order books are healthy and current indications are that the present trading levels will be maintained over the second half of the year — traditionally the more profitable," says Arthur.

At a current high of 90c, well above its July low of 125c, Fenner is trading at an historical PE of 5.3 times, and a dividend yield of 6.3%, compared with sector averages of 5.1 and 8.8% respectively.
Lazarus More of Soweto has been awarded a bursary by the Portland Cement Institute to study at the University of Cape Town for a BSc degree in civil engineering. More, 23, worked for the PCI as a laboratory technician.

**Fenner group lifts earnings 43%**

By BRUCE WILLAN

The Fenner Group is well set to surpass last year's growth performance with earnings per share 43% higher at 20,9c for the first half of the current financial year ended February 26, 1989.

Turnover increased by 35% to R398,8m and operating income is 45% up on last year at R83,9m.

The second half of the year, which is traditionally better than the first half, is expected to be good, the company says.

Improved overall margins have contributed to the better performance with growth mainly being organic.

The recently acquired Trek Engineering also contributed to the successful half year but was one of the main factors causing an increase in borrowings.

The higher level of borrowings was further increased with the redemption of the 2,1m preference shares.

However, higher trading levels and the improved margins kept borrowings and the debt/equity ratio within an acceptable level.

An interim dividend of 5,5c per share has been declared, which is 30% higher than the same period last year.

Developments after the half year include the acquisition of Plato Bearings which will strengthen the distribution network and it is expected will contribute to profits almost immediately.

KUALA LUMPUR — Upcoming trade negotiations in Geneva must succeed, or open multilateral trading could be severely damaged, according to Paul Leong, chairman of the General Agreement on Tariffs and Trade negotiating group on tropical products — Sapa.
ECONOMIC Affairs and Technology Minister Dame Steyn has approved West German Diesels (WGD) manufacturing programme for the Hatz range of stationary diesel engines in SA.

WGD has already implemented its local content programme by placing orders for pistons, cast iron components, fuel pipes, fuel filters and aluminium castings with local manufacturers.

A WGD spokesman said implementation of local content was necessary to enable Hatz to compete in the SA market, while still satisfying WGD customers of the long-term commitment by Hatz GMBH West Germany.
Metal Closures well-placed to meet challenge

ZILLA EFRAT

METAL Closures Group SA, plastic products, closures and packaging manufacturer, is well-placed to meet the challenges of the expected decline in personal spending caused by government anti-inflation measures.

In his annual review, chairman Keeve Steyn says "Our group remains dedicated to quality and service, and with enhanced facilities now available, is well-placed to meet the challenge."

In the year ended December, the group's attributable earnings increased 34.5% to R10.8m (R7m), or 36c (27c) a share, despite pressures on margins from increased production costs and limited ability to pass these on.
SA’s major hand-tool manufacturer, Lasher Tools, has weathered several takeover bids and is to remain within the Mettler stable, says executive director Errol Wood.

A relieved Wood, while admitting that the company had undergone severe turbulence as a result of the bids, said that Lasher was getting back on its feet.

Marketing executive Malcolm Pitman said there were numerous offers from major engineering and retail groups.

Lasher lost nine key senior staff members as a result of the relocation of two of its factories to Ladysmith and Vereeniging.

However, Pitman said product lines had been rationalised, while the emphasis on more local manufacture has allowed Lasher to effectively compete with imported tools.
DCM-LISTED Plastall is poised for a move onto the main board on the strength of an earnings jump of 300% to 7.6c (1.9c) a share for the six months to end-March.

The Danish subsidiary, which manufactures and distributes polyethylene bags and sheeting, conveyor idler rollers, furniture components and office seating, has reported a rise in tailed earnings of 84% to R1.1m (R15 000) on turnover of R22.8m (R19m).

**BRENT MELVILLE**

Operating margins increased to 5.1% from its low base of 1.5% for the same period last year, with pre-tax profit quadrupling to R1.2m (R320 000).

No interim dividend has been declared.

Plastall chairman Bob Wenteler attributes the results to major rationalising steps, especially in respect of the PVC and Germiston packaging divisions.

Wenteler anticipates improved results the second half of the year and outlines healthy order books. He continued implementation of stringent financial controls, and an ongoing focus on improved asset management as auguring well for future profitability.

On a current share price of 60c, Plastall is trading on a historic price/earnings ratio of 4.4, well below the DCM average of 9.5.
FSI reorganises asset structure

By Ann Crotty
In what appears to be an attempt to maximise the synergies existing between the original W&A assets and the originally FSI assets, FSI management is reviewing Natbolts, FS-Team and Tarrys "with the objective of enhancing earnings growth of all three companies and of Hunts in both the short and the long term".

After last year's reorganisation of the enlarged FSI group, management is now doing the obvious re-organising the assets so that similar operational units are bedded down together to ensure optimum performance.

In the absence of this sort of streamlining activity, the enlarged FSI (after the W&A acquisition and the reorganisation) would have been left in a sub-optimal state.

The exercise will see the establishment of three arms of activity within the Natbolt group and will involve the acquisition of Tarrys and Spectrum by Natbolts.

The three areas of activity are manufacturing — primarily through National Bolts and Universal Clips, distribution of automotive products through V&R, Femo and Tarrys, distribution of industrial products through Spectrum, Tarrys and FS-Team.

There will be no change in the grouping of manufacturing activities, which will remain within National Bolts (100 percent owned by Natbolts).

Operations in the other areas will need to be rearranged so that no one company is involved in the distribution of both automotive and industrial products.

Assuming Tarrys is used to house automotive distribution activities, it would acquire V&R and Femo and hold onto its own automotive interests.

Assuming that Spectrum is used to house the industrial distribution activities, it would acquire Tarrys' tools and, possibly some of FS-Team's operations.

If this is the sort of structure management has in mind, it will be left sitting with a listing it doesn't really need.

It is likely that management would prefer to see a stronger performance from manufacturing before getting a separate listing for it.

Tarrys, which has a listing in London, will house the automotive interests. Spectrum will house industrial interests.

So FS-Team, which after the restructuring will only have a 35 percent stake in Eicentre, will not need a listing.

This means the minority shareholders who hold 8.5 million shares with a current market value of around 380c will have to be paid out, either in cash or paper. Payment in cash would put a fairly heavy burden on Natbolt.

The difficult part of the exercise will be pricing the various transactions in the fairest manner. A further announcement is expected in mid-June.
Hunts to acquire Speckman and V & R Engine Spares

Companies
Worthwhile Klinton

Klinton, listed in September 1987, is 30 percent-owned by the Matthews brothers, who are also joint chairmen of the group.

They acquired the ailing business six years ago and proceeded to mould and shape it into the holding company it is today.

Over the past few years Klinton has become more diversified, serving a broader spread of industries.

The traditional mining market accounts for less than 25 percent of group turnover, compared with 60 percent previously.

Nigel Matthews says this percentage may decline a bit further, but that the mines will always remain important customers.

Reduced dependence

The group has also managed to reduce its dependence on imports. Three years ago 70 percent of Klinton's turnover was related to imports and Mr. Matthews says this is now down to 55 to 40 percent.

Klinton specialises in the manufacture and distribution of industrial products to mining and other primary industries.

It has three major divisions: Guardwell (protective equipment and clothing), Harvey & Russell (instrumentation and valves) and Sapeo (pneumatic, welding and lifting equipment).

Mr. Matthews says that having spent the past year digesting earlier acquisitions, the group is now ready to look around for other opportunities.

Ideally, he would like to acquire a relatively large company (involved in the distribution of industrial products) to create a fourth division for the group.

As far as major growth areas are concerned, Mr. Matthews earmarks the Sapeo division, in particular.

He says the lifting equipment business is expected to show strong growth. Another division set to perform well is Guardwell.

Mr. Matthews says that there is increasing awareness of the need to provide people with a safer working environment.

Klinton plans to continue putting a lot of effort into expanding its export business.

Mr. Matthews says that exports currently account for a negligible percentage of group sales, but that good progress is expected to be made in the long term.

The group, in the six months to December 1988, achieved sales growth of 66 percent and an operating profit increase of 101 percent.

After a higher interest bill, effective tax rate, and weighted number of shares in issue, earnings growth was limited to 20 percent — from 17c to 20.4c.

Klinton, priced at 180c, is trading on a P/E ratio of 4.4 and provides a dividend yield of 6.7 percent.

Dividend yield

Despite the fact that the effective tax rate is expected to soar above 40 percent, it is believed that earnings for the year to June 1989 could approach 45c a share, with the dividend closing in on 15c.

This places the share on a forward P/E ratio of four and a prospective dividend yield of more than eight percent.

In the light of this, and the fact that Mr. Matthews is confident that good growth will be achieved in the following year, the share appears undervalued and worth accumulating.

Klinton's share price has spent most of its time undulating between 180c and 205c. Before a trend can be established, it will have to break out of these barriers. In the meantime, with the share price being at the lower support level, the outlook is more positive than negative. There is, however, unlikely to be any significant price advance until the stock market as a whole settles down.
Tractor tyre blackmarket

PRETORIA — Tractor tyres are being blackmarketed, according to the Transvaal Agricultural Union (TAU).

The TAU has warned farmers, angered by the critical shortage of tractor tyres, against the possibility of being exploited. The TAU general council claims no acceptable reason has been given by manufacturers for the shortage.

"TAU" GM Johan Hartman said it was possible that tyre manufacturers found it more profitable to export than to market locally.

Co-operatives had long waiting lists for tractor and trailers tyres.

"A spokesman for the SA Tyre Manufacturers' Conference (SATMC) said in spite of enormous production, there was a shortage of tractor tyres. He stressed that this was not because of exports, which were minimal. The problem was a demand which fluctuated steeply depending on conditions in the farming industry and farmers' cash flows."

Because of a good season demand was now strong, but during the recent drought years, demand dropped sharply, the spokesman said.

"Demand was also affected by recent floods, which immobilised tractors. The spokesman said "It's not possible suddenly to pluck tractor tyres off the shelf or turn on the tap to meet an extraordinary demand at a moments' notice."

Discussions between the SATMC, Nampo and the SA Agricultural Union would be held in Port Elizabeth next week in an effort to alleviate the problem.
Valard lifts turnover

By Ann Crotty

Valard has reported a 54 percent increase in turnover to R73,3 million (R51,2 million) for the 12 months to end-March and a 55 percent advance in operating income to R10,3 million (R6,6 million)

Earnings improvement

Attributable income was up 50 percent to R5,1 million (R3,4 million) The improvement in earnings per share was restrained to 31 percent because of the increased number of shares in issue.

The weighted average number of shares in issue was up 2,7 million to 45,6 million with earnings per share of 11,3c (8,6c)

At the beginning of calendar 1989 Valard issued 10,7 million shares to Delta Electrical in exchange for its 49,9 percent stake in Ernest Lowe Hydrotube.

According to the directors "5,4 million were issued ex dividend to compensate for the holding not covering the full six months earnings on which the final dividend is based"
Valard lifts turnover
By Ann Crotty

Valard has reported a 54 percent increase in turnover to R78.8 million (R51.2 million) for the 12 months to end-March and a 55 percent advance in operating income to R10.3 million (R6.6 million).

Earnings improvement

Attributable income was up 50 percent to R5.1 million (R3.4 million). The improvement in earnings per share was restrained to 31 percent because of the increased number of shares in issue.

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VALARD PROFITS
JUMP IN SPITE OF
TAXMAN'S BITE

BRENT MELVILLE

INDUSTRIAL equipment manufacturer and distributor Valard has achieved
a 33% rise in attributable profits to
R3,2m for the year to March.
Earnings rose by 33% to 11,3c
(5,6c) a share — in line with forecasts
made by MD Stephen Connely in No-
vember. A final dividend of 2,8c was
declared to bring the total for the 12
months to 4,6c — covered 2,5 times.
This is in spite of a 97% rise in tax
rate to R3,3m (R1,7m) and a 74% jump
in interest payments to R1,4m.
The group expects strong growth
this year in spite of high interest rates
and the low gold price.

Connely says it is constantly seek-
ing acquisitions.

He adds earnings were not affected
by the R2m acquisition of mining and
heavy industry concern Tughman &
Lasch in January.
The group also issued 10,723,000
shares, or 20c, to Delta Electrical In-
dustries in return for a controlling in-
terest in Earsnest Lowe Hydrocrue in
November. As a result 365,500 shares
were issed ex-dividend to compensate
for the holding not covering the full six
months' earnings on which the final
dividend is based.

Valard has made at least one acqui-
sition annually in the past six years. On
the current share price of 69c, Valard
yields 6.5% on dividend and is on a PE
ratio of 5.0.
R100m facelift for Samcor

PORT ELIZABETH — The Samcor engine plant here is to undergo a R100m facelift and expansion in the next five years, as part of a R1bn investment programme in SA, Samcor's director of engine and component manufacturing Rod Church announced yesterday.

The 25-year-old plant became more important to Samcor with the advent of Phase 6 of the Local Content Programme, under which exports can be used to offset imports, Church said.

Phase 6 places more emphasis on value rather than mass, he said.

"Engines make up a significant part of a vehicle's value, thus giving Samcor a major advantage in the new local content programme," Church said.

Church said the company's ability to machine other components would also add to the value of its local content.

While he did not detail how the R1bn would be spent, Church said the machining of the CVH engine (used in the smaller cars produced by the company) was an example of Samcor's programme.

"We have a number of further developments in the pipeline," he added.

Referring to foreign exchange savings through a combination of local content and imports, Church said the engine plant gave Samcor an advantage over its competitors.

"We have been exporting both engines and components for a number of years and are making a concerted effort to continuously increase this aspect of our business."

"We are confident of our ability to do so because the level of technology employed in this plant is the highest in the local motor industry and we produce the quality which makes us competitive in world markets."

Church said there was "great potential" for expanding Samcor's business in the local market.

"We already produce components for some of our competitors and other companies outside the motor industry. We are at present evaluating a number of new inquiries for the supply of components to local companies."

He said the plant planned to produce around 45 000 engines this year.

Samcor plant to get R100m facelift
Healthy profits for Afrox

JOHANNESBURG — Afrox has reported a healthy increase in after-tax profits of 29% at R35.3m (R27.5m) on an inflation adjusted basis for the six months to March.

Profit attributable to shareholders was R25.5m, a 29% increase on 1988’s first half figure of R20m.

Earnings per share were 86.73c (67c) The interim dividend is 40c (39c).

Earnings were inflation adjusted and for the half year they were charged with additional depreciation of R6m (R5.9m). The depreciation charge was 31% above that of last year, reflecting the company’s real inflation rate.

Chairman and MD Peter Joubert says this policy has the effect of reducing earnings per share “in a capital intensive business like ours, it is the only practical thing to do considering the high inflation SA experiences”.

The interest bill was higher at R6m (R1.5m) and the company expects this to increase in the second half of the year.

Net borrowings were R180,857m (R37,717m) while borrowings as a percentage of capital were 27% (17.7%).

Joubert said Afrox was currently in the middle of a major expansionary phase covering most of its business areas.

He said traditionally Afrox’s second half results are better than the first half and results for the second half are expected to show a similar trend.

— Sapa
Afrox comfortably on target

By Ann Crotty

At the half-way stage Afrox is looking well on the way to sustaining its strong five-year profit record with earnings up 29 percent to R8.73c (67c) a share for the six months to end-March.

The sterling performance from this gas, hospital and engineering group indicate significant resilience to any slow down there may be in the economy.

In the absence of any sudden and major downturn the full year earnings target of 170c seems easily achievable. MD Peter Joubert points out that Afrox's results are traditionally higher in the second half.

During the review period turnover rose 29 percent to R346 million (R258 million) and operating profit was up 34 percent to R72.8 million (R54.9 million).

Interest payments were up sharply from R1.5 million to R6 million. This reflects the massive increase in net borrowings from R36.7 million to R190.8 million and the hike in gearing from 7.7 percent to 27 percent.

Expansion

The higher level of borrowings in turn reflect the major expansion programme in which the group is currently involved.

According to Mr Joubert, "The major part of the expansion has been earmarked for the capital intensive gases business where Afrox is expanding plant capacity, purchasing new gas cylinders and improving distribution and service facilities.

Taxed profit was up 28 percent to R35.3 million (R27.5 million) from which R9 million was deducted as additional depreciation "to reflect the current cost of assets". This left attributable profit showing a gain of 29 percent to R25.9 million.

Mr Joubert stated that all of the group's businesses showed an improvement in profits and that trend is expected to be maintained "The gases and welding businesses account for the major part of total profits and the improved results in those business areas are mainly a result of growing existing markets, developing new applications and paying detailed attention to the control of costs and efficiencies."
Healthy effort from all Afrox divisions

ZILLA EFRAT

African Oxygen (Afrox) has produced a healthy 20% increase in inflation-adjusted earnings for the six months to March with all divisions performing well.

Afrox, involved in gases, welding, health care and high technology engineering, has declared a dividend of 45c (80c) a share, up 33% and covered 2.17 times.

Attributable profits increased to R29m (R20m). Earnings rose to 98.75c (17c), or 116.9c (93.90c) a share on an historic accounting basis.

Afrox has accounted for inflation by charging earnings with additional depreciation of R1m (R6.9m), up 31%.

Chairman and MD Peter Joubert says this policy reduces earnings a share but is practical in a capital intensive industry because of the high inflation rate.

The policy ensures that expenditure can be funded with less stress on borrowings when business is in an expansionary phase.

Earnings are stated in real terms, reflecting the true replacement costs of assets and the possibility of paying dividends out of capital is eliminated.

Turnover increased 29% to R386m (R363.5m). Operating profits rose 34% to R72.9m (R54.5m) as a result of improved performances in all divisions, cost containment and operating efficiencies.

The interest bill soared 263% to R6m (R1.5m), with interest cover falling to 12 (37) and more increases expected in the second half. The rise is due to the expansion of the gas business's infrastructure, funding a new hospital and the purchase of medical equipment for the health-care division.

Net borrowings jumped to R180.3m (R163.7m) and net borrowings, as a percentage of capital, rose to 27% (9.75%).

Taxed profits rose 28% to R25m (R17.3m) on a slight decline in the tax rate.

Joubert says Afrox is actively developing the health-care side and recently opened its tenth hospital.

The results of the gases and welding businesses, the major contributors to total profits, improved because of increased market share, new applications development and controlled costs and efficiencies.
SABS code for Astas

AS Transmissions & Steerings (Astas) has been awarded the SA Bureau of Standards (SABS) code 0137 for quality management systems.

Astras, the largest manufacturer of transmissions, axles and steering systems in SA, is one of the first component makers to be awarded the code 0137.

It is recognised by the German Society for the Certification of Quality Systems and is accepted by the Internal Standards Association.

Twice yearly inspections at Astas will be carried out by the SABS to ensure that it maintains requirements.

An agreement will be signed between the SABS and the German society to provide exporters and importers with a means of establishing the capability of manufacturers to meet requirements.
Govt turnabout on medical equipment deal

Import surcharges back

GOVERNMENT has re-introduced an import surcharge on most items of medical equipment, which had the 20% surcharge removed at the end of March after representations to government by the medical equipment industry.

The items, which include several items of dental equipment, massage and X-ray apparatus, radiography and electro diagnostic equipment, infra red and ultra violet apparatus, have now had a 15% surcharge re-imposed on them.

The surcharge has been backdated to August 15.

Several importers of such equipment are already making arrangements to go back to government on the issue.

Leonard Swanson of Rand Medical Supplies, who initiated the original protest to government on the old surcharges, said the move had put them back to where they were before.

"Hospitals are already short of millions of rands and the cost of medical services is already very high. This is certainly not going to help," he said.

Barney Harwitz, chairman of SA's largest private hospital group, Clinic Holdings, said they were very disturbed at the re-imposition of the surcharges as they would have an inflationary effect on health costs.

He said with the already high health costs, the extra 15% would reduce investment in medical equipment by many bodies, including provincial hospitals. "As a result of this, the standard of medicine must drop," he said.

One supplier, who did not wish to be named, said the real problem lay in the 20% surcharge on surgical disposables which could add up to R30m on health bills in one year.

The market was primarily import-oriented but the very small local production market did not need the protection of a surcharge as the exchange rate meant local products had a guaranteed market.

In his company alone out of 140 products, only 10 were locally made. "If this is a mistake, it is an abysmal one. If it's not, the whole Board of Trade and Industry should resign," he said.

Comment from the board on the re-imposition was not forthcoming at the time of going to press.
MINING supply company Arban Group Holdings has achieved a 77% rise in earnings a share for the six months to March after a poor performance for the year to September 1988.

Arban produced earnings of 2.5c (1.3c) a share, but will not declare an interim dividend in line with its policy to declare one dividend at the end of the financial year.

Earnings rose to 3.2c a share after an extraordinary item of R136,000 from the proceeds of the sale of Specialised Bearings Applications from discontinued operations.

Zilla Efrai

Turnover increased 9% to R13m (R12m)

Although no figures have been provided, directors say operating profits rose 37%.

Taxed profits after outside shareholders' interests increased 83% to R376,000 (R265,000).

Directors say operations which had not performed adequately have improved as a result of restructuring. The group is now performing ahead of budget.

Arban has changed its financial year end to December and the next reporting period will be for nine months.
ADE sales soar

Business Staff

ATLANTIS Diesel Engines reports a huge increase in the sales of replacement parts and forecasts sales of R200-million next year.

The company has about 120,000 ADE-powered vehicles on the road and is looking for replacement sales of R200-million next year.

But marketing director Mr. Wally Rautenbach says he does not expect the fall in economic activity following the government’s latest credit curbs will be as severe as that experienced in 1984 and 1985.

ADE expects to sell 9,500 heavy commercial vehicles next year, 5,700 medium trucks and 8,700 agricultural units.

ADE began production in 1981 and replacement part turnover was R2.5-million.

He said ADE had greatly increased its market penetration in the industrial engine market.
Higher tax rate puts fat in the fire for Macadams

MACADAMS, SA's largest manufacturer of catering and baking equipment, reported a 13% drop in earnings a share to 5,3c (6c) for the year to February after a higher tax rate increased tax paid by 15% to R448 000 (R374 000)

Turnover increased by 35% to R41,9m (R31m) and pre-tax profit rose 12% to R1,2m (R1m)

Directors

However, the increase in the tax rate — from 16% to 37% — left attributable income 13% down at R811 000 (R919 000)

A final dividend of 0.5c a share was declared to bring the total dividend to 1.7c a share — down from 2.4c a share last year

The directors noted that the increased

BRUCE ANDERSON

cover was in line with that adopted at the half-way stage and was intended to conserve funds for future growth

Commenting on the results, Macadams MD Raimund Pouliart said margins were adversely affected in the short term by a rationalisation programme implemented during the second half of the year.

"To reduce overheads and improve margins, certain of our manufacturing facilities are being consolidated

"A number of measures have already been completed, most particularly in the Cape where our production facilities

have now been relocated to our own R3m factory and head office complex at Blackheath."

With further steps in the rationalisation programme still to be taken in Johannesburg and Durban, Pouliart said the combined measures were expected to result in increased profitability during the second six months of the current financial year.

Levels

As far as sales were concerned, Pouliart pointed out that these had reached record levels and had exceeded the forecast of R40m for the year

"Demand from both the export and local markets is most satisfactory and the company should continue on its growth path well into the foreseeable future."
Tollgate revamps Drivetech, Gants

Finance Staff
Tollgate Holdings (TGH) is rationalising activities in its listed subsidiaries, Gants and Drivetech. In terms of the proposals, Gants will sell its agricultural machinery division to Drivetech. Drivetech, in turn, will sell Multimech, its automotive engineering and bus body building division, to TGH's mass transport company, Tramway Holdings.

The price paid for Multimech is R18.7 million in cash.

This will leave Drivetech a cash-rich shell into which Gants' agricultural machinery division, Chmaric, trading as North's Internee, will be injected for R8 million in cash.

The effective dates of both acquisitions is July 1 1989.

Minorities in Drivetech will receive a standby cash offer of 75c a share, for all or part of their shares. This represents a premium of about 20c on the ruling price.

No Drivetech dividend will be paid for the six months to June 30 1989.

The next dividend will be paid for the six months to December 31 1989.

Gants has warranted a minimum pre-tax and pre-interest profit of R6 million for Chmaric for the period.

The cash and short-term investments of R20.35 million remaining in Drivetech after the acquisition will be used, in part, to reduce the interest-bearing debt of Chmaric, clearing the way for an improved bottom line.

The new look Drivetech will supplement the strong agency base it inherits from Chmaric and the branch network will be expanded.

Gants will benefit particularly from its sharpened business focus on canning and food processing and the elimination of the conflict of interest between the food and agricultural divisions.
Tractor sales rise by 17%  
SALES of tractors in May rose to 425 units, or 17.4% more than the 363 sold in April. May sales were also better than the figure of 363 last year, says the SA Agricultural Machinery Association. The harvesting of the maize crop has been delayed by rain and as a result sales are considered good. Sales for the year to date are 2,226, 97 more than in the first five months of last year.
Barlows makes some earthmoving changes

BARLows Tractor Company, supplier of earthmoving equipment and the Caterpillar dealer for southern Africa, has adopted a new corporate identity and has rationalised the names of its trading companies, the company announced yesterday.

Under the dominant banner of "Barlows Cat", the company's 24 branches and depots nationwide will trade as Barlows Equipment Company, supplying the range of Cat machines, while Barlows Engine Company will provide specialised engine sales and support services in the main centres.

Used Equipment Sales will be channelled through Barlows Used Equipment and the company's R100m local manufacturing facility on the East Rand will now trade as Barlows Equipment Manufacturing Co SA.

MD Tony Phillips said the name rationalisation was intended to describe the various companies' activities more accurately and to link the corporate name more powerfully with the Cat trademark, in line with Caterpillar dealers worldwide.

— Sapa
ONE of the problems truck manufacturers had to solve, before they could really start implementing the value-based phase VI local content programme, was how to calculate the local content of ADE engines.

It was on average 85% when the programme was announced, but was deemed to be 100% by the authorities shortly afterwards.

Now, in a bid to come closer to its 100% tag, ADE has launched a multi-million-rand local procurement programme designed to cut its import bill by 80% in the first year of operation, says director of supply Piet Greyling, ADE is looking at a 20% cut in its R150m import bill.

He points out that ADE reached a weighted average of 80% by mass since 1981 "and, in fact, local content by mass of ADE V engines has reached 70% since the range was launched in 1984."

ADE realised quite some time ago that a value-based local content programme would be introduced and started investigating the switch to local suppliers in about March this year.

To date it has identified suppliers of some 1,000 of the more or less 3,000 items it imports.

"This represents about 60% of our import bill," says Greyling, adding that ADE hopes to introduce locally-made "economically viable versions of the 30 of these components, which represents 8% of our import bill."

"Many of the imported components we need cannot be made locally because of very low volume requirements — in some cases as little as 60 a year — and, in some cases, the enormous investments local producers would have to make to supply our needs."

He says ADE is prepared to assist manufacturers in several ways. It will, for example, provide tooling but retain ownership of it, give technical assistance, consider a flexible pricing approach "and, where appropriate, pay up to the equivalent import price."
Scottish firm lands licence for off-road trucks

EDWARD WEST

SCOTTISH based Terrex Equipment has concluded a licence agreement with Blackwood Hodge SA for the local manufacture of off-highway trucks for the mining and construction industries.

Terrex MD Arthur Rowe said local manufacture would enable the company to price trucks competitively, increase market share and produce products specifically tailored for local market needs.

Initially the local manufacturing programme would affect Terrex's rigid dumptrucks, articulated dump-trucks and eventually large loaders.

Buckets

The programme will include bodies, buckets and cabs and various other components which prove economical.

Trucks were initially fully imported from Terrex Blackwood Hodge. Financial director Dave Holt said most of the local components for the trucks would initially be supplied from various SA manufacturers.

Terrex trucks have been available in SA for forty years and is currently sold and serviced by international Blackwood Hodge's SA operation.
STANDARDS are beginning to slip in the engine rebuilding industry, because of a shortage of skilled artisans, says Rolf Schudel, MD of heavy-duty engine rebuilders Schudel Swiss Engineering.

The problem is that bright young artisans do not regard the reconditioning business as glamorous, so they are no longer attracted to it.

They would far rather, says Schudel, join an original equipment manufacturer where, if they do well on the shop floor, they can be promoted to sales or administration, "and are lost to the trade."

The answer, he believes, is a mixture of training, creating attractive career paths and making the workshop as attractive and as interesting as possible.

He has been following his own advice for some years now and claims it has paid dividends. "My youngsters can see the opportunities for themselves. Some that left returned, even after I encouraged them to work elsewhere for a year," he says.

He advises his competitors to do the same to enable the industry to return to the high standards it should and once did enjoy.

Judging by the work brought to him to sort out — after it has been signed off in other shops — there is, says Schudel, more than adequate evidence that standards are slipping in certain rebuilding workshops.

He regards the present situation as "something of a paradox". In the last few years the industry in SA has grown to one worth R120m a year and one of the most advanced reconditioning industries in the world.

The reason why the local industry grew at the rate it did was it paid operators to rebuild, recondition and remanufacture their existing vehicles, because of the high price of new trucks and buses.
COMPANY ROUND-UP

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* 18 months ended

Tecfin first to take the venture plunge

By Julie Walker

TECFIN Investments is the first company to test the waters of the JSE's new Venture Capital Market.

The sector has been established to help fledgling companies to get on their feet. Tecfin is already up and running.

The group comprises three wholly owned arms - Fastening Systems, Tayson Engineering and Take Home Products. Each vendor sold 90% of its business to Tecfin and took stakes in the holding company instead of selling off only part of the equity.

Spread

This gives them a wider spread of investment. The three, housed together in Germiston, employ a total of 25.

Fastening Systems makes specialist fasteners and has patented an expanding anchor. It also has a franchise with Du Pont to make a chemical anchor which takes about 30 seconds to set. A plant will be built out of the proceeds of the rights offer.

The manufacturing division turns, presses and assembles components to order, and the consumer division distributes goods for the do-it-yourself market.

Bored with life as an auditing partner at one of SA's top firms, chairman Peter Alexander sought to get the adrenaline running. He believes that as SA's conglomerates gobble up competitors there will always be opportunities for small operators to fill niches.

Also on the board are accountant Peter Bird, Franz Fabry and Darryl Moodie. Tecfin is to raise R600,000 through the issue of 5,4 million shares at 25c. There will be 14,48 million shares in issue, and the offer is underwritten by sponsoring broker Lowenthal & Co.

The group made a profit of R190,000 in the year to February 1989, and aims to boost earnings from 1.2c a share for the seven months to February 1990 to 11.5c by 1992.

Friendly to ozone

CG Smith Sugar is investing R12.5 million in a plant to make ozone-friendly aerosol propellant dimethyl ether.

The Natal Cane plant is designed to manufacture 5,000 tons a year, which should meet market demand for DME in the next 10 years.

Natal Cane went ahead with the project after an ethanol buyer asked the company to consider making the odorless clear gas.

"A feasibility study showed we should begin production as soon as possible," says Natal Cane general manager Michael Buchanan.
NATBOLT, the manufacturing and industrial distribution group, has set a specific goal of increasing automotive component manufacture, says chairman Terry Rolfe.

Natbolt will continue to expand its activities to obtain maximum reciprocal benefit by offering factories the opportunity to manufacture new products and distribution businesses new sources of supply, says Rolfe in his annual review.

The past 18 months were marked by successful expansion in carefully selected activities which reduced dependence on traditional nuts and bolts operations.

Natbolt subsidiary Hi-Tensile Bolt was merged with General Diesel Services to create DDS Hi-Tensile, a specialized mining supply and service group.

Acquisition of Heek SA has accelerated penetration of the high-technology fasteners systems market and acquisition of its subsidiary, Ferro, has catapulted the group into the growing market for non-discerning automotive replacement parts.

The merger of the group's principal wholesaling activities with those of Eclentre resulted in Natbolt's 83% subsidiary FT-Team holding an attributable 51.6% of the enlarged Eclentre at December 1988.

Further rationalisation of the stationary power systems market was achieved through bringing together the stationary battery interests of Cupower and newly acquired Alkaline Batteries and Static Power.

The group's interests in equipment distribution were extended through the acquisition of the HSC Hire Services Group.

The result was an increase in turnover of 89% to R463m, an operating profit rise of 64% to R45m and an earnings growth of 30% to 323c a share. Net asset value shot up 104% to R17.63 a share. Gearing was reduced to 0.50 from 0.60.
CI restructures in attempt to regain market leadership

By BRENT MELVILLE

IN AN attempt to regain its position as SA's leading manufacturer and supplier of industrial instrumentation, Control Instruments (CI) has started a massive restructuring campaign. Following hard on the heels of CI's R3.6m purchase of Cape-based Ferris Instruments from Plastall, comes the purchase of the instrumentation division of Harvey & Russell (H&R) from holding company Kiplion for R1.1m cash.

CI instrumentation division manager Cliff Le Sueur says the group wants to regain its stature as market leader. "Although we dropped out of the sector for a number of years, we now have an enhanced sales programme, an expanded customer base and modernised production facilities. CI has spent more than R3m upgrading plant and machinery at the Ferris factory.

Scope limited

And it has dispensed of its most painful dependant — Alumet Circuit Technologies — for R3.6m effective May 1.

The sale of Alumet was based on CI management's feeling that the scope for further profit growth within the over-capitalised and fragmented printed-circuit-board market was severely limited.

"Having taken a hard look at the trading conditions within this sector, it was decided that this area of CI's operation could no longer be considered as strategically important for the group," says Le Sueur.

"Most other PCB manufacturers have a captive market to rely on, by inter-trading within their holding company subsidiaries, but Alumet had no regular workflow," he says. Since its listing two years ago, Alumet has taken a hefty bite out of group margins.

While Le Sueur's optimism of a strengthening in the instrumentation field may be well founded, it is doubtful that the group will make its forecast of R4.6m a share for the year after earnings a share of 2.3c (3.7c) in its interim results.
Chubb puts in another year's strong growth

BRENT MELVILLE

A SATISFIED labour force and heightened awareness of the need for security within SA have enabled British-controlled Chubb Holdings to continue its accelerating growth pattern for the fifth year in succession.

The healthy results posted by the security group for the year to March elevated its average annual compound turnover rate for the past five years to 17.5%, operating profit to 32.5% and dividends to 27.5%.

Last year, operating profit leapt by a hefty 41% to R15.6m (R10.8m) on a turnover improvement of 23% to R121.5m (R96.3m) — and the turnover figure per employee increased 13.8% to R63843 (R62902) with earnings per employee jumping 33% to R4 194 (R2 994).

And in his annual review chairman Marc Ackerman says he expects to continue improving on this financial performance. He warns, however, of bleak prospects within the SA economy in light of government action to dampen credit demand.

"The rate of inflation within the country, as well as the continued depreciation of the rand versus foreign currencies, will adversely impact profit margins in the year ahead," he warns.

But last year Chubb improved margins to 12.6% (10.5%), attributed by Ackerman to excellent performances from its Physical and Fire Security Divisions.

Turnover for the physical security division jumped 28% on a margin of 12.3% (8.4%) and the fire division (unaffected by labour disruptions which hampered its performance last year) increased turnover by 22.7% and operating profit by an impressive 37.5%.

The improvements were affected by acquisitions, says Ackerman. Chubb made several acquisitions last year related to its fire division and bought property for expansion of its electronics security division.

The small dividend declaration of 42c (36c) increased cover to 3.5 (3.6) times in anticipation of future acquisitions and reduced borrowings, which last year pushed

interest up 65% to R1.3m (R778 000).

Gearing also rose to 49.9% (42.6%) and cash on hand fell to R5.8m (R7.1m) — reflecting an increase in inventory to R21.9m (R15.8m). The higher stock levels were a result of the overstocking of zinc as a hedge against its increasing costs.

With its share at a 12-month high of R11.70, and on a p/e ratio of eight and a dividend yield of 3.7% — as against sector averages of 7.2 and 5.2% respectively — Chubb appears a secure investment.
Smith Mining Equipment achieved marginal bottom-line growth in the six months to June due to consolidation and rationalisation after the acquisition of Hotline Equipment and Specialised Drilling Equipment.

Turnover rose 25 percent from R17.7 million to R22.1 million. Trading profit rose a lower 17 percent from R3.2 million to R3.7 million. After net interest paid of R19 000, compared with a net interest receipt of R124 000 in the first half of 1993, attributable profit rose 11 percent to R2.3 million.

Earnings per share, after a higher number of shares in issue, grew 4.5 percent from 8.8c to 9.2c. The group does not declare an interim dividend.
Workers at Samcor stage 'illegal strike'  

By Mckeed Kotlolo, Pretoria Bureau

About 3 000 Samcor employees near Mamelodi, Pretoria, are on strike demanding more pay.

The strike started yesterday and was illegal, said Samcor's director of communications, Mr Reuben Els.

Sources at the plant said workers were angered by management's refusal to agree to a R2-an-hour increase. Management had offered 60c.

The striking workers are members of the National Union of Metal-workers of South Africa (Numsa).

Mr Els said the union had not informed management about the strike.

Spokesman for Nissan, Mr Sarel Liebenberg, and for BMW, Mr Seth Phalatsi, denied any work stoppages at their plants despite reports that production was halted after workers heard of the Samcor strike.
FS-Team will be deleted in the latest reshuffle of assets at FS-Etcetera.

After "streamlining" of the group, Natbolt will comprise four broad divisions:

The manufacturing arm makes components for the automotive, engineering, mining and other industries. It also makes and distributes industrial fasteners. These businesses are currently owned by Natbolt.

Equipment, tools and hardware now includes the industrial division of EW Tarry, being Tarry M&G, WHID Power Distributors and 37% of Cornow M&G. It incorporates FS-Team's tool distribution and hire services. Currently 100% owned by Natbolt, a listing will be sought for the division.

DEDICATED

Automotive interests will be housed in EWT, which becomes a subsidiary of Natbolt. It will be a dedicated distributor of new and used vehicles and parts.

EWT already owns the 14-branch Delta dealer Williams Hunt, and will house Pemo and V&H.

Electrical and electronic interests include 35% of cable and electrical supplier Elecentre, 100% of FS-Consumer and between 70% and 100% of Compower.

FS-Team minorities will receive 19 Natbolts for every 100 shares. FS-Team was unchanged at 380c as was Natbolt at R22. But 19 Natbolt shares are worth R418 compared with R380 for 100 FS-Team.
ADE petrol engines 'would save millions'

By JOHN YELD, Staff Reporter

ATLANTIC Diesel Engines could produce a significant proportion of petrol engines for the domestic motor industry in a move which would save the country millions of rands — but as yet there has been no interest from vehicle manufacturers.

Public affairs manager, Mr Mike Eaton, said today that ADE had the necessary capacity and technology to produce petrol engines with a power range "from a Volkswagen to a Lambergm", but that the company was not actively planning any such move at this stage.

"All of us would love this to happen, but our mission is to produce diesel engines. Unless the (motor) industry came to us, we would not be proactive," he said.

ADE already manufactures many components for both the motor industry and other parts such as the mining industry.

Significant capital investment would be required if a decision to produce petrol engines was taken, but as the number required to make this financially viable would be too much for any single manufacturer, some form of co-operation would be required.

Sapa reports that ADE has been given the specific responsibility by the Board of Trade and Industries of developing an export programme that will generate R166-million a year from exports by 1997.

Managing director Mr Helmut Beckers also said that the phase VI local content programme is aimed at significantly reducing the motor industry's annual import bill of R8-billion.

ADE supply director Mr Piet Greiling said, "Of the 1,000 line items representing 90 percent of our current R150-million import bill which we have already identified for local sourcing, we hope to introduce the first 30 in 1990. These 30 currently account for eight percent of our import bill."

He said the cost of developing the 1,000 line items for local manufacture will be R120-million, of which 29 percent will be needed for local manufacture, 13 percent for local manufacturing already under development and 39 percent, or R70-million, for manufacture of high complexity components, mainly in assembly and test areas.

Job opportunities

He said the large investment will be offset partially in new job opportunities that will be created and the long-term savings in foreign exchange.

ADE said that as well as providing assistance to manufacturers in their import replacement efforts by providing tooling, it also was embarking on a programme to assist exporters by providing engines for export vehicles at a discount to manufacturers.

There has been a cool response from motor manufacturers to Atlantic Diesel manufacturing a petrol engine.

Mr Ronne Kruger, public relations director for Volkswagen in Uitenhage, said VW had its own engine plant.

"We make our own engines," he said. "We are very positive about our engines which are a definite marketing advantage."

"But that does not mean we would not be interested in engine components, like fuel injection systems for instance, if they were reasonably priced."

A spokesman for Delco said the idea had been discussed before and dropped because it was not economically viable.

"We can still import engines far more cheaply than ADE could make them at this stage."

"We would certainly be interested in engine components if there was sufficient demand so that the engines could be produced at reasonable cost, then we obviously would be interested."

"But at the moment it is still cheaper to import engines, even with the surcharge."
No back-pay for union workers, court orders

ATLANTIS Diesel Engines (ADE) has been interdicted by the Industrial Court from back-paying wages to any members of the National Union of Metalworkers of SA (Numsa) because they resigned from the union after August 11.

The order, granted on Monday, followed allegations by Numsa that at least 350 members had been misled by ADE into resigning from the union to qualify for a wage increase.

Numsa, which has about 1 100 members at ADE, has been formally in dispute with the firm over wages since late July.

Presiding officer Mr J P van Niekerk ordered ADE to pay Numsa’s costs.

Mr Paul Pretorius, instructed by Ms Amanda Armstrong of Cheadle, Thomson and Heyson, appeared for Numsa. ADE was represented by Mr F P S Erasmus of Erasmus and Steyn.
Greg Till—the Bearing Man

By David Carte

Till is a bit disillusioned about the listing today—though the consolation is that the company can keep producing good results, it will eventually be properly rated.

Mr. Till estimates that Bearing Man is No. 8 in bearings in SA after SKF and Hulaco. He believes FAG of West Germany is No. 4, Drivecot No. 5, Anglovax's NSK Bearings No. 6 and RHP of the UK seventh.

Duties

Bearing Man also sells seals and power transmission equipment. Bearings are a lucrative product to deal with. Non-engineers may need reminding that there is not a machine that would function without bearings. They are the lifeblood of engineering—and they wear out.

The fallen sand has raised the cost of replacing machinery. Owners are obliged to make machines last longer. Instead of scraping them, they fit new bearings. Bearings are high-tech products; high quality is vital. Some bearings last five times longer than others and that is important for machine owners trying to keep down costs.

Most bearings are imported, although SKF manufacturers at Uitenhage and Tank in Benoni to protect SA manufacturers, there are important duties of 80%, not to mention the universal 15% surcharge.

Because of the high-tech nature of the business, it is something of a closed shop. It is not easy to get top franchises. Success breeds success in acquiring them.

Mr. Till believes he has the best names in the game: Iko, Nachi, Rollway, Gamet, Timken, Elyer, Torington, Fastron, SKF and Mitchell.

Variety

Bearings come in a large variety of shapes and sizes. Bearing Man carries 30 000 types of bearing in 3000 stock. In 25 branches in all the main centres.

The average order from Bearing Man is 25 000 regular customers in small—that is R50. Most of the company's activities are retail. But—particularly on the Reef, where there is a proliferation of small bearing dealers—it also does wholesale business.

Mr. Till and his fellow directors have 40% of Bearing Man, Farm Ag 23%, and the chairman, Reg. Sherill 15%

The public holds 22%. Not surprisingly, trading in the shares is thin, but the could be remedied by acquisitions.

Mr. Till sees huge growth potential, particularly in power transmission.

Blood

Investors can get an exposure to bearings through Hu dacco but they actually buy into other businesses as well. Bearing Man does little else.

Mr. Till is friendly with bearings—he has been handling them for 15 years.

"There is a difference between a company that is run by professional managers and one that is run by the people who own it and who have bearings, if not in their blood, in every part of the company."

"We run a tight ship. There are only three men and a secretary on the operating side, and lead in head office. CEO's run branches and are on first name terms with all staff members.

"We put in a R3.5-million computer system with more than 100 terminals to help control stock and orders."

Many senior staff members have shares. There is a share option scheme open to all, as well as profit participation. Staff turnover is low.

Mr. Till says a small acquisition or a fairly heavy capital spending in the branches have increased gearing slightly from last year's 50%.

But he is comfortable with cash flow. Dividend cover has fallen from more than six to four and could go to roughly three this year.

One analyst forecasts a 30% profit of R18.5-million on earnings a share of 14c in the current year. That means the share, at 44c, yields prospectively 7.5% and the forward PE is only 3.7. Seems cheap.
Alleviating surcharges

STONG expertise and sophisticated facilities are making it possible for Koppel Elga to manufacture a number of machine tools that have never before been locally made.

In so doing, Koppel Elga has done much to alleviate the intense cost pressure placed on business by the weak rand, import surcharges and customs duties.

A recent FCI study concluded that SA pays almost 100% more than its major trading partners for capital equipment.

Sales director Graham Wood says: "Much of this premium on imported equipment can be alleviated by looking to local sources, especially in the case of heavy duty specialist machine tools."

Koppel Elga has over the past year engineered a large number of machine tools that have been specially designed for SA and probably for the entire continent.

All the larger projects are custom designed and built, usually using totally in-house expertise.

Koppel Elga's facilities are particularly important to the motor and components manufacturing industry, where a number of significant projects have been completed.

Amongst these are a 250t hydraulic polyurethane press for Pilkington Shatterprime, representing a significant leap forward in the local production of components. The press was totally locally designed and manufactured according to customer specifications.

Pilkington divisional GM polyurethane Peter Dickason said: "It will enable us to employ more automated bumper manufacturing processes."

Rubber press

"The possibility also exists for the manufacture of car body panels in the future, something which is being done overseas at present."

The local press cost came in 40% under the cost of an imported equivalent.

Another machine tool totally locally designed and built was supplied to Mewa. This 1500t press is now being used for the manufacture of stainless steel sink bowls and a wide range of steel kitchenware.

The rubber moulding capacity in the rubber press shop at Envirotech was recently increased by a significant investment in a large rubber moulding press supplied by Koppel Elga.

Production director Bob Keenmur said that cost and delivery times were the major reasons for looking to a local supplier.

The four-column hydraulic press delivers 1500t of force and is big enough to accommodate the largest moulded rubber components produced by Envirotech for its range of slurry pumps.

In addition to its range of local machinery, Koppel Elga also manufactures a wide range of other equipment under licence.

It recently introduced a new 250t numerically controlled (CNC) press brake, the first of this size to be manufactured in SA.

Manufactured under licence to Beyeler Machines of Switzerland, it has a wide application for the sheetmetal industry, including the manufacture of computer cabinets, white goods, car bodies and chassis.

One of these machines has already been sold to Jacksons Metals, part of the Van Reenen & Nichols group.
Investor faith in Toco management

INVESTORS have shown strong faith in new management-controlled industrial holding group Toco Holdings — pushing its share price up by 26% to a high of 63c since the July buyout.

The buyout — initiated and financed by 20 of Toco’s operating executives — involved the purchase of 29.9-million shares, or 53%, from Columbia Consultants. The purchase, which involved a cash consideration of R16m, brought management’s stake to 62%.

In addition, a 50c a share offer was made to minorities who were entitled to the 5c dividend, whether they accepted the offer or not. And 91.5% of these shareholders elected to remain invested in the group.

Toco, through its four divisions, conducts business in the fields of lifting equipment (contribution to operating income from special steel distribution (25%) and industrial gaskets and automotive refinishing (25%).

Its results for the year to March brought the group’s six-year compound bottom-line profit growth to an average of 49% a year. Operating profit — at R10.6m — exceeded R8m for the first time and put the six-year average compound growth rate at 38%.

The growth, when viewed against its previous rapid pace, is not that impressive. Operating profits leaped by 91% for the 1986/87 financial year and a further 102% in 1987/88. However, MD Adriaan Goodman says in his annual report the fact that earnings a share rose by only 11% reflected Toco’s internal structuring and streamlining.

On the export front, the group has placed infrastructure and expects to expand in the future as markets increase. Goodman says the newly acquired vitreous enamel paneling manufacturer Vitrex is expected to lead the group in this direction.

Toco acquired its 24% interest in Vitrex and 14.4% of Premier Chemicals via the acquisition of a 60% stake in East Rand Chemicals.

Predictions

On the balance sheet, gearing jumped to 35% (25.3%) which directors consider well within their ceiling of 60%.

Looking to the future, chairman Paul Todh has predicted turnover will top R100m and operating profit accelerate by 46% to R13.7m (R9.2m) and earnings and dividends a share to increase at a rate higher than the rate of inflation and has predicted 18c and 6c respectively.

Across the divisions, the greatest growth potential is expected from Vitrex, Premier, Versatile Gaskets and Toco 85. At its current share price Toco shows a dividend yield of 7.8% and a p/e of 4.9 times as against sector averages of 4.5% and 8.5 respectively.
Barlows saves SA R100m

Barlows Equipment Manufacturing saved SA more than R100m in import replacement during the past year, spent almost R2m on research and development and is now spending R1.5m on computer aided design.

This was announced at the company’s Spring Show of equipment at its Boksburg premises this week.

Barlows has been manufacturing earthmoving equipment under licence to multinational plant giant Caterpillar Inc since 1964, marketing it through the dealer network of Barlows Equipment.

It has the benefit of the latest technology through Caterpillar’s worldwide network, manufacturing locally if economically viable and using a local content of 60% on wheel-loaders and 70% on motor-graders.

Testing on the prototype of a locally-designed 2m³ load-haul-dump machine is almost completed.
Autoquip group doubles income

Financial Staff

AUTOQUIP group has doubled operating income in the year to end June 1989.

Income was up 101% to R5.2m on a turnover increase of 60% to R35.5m.

Earnings per share increased from 10.5c to 15.7c a share and the group has declared a total dividend of 6.5c covered 2.4 times (1988 annualised 4.5c).

The substantial growth, which has been achieved entirely organically, is largely attributable to increased market share in all divisions.

Comments CE Bruce Coquelle “It is pleasing to note that the results achieved by the group are ahead of fairly optimistic forecasts.

In the period under review, the considerable emphasis placed on the sourcing of products together with rigorous financial controls has resulted in an overall increase in margins.

“A centralised administrative infrastructure combined with an upgraded computer system linking all operations has also increased efficiency and produced cost savings.”

A number of new developments have taken place within the group, with the Techniquip division, utilising the existing Durban-based Group infrastructure, expanding its operations into Natal.

In addition a branch of the Autoquip division was opened in Vanderbijlpark and is positioned to take full advantage of the Vaal Triangle market.

The latter part of the year also saw the establishment of Partco, a division of Partquip. In line with the group policy of niche marketing, this division will concentrate on the sourcing and distribution of steering, suspension and rubber components and is expected to contribute to overall profitability in the coming year.

The group’s foreign operation, started in April 1988, has also begun to make a contribution to profits with full account already taken of start up costs.

A new Port Elizabeth branch is currently being established and will open in October.

Accommodating all divisions, this branch, servicing the whole Eastern Cape area will ensure further market penetration in this area.

Commenting on prospects for the industry as a whole, Coquelle refers to the effects of spiralling new vehicle prices resulting in an ageing vehicle population and the concomitant demand for replacement parts and accessories.

It is estimated that the average vehicle age has increased from six years to between nine and 10 years, and will increase to between 15 and 20 years — in line with other third world economies.

New vehicle prices have increased by some 25% in the past year and with no significant improvement in the exchange rate forecast, it is anticipated that prices will continue to escalate.

This augurs well for the parts and accessories after market.”
No surprises from FSI. The market had expected it to report an improvement in earnings of around 25-30 per cent. It got 25 per cent — taking earnings per share up to 64c (51c), and the dividend to 12c (10c) a share.

Feeling is that the interim results have been conservatively accounted and include a considerable amount of “fat” at most levels of this massive organisation.

All of the group’s major components reported eps increases in the region of 25 percent: Natholls up 20.6 percent; Hunts 25 percent; W&A 25 percent. And now FSI has reported a 25 percent eps improvement. Nicely symmetrical, and suggests that the improvement in FSI’s other interests was in line with that achieved by the W&A subsidiaries.

These “other interests” are Form-Scaff and International Operations. (The 32 per cent stake in Reichman, was acquired too late to feature in this interim period.) Stripping out the W&A results from the FSI figures shows that turnover from “other interests” was R106 million and operating profit was R43.4 million suggesting operating margins of an amazing 35 percent. (Compared with just 12.4 percent at interim 85 when Natholls was included in the “other interests”)

At the attributable profit level this sort of exercise indicates that “other interests” accounted for about 50 percent of the group total. Market sources believe that the year-on-year improvement in “other interests” was considerably stronger than the 25 percent suggested. In particular the international side would have enjoyed the added boost from the weaker rand in the six months under review.

Getting back to group figures, one important consideration is that the 1989 figures are comparable with those of 1988. (Unlike W&A where comparison was affected by all the restructuring that the group has undertaken.) So investors can get some idea as to how the FSI executive team has coped with the much larger asset base under its control since the massive W&A acquisition in September 1987.

The conclusion must be — very well indeed.

Turnover is up 47 percent to R1,1 billion (R784,1 million) and as chief executive Jeff Liebesman points out, “the bulk of this increase represents organic growth.” Operating profit was up 66 percent to R147,8 million (R88,8 million) reflecting an improvement in margins from 11.3 percent to 12.7 percent.

After allowing for finance charges (R47,3 million) and tax (R24,3 million), the advance at taxed profit level was 71 percent to R75,9 million. Outside shareholders and preference dividends took a massive R44,7 million (R23,4 million) which meant that attributable profit was up 48 percent to R31,2 million (R21,1 million). Equivalent to a 25 percent increase on an enlarged share base.

Some analysts believe that there is still something of a credibility problem surrounding the group and that this has prevented the share from enjoying the sort of rating appropriate to a blue-chip, rand hedge investment. In the short-term it is difficult to see what more Mr Liebesman and his team can do to counter this. In the long-term, doing what they are so ably doing now, will resolve the situation.

Mr Liebesman has no doubts that the group will be able to sustain its strong performance and achieve its long-term target of 35 percent return on assets managed (ROAM). Considerable progress has already been made on this front — up from 14 percent on acquiring W&A, to 18 percent for financial 1986 and, now at around 28 percent. He points out that all the subsidiaries see the 35 percent figure as their target and are implementing strategies to reach it.
Colfin sees brass in muck

Colfin has bought family business Trolley & Bin for R1.1-million

The R4.5-million-a-year company makes steel refuse containers and supermarket trolleys. The main business is bins, and the major customers are municipalities and waste disposal companies. Manhole covers, aluminium doors for trains, and steel poles for telephones are also made. Trolley & Bin's pre-tax profit last year topped R1-million.

With waste management becoming an important environmental issue, Colfin sees good growth potential for the company. It will be managed by Brian Follett, who holds 40%.
Tiger Wheels plans a further expansion

CHARLOTTE MATHEWS

Tiger Wheels plans a further expansion of its manufacturing capacity and improvements in efficiency in the current year to increase output for the replacement and export markets, chairman and CEO Eddie Keizan says in the group's latest annual report.

In February the group, which makes and distributes aluminium alloy and steel road wheels, tyres for cars and bikes and distributes vehicle body parts, moved from the DCM to the main board of the JSE.

Results for the year to June showed a 49% improvement in turnover to R41.2m from R27.8m and an increase in earnings to 11.3c a share from 8.6c.

"Considering the tighter economic conditions prevailing and relatively high interest rates, the excellent financial condition of the group places it in a sound position for the coming period," Keizan said.

Manufacturing capacity at the Babelegi plant was increased and average monthly output was 50% higher by the end of the year.

During the year a foreign wholesale distribution business was established and this had become a major customer for aluminium wheels from the Babelegi factory.

"The foreign business is budgeting significant increases in sales and reasonable profitability after posting a net loss in its opening year," Keizan said.
Macadams disposes of subsidiary

Sylvia Du Plessis

Manufacturer and supplier of bakery and catering equipment Macadams has disposed of subsidiary Aloe Catering Equipment’s marketing operations to Crown Foods division Vulcan Food Service Equipment.

The announcement follows second-rate results for the six months to August, during which a substantial interest burden — 126% up at R1.1m (R293,000) — eroded attributable income 12% to R266,000 (R301,000).

Macadams MD Reinard Pouillard yesterday said the transaction, effective from January 1 next year, would considerably reduce interest-bearing debt.

"Apart from the higher costs of borrowing, much of the increase in interest paid during the first six months of the year was attributable to the costs of funding debtors and stock in the catering division," he said.

The disposal would immediately reduce stock by about R14m, while debtors would also drop significantly.

"These two factors alone will cut our interest-bearing debt by approximately one-third," he said.

Strength

The disposal, affecting sales, distribution and installation only, was in line with group policy of rationalising certain aspects of the business in a continuing drive to improve margins.

"Further, the agreement with Vulcan also frees us to concentrate on our major strength — the manufacture and supply of equipment for the bakery industry," he said.

Sales during the period under review grew 11% to R23.8m and operating profit 35% to R1.3m. However, earnings declined to 3.1c (5.4c) a share, and interim dividends were passed in accordance with new group policy.

Pouillard was confident Macadams’ redefined focus would ensure a return to higher earnings "in the medium term.

"While this policy also manifested itself in the relatively small increase in turnover for the first six months, the benefit thereof can be seen in the much-improved margins," he said.

"Accordingly, with the group continuing to enjoy strong demand for its products, I anticipate earnings of an acceptable level in the 1991 financial year."
Toco due to revive interest

TOCO Holdings Ltd has traded in a fairly narrow range for the past 12 months signalling investor disinterest towards the group. But its earnings performance and recent trading pattern on the JSE indicate that Toco could be poised to outperform the industrial index.

During the past 12 months, Toco's share price has bounced around between a low of 42c in March and a September peak of 84c. Like most listed industrial companies which are not considered to be blue chip shares, Toco has failed to generate a sustained rally over this entire period. As a result, its share price has a tendency to slip back to the 50c area, which is where the group is trading at the moment.

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

Toco has a respectable management team judging by its earnings performance over the past few years. Operating profit has risen at an annual compounded growth rate in excess of 30% during the past six years.

A substantial portion of this growth occurred during financial 1987 and 1988 when operating profit advanced by 91% and 102% respectively. A spate of acquisitions as well as internal growth fuelled the sharp earnings rise during that period. But the group has now entered a period where activities are being streamlined while fully absorbing the reorganisation costs, which helps explain the relatively small 8% operating profit rise during the latest year.

For the six months ended September the situation improved slightly as operating profit grew by 18% to R5,5m (R3,9m) Interim EPS increased by a similar percentage to 7,6c (6,3c)

Although domestic economic activity has been slowing due to higher interest rates, Toco should begin to benefit from the stronger gold price. Group MD Adrian Goodman confirms that a rising bullion price should have a positive impact on group performance due to the anticipated increased activity within the industrial and mining sectors.

In the areas of contractual business, Toco's order books stand at a higher level than the previous year despite the economic slowdown. Goodman explains that many of the group's divisions operate in the industrial consumer market supplying, on a daily demand basis, a wide range of products necessitating fairly high, well-managed stock levels. Consequently if a customer is caught without adequate supplies of one of these vital products, that could affect this customer's sales and profitability.

The group declared no interim dividend and consequently, the final payment will cover the full financial year. This payout could realistically reach 6c and would translate into a forward dividend yield of 12,6c based on a price of 48c.

The fact that most investors are currently avoiding Toco shares is puzzling given the group's strong earnings growth potential and high dividend yield. But it would appear that certain institutional investors are impressed with Toco's prospects.
Promising outlook did not help Fenner’s shares

FENNER Group SA is producing profits well above levels earned in 1987, when it made its JSE debut. But the share price remains below its original offer price, despite the group’s promising outlook.

Fenner earned 50.7c during the 12-month period ended August, 1989, compared to EPS of 28.5c generated two years earlier. The share, however, is below the original offer price of 210c, which was the level that prospective investors would have paid for these shares prior to its May 1987 listing.

Fenner’s parent company, Fenner Plc, was established in 1861, and has built a reputation as a leading supplier of mechanical power transmission components and steel-woven flame-resistant conveyor belt.

Since its JSE listing, Fenner Group SA has continued to be involved in these areas. But the latest annual report indicates that the group has made some strategic acqui-

sitions which complement its core businesses and should help stabilize earnings growth during the coming years.

A primary example of this is illustrated in the group’s core power transmission division, which manufactures and distributes a complete range of mechanical, electrical and electronic power transmission products throughout the country. This product range was increased last financial year, with the introduction of bearings through the purchase of Plato Bearings in Lydenburg.

The power transmission activity required castings, and the addition of Trek Engineering to the group in September 1988 satisfied this need. Management enlarged Trek’s involvement in the field of small made-to-order castings with extra equipment, and Trek’s turnover was projected to rise 50% during financial 1990.

While Trek contributed to Fenner’s profits in the most recent financial year, recently acquired Trellex did not. Trellex, acquired in September, 1988, manufactured and supplied rubber wear protection and dust sealing products, used in ore handing and extractive industries.

Trek and Trellex’s growth potential is very exciting, but prospects for the more established divisions must not be overlooked. Control Specialists supplies control valves and ancillary products under licence to control valve manufacturer Fisher Control International.
- MACHINERY
  AND
  EQUIPMENT
  EXPORTS
  1989
Trim-Rite to replace Weedeater in SA

Swedish company

However, a considerable amount of money will also be saved because the payment of royalties will lapse, he said.

The Cape-based company sells more than 120,000 machines a year and exports about one third.

Export prospects are bright, says Mr. Gander, who forecasts that Trim-Rite will double its exports earnings in the next two years to R18-million as exports are boosted to more than half of the entire production.

The machines were designed to meet South African conditions and were given more powerful motors and other features — Mr. Gander claims their performance is superior to the American models.

They are sold in the United States, New Zealand, Australia, several European countries including France, where importers markets them "under three unpronounceable names." The company claims to have about 75 percent of the local market.

THE famous name Weedeater is to disappear in South Africa and be replaced by Trim-Rite on a range of lawn trimming machines made by Nylon Line Cutters of Epping.

The move follows the United States licensees ending permission to use the name.

No reasons have been given for the non-renewal of the licence but the chairman, Mr. John Gander, said the American manufacturer had been taken over by a
Meter Systems manages to boost earnings 39%, dividends 33%  

In spite of a significant decline in operating margins to 13% from 20%, Meter Systems has managed to boost its earnings and dividends by 30% and 33% respectively for the year to February. The company, which makes fluid handling and combustion equipment, achieved a 79% rise in turnover to R9.6m (R5.44m) which compared with operating income of R1.2m, only 14% higher than the previous R1.1m.

Nevertheless, earnings of 10.3c (7.4c) were declared and a dividend of 3c (2.25c) a share was paid.

The two major factors contributing to increased earnings were a fall in the tax rate to 15% from 41% stemming from export incentives, investment in plant and machinery and an extraordinary item of R42 000.

Chairman Graham Nel said the margins had declined for several reasons. "Overheads rose as planned reorganisation took place to anticipate an increase in business. We undertook a fair amount of export promotion. We also had exceptional expenditure on a major contract which has now been completed. "We took over Niel Passet, which had a large turnover but was not profitable, and we also acquired a 51% shareholding in the Hotwork group."

In March, Nel said, Woodrow had raised its holding in Meters to 64% which will enable Meters to take advantage of the financial resources of the enlarged group to develop its existing business and to seek new opportunities and acquisitions.

He said he was confident Meters could increase sales and earnings by at least double the annual rate of inflation this year. "After the first two months of this financial year, the group's sales and unfulfilled orders are in excess of R5m, which is exceptional."
The National Bolts annual report for 1988 spells out the major changes that have reduced its dependence on traditional nuts and bolts operations.

The most significant developments include the acquisition of Huck and Femo and the exchange of FSI-Team assets for Elecrea shares.

An announcement in May this year indicates that the annual report for financial 1989 will again show significant changes as Natbolt continues to "diversify profit sources within clearly defined parameters".

The announcement referred to the regrouping of certain of the interests of Bents (the Natbolt holding company) and to strategic acquisitions made by FSI on behalf of its subsidiaries.

To date the strategic acquisitions seem to refer to V&R, which has been acquired by FSI for £36 million and is expected to end up in the Natbolt group within the next few months.

The move will bolster the groups' involvement in the distribution of automotive replacement parts.

This is one of the four divisions that has resulted from the 1988 reorganisation.

The other three divisions are industrial fasteners and mining supplies (which includes manufacturing, assembly and distribution), electrical and electronic interests and distribution of equipment, tools and hardware.

The report gives no indication of the absolute or relative importance of the divisions.

At the National Bolts company, which last night succeeded in resolving its 10-day strike, signs of management's commitment to making greater inroads into the export market are indicated by the award to the Paul Smat plant of the BSI 5750 registration of the British Standards Institution.

The pro forma income statement at the front of the report is more instructive than the actual income statement because the former covers the 12-month period to December, while the latter covers 18 months to December.

Comparative figures are given for the 12 months to December 1987. The major change between the two periods is that turnover shows an 80 percent surge from £258.2 million to £463.7 million.

About £63 million of this increase is attributable to the Huck/Femo acquisition (effective from January 1988, but only paid for in September 1988).

Stripping this out shows a 55 percent increase.

If allowance is made for other structural changes, the year-on-year organic growth in turnover is probably about 45 percent.

Finance charges rose from £5.3 million to £15.9 million. The charge is three times covered by the 12-month operating profit, compared with the five times for 1987.

The balance sheet shows long-term liabilities up from £21.5 million to £26 million. The 1988 figure incorporates a swap of debt from short-term to long-term.

Thus, bank overdrafts and acceptance credits which were £20.5 million in 1987, were wiped out.

Group growth is reflected in the fact that despite the large absolute increase in debt, gearing fell from 50 percent to 39 percent.

The prime financial target is expressed in terms of return on assets managed. The annual report does not state what the group achieved in 1988 and MD Alan Schlesinger says only that "there is a lot of scope for the figure to move towards the 30-40 percent area target."
SA gets R100m train order from Taiwan

UNION Carriage & Wagon has secured a R100-million contract to supply electrical unit train sets to the Taiwan Railway Administration.

Union Carriage managing director Bob Bingham says the order will provide jobs for nearly 200 people for two years.

About 130 SA companies will be involved in supplying materials, components and services for the train sets.

This is the second project Taiwan and Union Carriage will work on. The SA company completed its first contract for 11 three-car luxury inter-city trains in June 1987.

Mr. Bingham says Union Carriage was forced to look abroad for business after SA Transport Services (Ssta) cut rolling stock orders in the early 1980s.

Union Carriage, a member company of Malbank's Standard Engineering, has been producing electrical train sets for more than 30 years.

Mr. Bingham says the company found a ready outlet in Taiwan, which has proved to be its best export market.

By Robyn Chalmers

The Taiwan Railway Administration issued a tender on September 23, 1988, for the current project. Ten- ders were given only two months to prepare design concepts.

Against worldwide competition, Union Carriage secured the contract on March 15 this year. Once the Taiwanese were satisfied with the technical considerations of the Union Carriage proposal, the deal was clinched on price.

Delivery date for the 12 four-carrage sets, including spares, is set for March 1991.

Mr. Bingham says "Each set comprises two motor coaches, one power coach and one trailer. They are designed for mass urban transport and will operate in and around Taipei, traveling a distance of about 144 km a day.

Each four-coach set can carry 750 passengers — 250 seated.

The vehicles are being built of corrosion-resistant steel. The coaches are air-conditioned and controlled by microprocessor systems."
WALKER
The right stuff from Toco

Since Toco's management increased its stake in the business from 9% to 62% after a buyout, the share price has climbed to a high of 62c.

Chairman Paul Todd says "Toco is about trading and stock. We were not at ease with desk managers."

His son Michael is the fourth generation of the family to work in the business, founded in 1901.

Toco manufactures and distributes industrial products—which vague term encompasses a variety of divestments from lifting equipment, special steels and gaskets, to a sort of metal dry-cleaning shop where other people's products are finished.

SCRUFFY

Touring Toco's premises reminded me of when I worked in a scruffy laboratory—the best results always came out of the least pristine environment.

Toco is about steam and sacks and racks of stock, and about good margins.

At the lifting division an order comes in and is ready for collection within a few minutes. The computer system with a client base of 46,000 is smart enough for only a few staff members to co-ordinate sales.

I asked whether people phoned who did not know exactly what they wanted.

"Every second caller," replied Michael.

The sales guys say the fax machine has been a big plus factor for their business of helping customers to buy the right stuff.

Polo Steel's sales team look at a white board from their desks on which the day's sales target is written and reduced as each one is made. There are bonuses throughout the group for good performances.

The market for special steels is a different kettle of fish to the mild-steel market. Specials command a bigger margin because of their specific uses and fewer market players, whereas mild steel is a cut-throat game.

Toco recently bought into Vitrex, which enameles special steel panels, and Premier, which supplies panel-beating materials.

To the R10-million or so forecast profit for the year to March 1989, Polo is expected to chip in 25%, the metal-finishing arms 10% and lifting gear 35%.

About 10% to 15% of sales will be exports, and the earnings forecasts could change should the Government see fit to meddle with allowances.

On the other side of Customs, Toco imports about 10% of its range, 40% is made in SA, and the balance assembled in-house to add value.

Toco says it has noticed a small decline in turnover in some divisions, but is not deterred from building up stock.

"There is an average lead time of five months when placing orders with our suppliers. Historically, we have always done well when the economy starts picking up," says Mr Todd.

All this has to be paid for, but the debtors' book is only about 40 days, and the stock turns an average of five times a year.

"Our customers tend to pay promptly for the service we provide," says Toco.

Toco was listed in August 1987 in an introductory rights offer to Columbia shareholders at a bargain 48c. Half of the R50-million raised was used in consideration to buy subsidiaries which formed the then Toco, and the balance has been put towards expansion.

Essentially, Columbia used Toco as a vehicle through which to list its own industrial interests. At that time, Columbia owned 53%, and there was no clarity about who controlled what with regard to partly held companies.

Toco management approached Columbia this year with a view to buying its stake. A deal was struck, involving 20% of Toco's executives raising R16-million cash to effect the management buyout. An offer was extended to minorities at 50c.

RALLY

Now, three executive directors—Mr Todd, Fuzzy Goodman and Peter Polotovun—control 51%, other Toco members own 12%, institutions 20% and the balance is with the public.

There are 42.2 million shares in issue. The net asset value is about 65c a share.

One analyst forecasts Toco's earnings at 16c in the current year, and a dividend of 6c. That is looking at a forward yield of 10%.

The share price has rallied to a high since the buyout, and looks close to being fully priced near 60c.

I like the company, and see it doing well, but everything has its price.

Rights race

RAND Mines is the third major mining house to raise capital this year. Gener was raised R1.3-billion, Gold Fields will seek R1-billion, and Rand Mines a smaller sum to follow its rights in the proposed offers by Barplats and Liefekryos.
ADE heads for privatisation

BY BARRY STREEK

THE giant Atlantis Diesel Engine (ADE) company, which cost about R500m to establish at Atlantis, is likely to be privatised as a blue-chip company on the Johannesburg Stock Exchange.

This has been disclosed by ADE's MD Harmurt Beckurts, in an interview in the latest issue of Leadership.

He said ADE, which employs about 3,000 people, was working on a five-year capital expenditure programme and he anticipated a further R100m expenditure in 1990.

Asked if ADE would be a target for privatisation, Beckurts replied, "I hope so. It is certainly our ambition to become a blue-chip company on the JSE.

"That is our ultimate target."

ADE had not reached the level of profitability which would give it the return on investment that a normal investor would consider adequate.

ADE, which is 87.5%-owned by the government-controlled Industrial Development Corporation and 12.5% by Daimler-Benz, produces about 22,000 diesel engines a year with a local content value of around 55%.

In the interview, Beckurts said: "When we look at the local content of ADE, where we stand in 1989, we can say that, in terms of phase six (of the local content programme), we save a foreign exchange equivalent of R220m a year."

ADE was also exporting locally made components, worth "in the region of R25m a year."

It had to achieve a zero foreign exchange balance by 1997.

"In other words, any imports that we still need have to be compensation for by exports."

"So by 1997 we will probably have reached about 87% local content by value, but still not 100%. So the difference between 87% and 100% we have to make up with exports," Beckurts said.
ADE focus on export market

Financial Editor

ATLANTIS DIESEL ENGINES (ADE) saves the country more than R250m a year in foreign exchange through its local content programme, MD H Beckurts said at a media day yesterday.

"In addition, our exports presently amount to R30m a year with excellent prospects for further contracts."

Beckurts emphasised that, although ADE aimed at becoming completely self-sufficient, there were some diesel parts which would never be economic to manufacture in SA. ADE would, however, pay for these with foreign exchange earned through exports.

"Our local content programme is well advanced. But we do not just produce components regardless of cost. We look at every single component before we start manufacturing it, to make sure it is viable. We are certainly not adding to the cost of the end product."

Beckurts said it was intended to list ADE on the Johannesburg Stock Exchange when it had become sufficiently profitable to make it attractive to investors. But it was still too early to take this step.

"In spite of ADE's difficult start-up phase over the past 10 years, we have now managed to recoup our accumulated losses, and the company's earnings have become taxable."

"However, we wish to emphasise that at this point in time privatisation of ADE would be premature because neither our results nor the structure of our balance sheet are yet sufficiently attractive to outside investors."

"However, we are confident that this will steadily improve over the years."

"We are following a responsible pricing policy for our products and since 1981 engine price increases were kept below the production/consumer price indices."

"We are constantly striving for improved productivity in every division of our organisation. It is our ultimate objective to become a blue chip company on the JSE."

Public affairs manager Mike Eaton said that ADE had just opened a separate export marketing department to take advantage of growing opportunities.

"ADE was opened originally for strategic reasons, to replace imports and to provide jobs in the Atlantic area. But we have visitors from all over the world and we have been receiving inquiries from many countries including Turkey and countries in South America."

"It has made us realise the opportunities available to us in the export market. There is tremendous potential demand."

ADE manufactures, under licence from Mercedes-Benz and Perkins, and the agreement prevents it from competing with them in other countries.

"But the world trade situation is changing," said Eaton.

"There is an increasing tendency for multi-national companies to source parts in different countries."

"We are changing our marketing strategy. We are now looking at the whole world as our potential market."
BASIC METALS

1989
CMI posts earnings rise

By Sven Persman

Turnover at Consolidated Metallurgical Industries (CMI) rose 164 percent to R142 million for the six months to December 31 (R56 million).

Earnings per share rose 188 percent to 10.1c (35c) and pre-tax income 326 percent to R74 million (R17.4 million).

An interim dividend of 35c has been declared.

Capital expenditure commitments of R33.7 million relate almost entirely to those to be incurred in expanding ferrochrome production capacity from 160 000 tons per annum to 200 000 tons.

Director Murray Hofmeyr says demand for ferrochrome remained strong in the six months under review, resulting in the company's selling price rising by 24 percent in dollar terms.

Current indications are that the market will remain firm beyond the end of the current financial year.

Given this scenario, Mr. Hofmeyr says results for the second half are expected at least equal to those of the first half.
Speculation on Possible Rohex-Luco Ink-up

Companies
Steel prices up an average 8.5%

STEEL merchants and manufacturers, already suffering lengthy delays in steel deliveries, are to suffer another blow when Iscor raises prices of steel products by an average of 8.5% in March. Hardest hit will be galvanised steel, which will rise by 13.5%, and cold rolled steel employed in the manufacture of motor vehicles and white goods, which will climb by 10.5%.

Industry sources expect these increases to have an impact on the cost of durable goods and fuel inflation. Iscor public relations manager Piet du Plessis said the increases resulted from higher input costs. In September Iscor raised prices by more than 8%.

Manufacturers involved in exporting steel goods were unhappy that they had not been given sufficient advance warning of the increase, having only been notified earlier this month.

Responding to complaints that manufacturers were experiencing delays of more than eight weeks, Du Plessis said a number of difficulties were being experienced at the Vanderbijlpark plant.

He said there had been problems with the blast furnace and the hot-strip mill had been closed for modernisation in December and was still in the running-in stage but would eventually improve quality and production.

Lower volumes

It was originally planned to close the mill in August last year but this had been delayed until December in order to meet customers’ orders.

In December Iscor MD Willem van Wyk told Business Day production problems could result in volumes being 3% lower than expected at 5.5-million tons for the financial year to June 1989.

Further, he expected the difficulties experienced with the blast furnaces in the first quarter to marginally dull turnover growth for the year.
Soaring nickel prices hit stainless steel producers

FLUCTUATIONS in world nickel prices are creating confusion in the stainless steel market, says Middelburg Steel and Alloys (MS & A) marketing manager Richard Linnell.

MS & A, SA’s only producer of stainless steel flat products, is concerned that there will be structural shifts in the market if the nickel price is not corrected.

Linnell says “At the moment, nickel accounts for 66% or 70% of the cost of producing stainless steel. It cannot carry on without alternatives being sought.”

“We have had to find an extra R50m just to pay for the nickel because costs have risen from R9 000 a ton to R37 000.”

Nickel prices have been driven by strong demand for stainless steel. Seasonal factors such as interruptions of Russian deliveries by the European winter and also kept the price high. “The high prices enormously affect producers of stainless steel.”

The surcharge is adjusted at the beginning of each quarter to take account of the prevailing nickel price.

MS & A works on a three-month lead time for hot-rolled products and four-month lead time for cold-rolled stainless steel.

The ex-mill surcharge and prices were increased on January 1 and the new prices apply to hot-rolled stainless steel which leaves the mill during April and cold-rolled during May.

Although all MS & A customers had been informed of the ex-mill prices, there was some confusion.

“The structure of the industry leads to fierce competition among distributors. This free market often smooths out the swings in the price, as seen by the end user,” he says.
Nickel price causing upsets

Finance Staff

Fluctuations in the world nickel price are creating confusion in the stainless steel market, says Mr Richard Lunnell, Middelburg Steel & Alloys (MS&A) marketing manager.

MS&A, South Africa's only producer of stainless steel flat products, is concerned there will be structural shifts in the market if the nickel price is not corrected.

Mr Lunnell says: "At the moment nickel accounts for 60 or 70 percent of the cost of producing stainless steel. It cannot carry on without people beginning to look at alternatives."

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The high prices have enormously affected producers of stainless steel.

"The cost has gone up from R9 000 per ton to R37 000. This means that we have had to find an extra R59 million just to pay for the nickel," Mr Lunnell says.
Iscor, Highveld Steel expected to do well

By Neil Behrmann

LONDON — Iscor and Highveld Steel should do relatively well this year because of the boom in the world steel industry.

Yet 1989 could be stickier because analysts expect steel manufacturers to experience lower activity from the second half of 1989 onwards.

"A slow-down does not imply that there will be a slump," says Commodities Research Unit, a London metals consultants, "especially since internal Japanese expansion is keeping their steel industry buoyant."

Steelmakers worldwide have increased production to meet pent-up demand. They have thus needed more iron ore.

And even though most forecasters contend that the world economy appears to be nearing the end of its prolonged expansionary phase, the steel market is forecast to remain tight for at least the first half this year.

Commodities Research Unit says buyers of steel products, notably wire rod, hot roll coil, deformed bar and plate will encounter a sellers' market in the coming months and that prices should remain high, at least until June.

Thereafter the market could ease, particularly if the world economy slows down.

Yet the market will be unevenly balanced. While economists expect slower growth in the US and Western Europe, particularly West Germany, demand from Japan is expected to remain high.

Japanese construction demand for steel is estimated at three million tons, 13.5 percent higher than a year ago. Total Japanese crude steel production reached 28.2 million tons in the third quarter and output is forecast at 27.1 million tons in the final quarter.

This means that total crude steel production in 1989 was 106 million tons, well above earlier estimates, says Commodities Research Unit.

There is some concern that the Japanese domestic economy will not maintain its hectic pace.

Yet with output rising rapidly, there are worries about potential oversupply.

The European steel industry's order books are full until the middle of the year.

 Tightest markets are hot-rolled coil and galvanised sheet. Flat steel products are generally farm and producers in the UK, France and Germany are all raising prices.

There is a shortage of hot-rolled coil in all European countries and lead times are now at three to four months.

Galvanised sheet demand is being boosted by the strong performance of the European car industry. Widespread building construction and the surge in consumer durables are also buoying demand.
Steel consumers face delivery delay and higher price

Iscor's steel price increases of eight percent, which take effect on March 1, apply only to orders placed after that date.

"All contracts previously agreed to for delivery before February 28 — therefore including backlogs on this date — will still be delivered at the old price, irrespective of when the material is actually delivered," Mr Nols Olivier, Iscor's senior general manager, commercial, said yesterday.

"There might also possibly be confusion about the price increases among certain manufacturers of processed steel products for export purposes.

"Steel prices for these sectors for the six-month period January to June had earlier been confirmed with those concerned.

"Those prices remain unchanged and will not be affected by the increases on March 1," he said.

Local steel deliveries from Iscor's Vanderbijlpark works, currently an average of one month overdue, are expected to be back on schedule by the third week in March.

The matter is being monitored on a day-to-day basis by top-level management.

Mr Olivier said the delays were primarily due to production losses at Iscor's largest iron production unit between October and December last year.

This production unit — blast furnace D at Vanderbijlpark — is nearing the end of its cycle after an active life of eight years, the average for a blast furnace. It is scheduled for refurbishing in the second half of 1990. The problems have, meanwhile, been successfully solved," he said.

"Due to the blast furnace interruption, the Vanderbijlpark works suffered a steel production loss of 160 000 tons.

"This steel was destined to build up supplies within the works to tide us over the planned downtime required for replacement of equipment.

"Due to sustained high local demand, the downtime was postponed from September to December last year. The replacement was completed on schedule, but the re-commissioning of this complex equipment is a time-consuming process, and it also takes a while to re-establish standard performance levels.

"A large number of confirmed export contracts for the fourth quarter of last year, which were also delayed, as well as contracts for the first quarter of this year, were postponed for two to three months with the cooperation of Iscor's overseas clients.

"They were simultaneously notified that Iscor would not accept new production contracts in the second quarter. These steps will enable us to deliver local orders as a first priority," Mr Olivier said — Sapa.
Highveld breaks all records

HIGHVELD Steel and Vanadium has bettered all previous records in the year to end-1988 turnover surpassed the R1bn level for the first time, steel production exceeded 1-million tons for the first time and dividend distribution was the highest, at 57c/share.

Earnings a share were more than double 1987's level, at 170,6c (80,1c), while total dividend distribution was 90% higher, at 57c (30c).

Chairman Leslie Boyd yesterday attributed the improvement to the follow-

Highveld Steel broke all records in '88

Highveld's vanadium-precipitating plant has worked at capacity. All the vanadium spinel produced as a co-product from Highveld's iron and steelworks has been made available to the market.

As the West's largest producer of this commodity (more than 55% of available annual output), Highveld is important in regulating the vanadium price.

In the past Highveld's policy has been to restrain price increases in times of high demand to preserve the attraction of vanadium as an ingredient in steel.

Highveld has nevertheless been able to lift prices in recent years — apparently without any effect on demand. Since the beginning of 1986 Highveld's vanadium price has virtually doubled, from $2,41/lb of fused flake (98.99%-pure) vanadium pentoxide (CIF main port), to the 1989 first quarter price of $4.50. Demand is so strong that MD John Hall says a further price rise may be warranted.

Boyd said he expected buoyant market conditions to persist throughout 1989, and another improvement in Highveld's performance, "provided there is no substantial strengthening of the rand and no cause for the imposition of increased sanctions."

Highveld has plans for four capital investment projects amounting to R167m building a pelleting plant to utilise iron ore fines in the iron ore plants and a rotary kiln at Vanstra, both increasing production and improving efficiencies, the construction of a fifth sub-comanganese furnace at Transaloys and the upgrading of ferrosilicon production at Rand Carbide.
Expanding again

Vanadium is the latest commodity to be highlighted in the continuing base metal bull market. Excellent results from Highveld Steel and Vanadium (Hiveld) for the year to end-December reveal the group is expanding capacity for the first time since the early Eighties.

Hiveld is to spend R167m on four projects which will increase vanadium, silicon manganese and ferrosilicon production. One of these projects involves the construction of a rotary kiln at the group’s Vantra division, which will increase Vantra’s vanadium production capacity from the present 13m lb (5 859 t) annually to about 17m lb (7 650 t).

Chairman Leslie Boyd put Hiveld’s total vanadium production for 1988 at about 50m lb (22 500 t) of vanadium pentoxide. In addition to Vantra, the rest of the group’s vanadium output comes as vanadium spinel which is a co-product from the iron and steel works. He estimated total SA vanadium production last year at 65m lb (29 250 t) which accounted for about 72% of total Western world vanadium production of 90m lb (40 500 t).

The expansion at Vantra should be in place by the end of this year and will be a factor that Union Steel Corporation (Usco) will have to take into account in its proposed entrance to the vanadium market. Usco has not made an official announcement but indications are it is looking at a project to produce about 7 000 t of vanadium annually.

Vanadium is used to harden steel and Boyd says demand took off last year as world steel production rose by about 30 Mt to 782 Mt. A surge in capital investment programmes worldwide resulted in a marked increase in the production of tool steels which contain up to 12% vanadium. Ordinary steels require far lower quantities ranging down to just 0,1% vanadium.

The free market price of vanadium pentoxide soared to US$10/lb but Hiveld held down increases in its contract prices, which were set at $4,30/lb for first quarter 1989 delivery. Hiveld MD John Hall says policy has been to hold back on the rate of price increases to keep vanadium steel competitive. He says Hiveld will push for further price increases this year but will not give details at this stage.

The booming steel market also allowed Hiveld to sell more than 1 Mt of steel in 1988 and this despite the fact that the group has been cut off from its previous major markets in the US and the EEC by sanctions legislation. Boyd says the steel has been sold elsewhere but will not give details.

The bottom line was that despite an increase in the group’s tax rate to 46% from 23% in 1987, Hiveld more than doubled attributable profit to R712,5m (1987 — R35,5m)


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R56,8m). Earnings a share of 170,6c are well above analyst estimates of between 130c and 140c a share.

The final dividend soared to 43c (20c) making a total for the year of 57c which is 90% up on the 1987 distribution of 30c. Most analysts were looking for a local payout of around 45c a share. Despite this generosity Hiveld has still managed to raise its dividend cover to 2,99 from 2,67, and has retained R78,8m (R35,5m). The group is cash flush and its borrowings amounted to only R10m at the end of 1987.

Boyd is optimistic the good times will continue. He sides with some economists’ predictions that the Nineties will see steady economic growth in many major industrial countries, thanks to low inflation rates and low real interest rates.

He expects that the group’s 1989 results will improve further on 1988 but will not be specific. One analyst is looking for another 50% jump in earnings and a similar increase in the dividend despite the capital expansion.

The share jumped 100c on release of the results to 1 170c before retreating to 1 100c.

At these levels the shares are at their 12-month high but they could still be worth buying.

Brendan Ryan

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BOOM TIMES

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FINANCIAL MAIL FEBRUARY 17 1989
'Give Iscor workers the first option on shares'

By MICHAEL CHESTER

THE private sector has urged the Competition Board to ensure the 60,000 rank-and-file workers in the Iscor labour force be given first crack at owning shares when the R6 billion State steel corporation launches its privatisation programme.

The proposal forms a key theme in arguments put forward by the Association of Chambers of Commerce and Industry that the privatisation scheme be designed to ensure as wide a spread of shareholders as possible.

Assocom is pressing for shares to be listed on the Johannesburg Stock Exchange to give the general public a chance to buy a stake in the steel giant, rather than sales of huge blocks of shares in direct deals with the big financial institutions.

Whatever the final shape of the State handover of the operations, Iscor workers should be offered a financial stake, says Assocom.

Dr Dawie de Villers, the Minister handing the privatisation timetable, has hinted that the government might back a share scheme for employees.

Assocom suggests consideration be given to a scheme granting one or more free shares for every one bought by an employee — up to a set limit.
Corex maintenance stoppage

THE coal reduction (Corex) plant, still in an experimental stage before commissioning at Iscor's Pretoria works, was stopped on February 14 for planned mechanical maintenance of peripheral equipment.

The plant is being run by the Austrian/German consortium, Voest-Alpine.

The liquid iron produced in the Corex process has not been included as part of the Pretoria works' forecast production for the year.

Voest-Alpine SA MD Herwig Petzl said yesterday the stoppage had been necessary to modify certain dust-handling equipment. He said the operation, which is a "world first" simplifying the processes needed to produce liquid iron, had run successfully for the six months since starting in August.

Iscor GM public relations Piet du Plessis said steel production at the Pretoria works would not be affected.

Voest-Alpine engineers are training Iscor staff to run the Corex plant. No date has yet been set for the handover.
UME up after Macsteel offer

(Charlotte Mathews)

UME shares yesterday rose 2c to 137c following the announcement of Macsteel's offer to incorporate the company as a wholly owned subsidiary. Macsteel is offering 150c in cash to shareholders for each ordinary share held, which compares favourably with UME's market price and net asset value of 122c a share.

According to UME's last annual report the company had issued 225,475 ordinary shares of 1c each.
Sticking an ore in

Hefty increases in the price of nickel in the past two years have pushed up world stainless steel prices — leading to fears that price resistance could lead to product substitution.

Although world stainless steel production reached an all-time high of 10.6 Mt in 1988, with mill sales worth nearly US$25bn, efforts have been stepped up to find an alternative to nickel.

SA, the Western world's major producer of chrome ore, ferrochrome and manganese ore and one of the largest producers of manganese alloys, has a strong vested interest in this search. It could benefit substantially, for example, if manganese is found to be an acceptable substitute.

Rand Afrikaans University (RAU) professor Pieter van der Merwe is doing research on manganese/chrome alloys as a substitute for high nickel/chrome alloy stainless steels. With the manganese price one-twentieth that of nickel, substantially lower stainless steel prices, along with additional market development for manganese, chrome and stainless steel, could result.

"Popular stainless steels traditionally have a content of about 18% chrome and 8% nickel. But it has been found that the 8% nickel can be replaced by 16% manganese, resulting in a cheaper product with similar properties. As SA's nickel output is limited, it would make eminent sense to develop, produce and market this alternative product," says Van der Merwe.

He notes that chrome/manganese stainless steels were widely introduced during the Korean War, when nickel was in short supply. Since then, with the relatively cheap nickel prices which have prevailed (1972-1978), their use has declined. However, current sky-high nickel prices make alternatives more feasible.

SA Stainless Steel Development Association (Sassda) executive director Ian Eldon-Dew says the only problem with marketing the manganese-based alloy is getting international approval of the metal for specific uses.

"One first has to get the product tested and approved by US, Japanese and EEC authorities in order to establish its international acceptability. And there are some difficulties in handling the material — for example, it can't be used in pressure vessels," he notes.

However, Van der Merwe maintains a stainless steel alloy with 18% chrome, 1% nickel and 14% manganese would give the necessary flexibility and chemical resistance required of any substitute.

"All we want to do at present is to make these facts publicly known, so that major stainless steel consumers can decide freely whether they would prefer a cheaper substitute to austenitic stainless steels," he says.

Van der Merwe says Samancor, Middelburg Steel & Alloys (MS&A), Iscor, Usco, Mintek and the Chamber of Mines all took part in discussions on the subject late last year. RAU was given a March 1989 deadline to co-ordinate a strategy for its implementation.

"Our brief is to look at production aspects and potential applications for manganese-based stainless steels, in replacement of nickel-based varieties. With the world as a potential market, SA could possibly adapt its existing production lines to manufacture the new alloy," he says.

While he did not spell it out, this development could be behind the delay in announcing Samancor's proposed R1bn, 400 000 t/pa, hot-rolled, stainless steel plant. Should the manganese-based product be an acceptable alternative, it would make sense for Samancor to go that route. ■
Highveld looking ahead
to another boom year

By Ann Crotty

Strong international demand, which helped Highveld to report excellent results for financial 1988, is expected to be sustained this year.

Chairman Les Boyd says in his annual review: "Assuming there is no substantial strengthening of the rand against the US dollar, and provided there is no cause for the imposition of increased sanctions, it is expected that 1989's results will show a further improvement on those for 1988."

Mr Boyd notes the spirit of optimism that prevails in most areas of the industrialised world and believes that this will continue to support the buoyant markets for Highveld's products.

"In SA the recent strength of the economy has depended to a large extent on consumer spending but there is little doubt that the government's actions will dampen this area of economic activity."

"On the other hand, most companies which export are showing improved performance and this could result in expansions which should help to counter the negative effects of higher interest rates and other restrictions on consumers."

Referring to the group's 1988 performance, Mr Boyd states that one of the most pleasing aspects was that of industrial relations where, after two difficult years, no time was lost as a result of industrial disputes.

The group's steel division benefited from the upward trend in apparent total world steel consumption and the further increase in US dollar prices in all export markets.

"It is expected that the higher consumption will be maintained in 1989 and that favourable trading conditions in world steel markets are likely to continue."

In SA, the increase in steel consumption related to consumer products more than capital investment. In recent years price increases in the local market have not been sufficient to counter the impact of inflation. "SA steel prices are currently the lowest of the major steel-producing countries."

The exceptionally strong demand for vanadium experienced during 1988 is attributed to a number of factors including the higher level of steel production, the increased use of vanadium in large-diameter high-pressure pipes, and the increased use of tool steels especially in the motor industry.

The high level of world steel production resulted in strong demand for ferroalloys and manganese alloys in the overseas markets during the year. Under review is the raising of steel prices rose steadily throughout the year to levels substantially above those prevailing at the end of the previous financial year."

As with steel, 1989 has seen a continuation of the stronger trend in US dollar prices for ferro-alloys.

The group's finance look particularly strong. The deferred tax provision has increased to R247.5 million. "This should ensure that the tax charge in later years does not absorb a disproportionate amount of income earned in those years."

In addition the group's strong cash flow enabled it to redeem R269 million of preference shares, reducing the total to R59 million. This helped to bring down net borrowings and preference shares to R54 million from R238.6 million.
Zincor set to adjust to new pricing structure

The price of zinc produced by SA’s only zinc refiner – Zinc Corporation (Zincor) – is likely to rise above its current record level of about R5 000 a ton once a new international pricing structure is introduced in SA.

Zincor is currently negotiating the new pricing structure with its suppliers and customers.

In January this year, the old European Producer Price (EPP), to which SA subscribed, was abolished, to make way for a new pricing structure better suited to the needs of the European refiners.

The EPP was a price compiled by the London-based Metal Bulletin, based on prices quoted for the lower-grade “Good Ordinary Brand” metal (GOB) by European, Canadian and Australian refiners.

Dissatisfaction

It was the standard against which refiners entered into contracts with concentrate suppliers.

The demise of the EPP was brought on by dissatisfaction among both mines and refiners. The EPP was based on the lower-grade GOB product, but most production, refiners claimed, had been switched to purer “High Grade” (HG), or “Special High Grade” (SHG) metal.

In practice, mines selling concentrate to refiners were paid for the zinc content in accordance with the EPP price. The cost of refining the concentrate was deducted from the purchase price by the smelter.

The problem arose when refiners, in turn, sold their refined metal on the London Metal Exchange (LME) while the EPP usually followed trends in the LME, the two prices frequently diverged.

For example, before 1987, an oversupply of the metal depressed the LME selling price for all grades of metal below the EPP.

Refiners were buying concentrates at a relatively high EPP price and selling their metal for less on the LME. This even applied to sales of the High Grade and Special High Grade metal.

In 1988 the trend reversed – the EPP was lower than LME prices. Mines had to sell concentrate to the refiners at the lower EPP rate, while the refiners could offload their metal on the LME at a premium.

Mines complained that smelters were buying concentrate from them at the lower GOB-based price and refining the metal to High Grade or Special High Grade levels which they could sell at a premium.

Zincor has resigned itself to the changes about to be imposed on the SA market. GM Heiga Kalshe set Zincor’s position: “We operate in a totally open market. This means we have to buy concentrates and sell metal on international terms or risk losing both customers and suppliers.”

Zincor’s Springs operation produces about 90 000 tons of metal a year from 300 000 tons of concentrate, supplied largely by three regional mines.

Fellow GFS subsidiary Black Mountain mine is the largest supplier, with most of the remainder coming from Jacor’s Rosh Pinah mine in Namibia and Shell’s Perring mine in the Northern Cape.

Kalshe said the protracted European and local talks had other implications for Zincor. “At this stage the industry is in a state of flux. With international zinc concentrate prices still undetermined, we have difficulty establishing sales prices because we don’t know how much we will be paying for concentrates from our contract suppliers.” He said.

Benefit

Galvansers and other zinc metal users are concerned about the local implementation of the new measures, following the large price increases in 1988 and this year. The new pricing structure is to be based on LME prices, which are currently higher than the old EPP price.

Zincor insists that mines who supply zinc concentrate benefit most in the event of price hikes. Marketing director Martin Pervus says smelting charges rise and fall on a sliding scale as the zinc price varies, and the greater portion of the extra profit accrues to the mines.
Highveld and Samancor study joint steel project

HIGHVELD Steel & Vanadium and Samancor (Gencor's ferrometals producers) have embarked on a joint feasibility study into a stainless steel project.

Samancor announced in February it had completed a preliminary feasibility study on the production of stainless steel. A full study, in partnership with Highveld, is expected to be completed by the second half of the year.

Acting MD John Muller said last week Samancor had decided to tackle the project as a joint venture, in view of the size of the investment.

"The market for stainless steel is not always in a boom and we realised the necessity for a strong partner in case the market slumps," Muller said.

It is understood Samancor thought of a partnership with Iscor, which was considering making stainless steel. A joint project with Highveld was considered more appropriate because Anglo American Corporation is a common shareholder in both companies, with more than 25% in Samancor and control of Highveld via Anglo American Industrial Corporation (AAL). AAL is majority-owned by Middelberg Steel & Alloys, which said it intended expanding production from 110,000 tons a year to about 150,000.

World production was about 20,5 million tons last year. It is understood Samancor/Highveld is looking at a plant capable of producing about 300,000 tons of semi-finished steel slabs (as cast) for export.

These will be sent to be processed into finished stainless steel products, such as sheets, plates and coils. The plant will be capable of expansion.

Analysts said overseas producers were amenable to such an arrangement. They added "The front-end of the production process creates pollution problems many foreign steel producers are keen to avoid."

Facilities for cold-rolling or finishing the stainless steel slabs are also enormous expensive. As it is, the whole project up to the semi-finished stage could cost over R1bn in today's money.

The partnership is also looking at the feasibility of setting up its own cold-rolling facility overseas - to finish off the steel slabs - probably in the Far East.
Stainless steel price likely to rise by 2%

EDWARD WEST

MIDDELBURG Steel & Alloys commercial manager Derek Engelbrecht says the 20c-40c alloy surcharge increase will push up the price of stainless steel by 2%

Alloy surcharges make up about 70% — R3,50 — of the R5/kg base price for stainless steel

Engelbrecht says this high percentage causes great concern industry and subjects shipments to nickel price fluctuations on the London Metals Exchange.

He adds nickel, a platinum by-product, is in strong demand and producers are enjoying handsome profits.

Falling rand

Main users of stainless steel affected by price increases are tube and pipemakers, manufacturers of tank containers for export and Sats.

Salmac marketing director Andre Foure says users of stainless steel in expected prices to drop, as a result of the falling nickel price, but did not take into account the fall in value of the rand against the dollar. This prompted the surcharge increase.

Salmac is Dorchyl’s welded stainless steel manufacturing division.

Engelbrecht says there is a good chance users of stainless steel will opt for substitute materials, like ceramics and plastics, but these are too costly for most stainless steel producers to develop at this stage.
Industrials hit new high

GOLD SHARES were about the only non-performing sector of the Johannesburg Stock Exchange in a week which saw the industrial index continue to hit new highs and selected metal and mineral shares also experienced strong support.

Gold was under a cloud following the string of disappointing March quarters. These mostly reflected the main problem facing the gold mining industry — the R1000 a kg drop in gold price in the past three months.

However, except in counters such as Randfontein, where a sharp drop in grade also affected its results, losses were small.

The steep jump in the crude oil price in the past few days to above $25 a barrel has revived fears (or hopes) among investors of an upsurge in inflation overseas — leading to an increase in the gold price.

The metal and minerals section was dominated by the strong rises in Samaaco and Highveld Steel on reports that they were investigating a joint venture to produce between 250,000 and 350,000 tons of stainless steel billets a year.

They are expected to decide on the project later this year and there is speculation that some of the finance might come from at least one Taiwanese steelmaker. It would make Samaaco and Highveld one of the world’s largest stainless steel producers.

Elsewhere in the metal market platinum shares were firmer.

The industrial index continued to forge ahead helped by a steady increase in the share price of Sasol and Barlows.

Yesterday activity picked up in Frame and the share closed 50c higher at 1380c after R6.5 million worth of shares had changed hands — making it the day’s heaviest traded share.

PERSONAL FINANCE
Vanadium, steel cause surge in industrials

STRONG world demand for vanadium, steel and allied products was the driving force behind the surge of the JSE industrial index to record highs last week.

The industrial index jumped nearly 4% to an all-time high of 2,552 to help sweep the overall index 1.6% up to a new post-crash peak of 2,963 points. The rises came on the back of buoyant prices for export products of companies which constitute a major part of the indices.

Heavily-weighted Amco climbed more than 7% to R96 in the wake of recent increases in the price of vanadium announced by its subsidiary Hiveld Steel and Vanadium.

Hiveld has been the star performer on the JSE over the past year with the shares soaring 300% to a recent peak of R20.40.

After backtracking on profit-taking, renewed demand for the shares last week pushed the price up almost 13% to R20.15.

Fuelled by expectations of another set of excellent results from unlisted Middelburg Steel & Alloys, Barlows surpassed its previous high of R37.60 and closed at a record R39.60.

The shares were given a further boost by news that Middelburg was negotiating with Samancor on a joint venture for large-scale production of stainless steel for export.

This development helped explain the strong demand for Samancor shares and the 14% jump in the share price to close at a record R24.50.

The rise of Samancor's parent, Gencon, to a fresh peak of R60.50 was helped by the fine performance of its industrial interests. Its paper and pulp producer, Sappi, which is also a major constituent of the industrial index, gained nearly 3% on the week to R52.50 on buoyant world demand for its products.

The rise of world prices of vanadium, steel and allied products over the past year has been well beyond most expectations and analysts predict they should hold to current levels for at least another year.
Companies

Midlebury Steel set to boost Barrows
Major expansions in S.A.'s stainless steel production have been announced by producers in terms of greenfield projects and the conversion of existing capacity. The expansion is said to be due to the fact that world stainless steel demand is expected to grow at a rate of 5% per year, driven by factors such as urbanization, industrialization, and increased use of stainless steel in the automotive and construction industries.

The expansion will involve the construction of new plants and the modernization of existing facilities. This is expected to increase S.A.'s stainless steel production capacity significantly. The expansion is also expected to create new job opportunities in the steel industry.

The expansion is seen as a positive development for the steel industry in S.A. and the broader economy. It is expected to contribute to job creation and economic growth. The expansion is also expected to enhance S.A.'s position as a major player in the global stainless steel market.

However, there are also concerns about the environmental impact of the expansion. The construction of new plants and the modernization of existing facilities will require significant amounts of energy and resources. This is expected to have an environmental impact, particularly if the new plants are not designed to meet the latest environmental standards.

Overall, the stainless steel expansion in S.A. is expected to have a positive impact on the steel industry, the economy, and the environment. However, it is important that the expansion is managed in a sustainable manner to minimize any negative environmental impacts.
Operating profits surge at Vansa

By Derek Tommey

Shareholders in Lefkochryso, Barplats Investments and Vansa Vanadium, three companies in the Rand Mines stable, should be pleased by the interim reports issued today.

Vansa reports a sharp rise in operating profits and further increases and a maiden dividend shortly after September on the way, developing platinum mine Lefkochryso will pour its first platinum bar in July, and Barplats, which has a 72.5 percent stake in Lefkochryso, has reported earnings of 17.2c (15.6c) for the six months ended March 31.

Vansa’s good news is an operating profit of R14.70 million (R2.7 million) for the six months ended March.

Profit before capital expenditure was R13.9 million (R5.2 million). Capital expenditure took R4.5 million (R312 000) leaving R9.4 million (R2.9 million) equal to 23.6c (8.4c) a share available to shareholders.

Helping Vansa was an increase in the profits of its now wholly-owned subsidiary, Winterveld Chrome Mines, from R2.9 million to R5.1 million.

Vansa expects to achieve full production of vanadium pentoxide in July instead of March as expected. The vanadium market remains strong and a maiden dividend will be declared shortly after the end of the financial year-end in September.

Capital expenditure for the six months ended March was R3.05 million and should amount to R10.2 million for the remainder of the financial year.

Lefkochryso is on schedule, the base metal refinery has been completed, and the precious metal refinery should produce its first platinum in July.
Vansa's build up to full production has impact on earnings

VANSA Vanadium's build up to its full production levels is starting to make an impact on earnings. Profit for the six months to March is R9.4m (R6.7m), and analysts say this figure could quadruple if the strength in the vanadium market holds up.

Earnings a share are 23.8c (8.4c) and there is no dividend, as directors say the vanadium plant has not been fully commissioned and full production has not yet been achieved. They expect to pay the maiden dividend shortly after the company's year-end (September).

Strong demand for vanadium on international markets has led to large gains in contract prices and, recently, spot prices.

Last month, Highveld Steel and Vanadium, the market leader, lifted its vanadium contract price by 60%, or $3 from $4.90 a pound to an effective $7.50 a pound. This brought it in line with free market prices of about $10.
No plan to list Zimco

REACTING to speculation last week of a possible listing of industrial company Zimco through its listed tin-mining subsidiary, Zaaiplaats, CE Donald Buchanan said yesterday the company had "no intention" of such a move.

Zaaiplaats' share price, which has been rising steadily since December last year, surged 200c to 700c in the period between April 20 and March 9. This prompted speculation that there was more behind the increase than the strong tin price and four cautionary statements issued by Zaaiplaats since February.

The latest cautionary statement said Zaaiplaats was "investigating the feasibility of expanding tin operations on the present site and acquiring another mining interest not related to tin". Buchanan said the mooted acquisition would be concluded "shortly".
Ferrochrome supply increase to be taken up

By Don Robertson

FERROCHROME production coming on stream this year will not immediately upset the supply-demand equation and prices will be maintained.

Demand is expected to remain about last year's level of between 25-million tons and 26-million. An additional 250,000 tons that will come from SA producers and 100,000 tons from Europe will cause an apparent oversupply of about 160,000 tons.

However, producers' and customers' stocks are at an all-time low. The extra production will merely ease backlogs and replenish stocks. This should result in a continued tightness of supply for most of 1989.

However, it is suggested in an article in the journal of the Southern African Stainless Steel Association (Sassuda) that the position will change from 1990.

Estimates are that demand will grow by 300,000 tons (12%) in the next five years, but supply will increase by 900,000 tons (40%).

The estimate is based on the supply of stainless steel reaching a plateau of between 10-million and 11-million tons by 1991. Ferrochrome makes up 25% of the stainless-steel raw material.

As a result, a large oversupply of ferrochrome is expected to develop from 1991. In the next five years supplies from SA are expected to increase by 650,000 tons. Of this, 190,000 tons will come from Samancor, 125,000 from Middelburg Steel & Alloys, 75,000 from Consolidated Metallurgical Industries and 160,000 tons from Chrome Corp Technology. Other expansion is expected in Finland, Italy, Turkey, India and Brazil.

Excluded from this is 850,000 tons from other projects that could come on stream. If these eventsuate, there will be a considerable rise in the oversupply with a resultant scramble for market share and a decline in prices.

However, it is expected that prices will be maintained this year and will probably peak at about US$80 a pound. But with production coming on line in 1990 and 1991, prices could soften considerably.
Steel companies still hit by slow deliveries

Companies...
Steel sales slow

By Don Robertson

The first indications of a slowdown in the economy are reported by steel merchants.

Some say the market is in turmoil and will worsen in the second half of the year. Others are less pessimistic.

Trading results in the first five months of the year have been good, say industry sources, and there is a shortage of flat steel. Large stocks of profile and structural steels are held.

However, because of high interest rates, merchants are concerned about holding large stocks.

Arthur Browne, deputy chairman of Macsteel and president of the Steel Association, says Government efforts to cool the economy have been successful and sales of white goods and cars have fallen. Steel sales to these sectors have declined.

Mr Browne fears that the market will decline in the second half of the year and says merchants will have to watch stocks closely.

Shortage

Pat Nichols, joint managing director of specialist steel merchants, Van Reenen & Nichols, says a supply shortage earlier in the year caused problems in the market, but that no orders were cancelled.

He is worried about the effect high interest rates will have on stocks.

Derek Kemp, sales director of Trident Steel, says his group is holding reasonable stocks and he is fairly optimistic.
Rhombus goes Bop

RHOMBUS Vanadium is to raise £5.4 million in a rights offer to shareholders in the ratio four linked units in Rhovan for every 100 shares held in Rhombus Exploration (Rho-Ex).

An agreement has been reached with Union Steel — to be renamed Usko — for the joint development of a vanadium deposit in Bophuthatswana. Rho-Ex will take up 28,200 units, and Rhovan holding company Rhosco 630,000.

The linked units comprise nine ordinary shares at a price of 60c, 12.2% automatically convertible unsecured subordinated debentures of 60c each, 6% per annum for 15 years, and warrants to subscribe for ordinary shares of 100c each, and, for no consideration, three options for 100% take-up of ordinary shares at 60c.

The cost of a linked unit will be R13.20. The offer is underwritten by two banks. Trading in nil-paid letters will begin tomorrow and last for three weeks, and in the three individual instruments from June 22.

Rho-Ex shares edged up to about 175c when terms of the offer were made known. Usko eased 20c to 530c.
Wedge Holdings has reached an agreement to sell its steel trading activities to Macsteel for £14.3m. The sale is expected to be completed by the end of April. The deal is part of Wedge Holdings' restructuring process. Macsteel is a leading steel trader in the UK.
Wedge keeps market guessing

Finance Staff

Shareholders in the DCM-listed steel merchant company Wedge are still in the dark about the company's future.

Wedge has not yet disclosed what unlisted steel merchant Macsteel will be paying for Wedge's steel trading businesses.

The final price is being determined by an audit of Wedge for the months from January to April by accountants Aiken and Peat.

Shareholders were informed of the pending deal two weeks ago by way of a cautionary announcement.

But so far no further information has been made available.

Informed sources say the accountants have found several irregularities in the financial accounting methods of Wedge and an announcement is expected soon.

Several calls to Peter Thomas, chairman of Wedge, have been unsuccessful.

Management has refused to comment on the financial impact of the deal.

Shareholders were given warning in the 1988/1989 financial year-end, which saw a sharp decline in profitability.

Last year the interest bill increased fourfold to R5.7 million, exceeding operating profit by R2.6 million.

BORROWINGS

Borrowings more than doubled, while margins withered from 5.5 percent in 1987 to 2.9 percent.

Although at the time management said Wedge had budgeted for a profit for 1989, it has more recently been suggested that the financial standing of the group has continued to deteriorate in the wake of cash flow problems.

Former managing MD Reg Wepener recently left the company, but is restrained from operating in the same line of business for at least five years.
Macsteel forges ahead with new acquisitions

By Magnus Heystek
Finance Editor

International steel trader Macsteel is to take control of Cape-based steel merchant UME for R32.5 million.

Unlisted Macsteel has already begun the process to acquire the trading operations of another steel merchant, DCM-listed Wedge Steel, for an amount rumoured to be in the vicinity of R12.5 million.

The deal will make Macsteel, already a giant on export markets, the largest independent steel merchant in the country.

Last night the controlling shareholder of UME, which claims to be the largest steel merchant in the Western Cape, has accepted Macsteel's offer of 150c a share.

A similar offer is to be made to minority shareholders. The company will be delisted.

UME is currently controlled by Mrs Smaller Winnikow (72), the present chairman and managing director, who intends emigrating to Australia to be with her children.

Mrs Winnikow has 56 percent of the issued share capital with Wedge owning another 20 percent. According to Mr Peter Thomas, chairman of Wedge, it will accept Macsteel's offer.

UME, listed in the engineering sector of the Johannesburg Stock Exchange, has recorded compound earnings growth of 34 percent over the last four years.

In the 1988 financial year attributable earnings rose from R2.8 million to R5.7 million with the outlook for the current year very favourable, according to the 1988 annual report.

The purchase price of 150c a share puts the deal on a price earnings ratio of less than 6, based on historic earnings of 25,5c a share in 1988. Asked whether the offer is not on the low side, a spokesman for UME said it might turn out to be a favourable price considering the higher tax rate the company is expected to pay in the current year.

Also, the equity-accounted earnings of more than R1 million that UME earned on its investment in Wedge Steel, will fall away as Wedge has recently reported a sharp turnaround in profitability.

While UME controls just under 30 percent of Wedge Steel, Wedge has an interest of 20 percent (5 million shares) of UME. By accepting the offer it will get a cash injection of at least R7.5 million for its UME interest.

Mr Thomas says Wedge will become a cash shell after the disposal of its steel trading operations to Macsteel.

Mr Thomas refuted allegations of financial irregularities at the company, but did say that trading conditions in recent months have been tight and that Mr Reg Weppner, the MD, had resigned after a major difference with the Wedge board.

Not much is known about Macsteel which maintains a very low profile. But it is understood that its turnover runs into billions of rands a year as the company handles most of Iscor's exports.

Chairman Eric Sampson is overseas while other senior financial executives at the company could not be contacted for comment.
IN another move towards its listing in November, Iscor has been incorporated as a company. Iscor's conversion will have no effect on the corporation which will continue to operate as before. All Iscor's stock is deemed to be debentures.
No-win for UME minorities

UME minorities are in a no-win position because of the scheme of arrangement for it to be taken over by Maesteel subsidiary Consolidated Steel Investments (CSI).

Even if more than 25% of shareholders vote against the scheme whereby they would receive 150c a share, and even if the court does not sanction the deal, CSI is "obliged to offer to purchase from all the scheme members their scheme shares at 150c against surrender of their share certificates."

History

Issy Goldberg of the Shareholders Association says a section 311 victory amounts to expropriation of shares from minorities.

They will have no choice other than to take the cash UME will be wholly owned by CSI.

By Julie Walker

The history of the 45-year-old UME is interesting. It was listed in 1968 after being the successful steel merchandising business of the Smaller family in the Cape.

The R7-million raised at 130c a share did not accrue to UME shareholders' funds but to the seller, the Smaller family.

Mr. Goldberg rightly points out that subscribers would not have bought shares in UME from the Smaller family if they were not going to be listed on the JSE.

Deposit

The return on investment for original subscribers has been poor. They bought at 130c, and are now obliged to sell at 150c after three years.

They could have got more from a Post Office deposit.

CSI does not want a listed subsidiary and all the hassle of minority shareholders that goes with it.

UME has gone out of its way to explain that 150c is a fair and reasonable offer. It has made a worst case out of its investment in Wedge Steel, which has not been without problems.

Wedge owns 20% of UME and UME 30% of Wedge. In its balance sheet at September 1968, UME was happy to include Wedge as an investment at R12.5-million, or 228c a share — at cost — even though Wedge had dropped to 80c by then.

Now, because the company wants to patent the net asset value as promptly as possible, it values Wedge at 80c. CSI is negotiating to buy Wedge, which is now 35c.

The market value of UME has been hamstrung by the 150c ceiling which CSI is prepared to pay.

The Smaller family is said to have wanted to realise its investment because some of its members are emigrating to Australia.

Mr. Goldberg says minorities have been treated badly. He urges shareholders to vote against the scheme.

"It costs nothing to make a moral stand. Shareholders will get 150c anyway."

"I believe CSI could manage UME while retaining its listing. This would satisfy minorities who have hung on to their shares on the strength of positive annual statements from the current management."

The scheme meeting takes place on June 28. Mr. Goldberg asks shareholders to oppose the scheme and send his proxies to Box 3778 Cape Town 606.
CMI earnings show threefold rise

Finance Staff

Consolidated Metallurgical Industries (CMI) nearly tripled its attributable profit to R100.38 million (R37.9 million) for the year to June, its preliminary profit statement shows. Earnings per share were 230.2c (82.2c).

A final dividend of 80c (45c) has been declared, bringing the total for the year to 115c (65c).

The board says the reason for the increase in profits was a sharp rise in world production of stainless steel, thereby causing the demand for ferrochrome to go up sharply.

"In these favourable market conditions, the company was able to increase its dollar selling price by 35.5 percent."

The group expects the demand for stainless steel, and therefore ferrochrome, to continue running at a high level over the rest of the year, although the increased availability of ferrochrome is likely to exert pressure on selling prices.
After six-hour meeting . . .

Majority UME shareholders accept Macsteel offer of 150c

By AUDREY D'ANGELO
Financial Editor

A huge majority of UME shareholders and their proxies who voted at the end of a crowded, six-hour meeting yesterday are in favour of accepting an offer from Macsteel (Pty) of 150c each for their shares.

But a minority led by the chairman of the Shareholders Association of SA, Issy Goldberg, voted against a scheme of arrangement which would enable Macsteel to acquire 100% of UME and delist it.

Some paid up to 280c each for their shares and want either to retain them or be offered a higher price.

Among those voting against the offer were Sanlam which holds more than 1m shares, and an alternate director of UME, Jack Ipp.

The matter will be decided at a Supreme Court hearing next month.

Meanwhile lawyer Igor Vukic, who was appointed by the Supreme Court as a neutral chairman of yesterday's meeting, will prepare a report.

The controlling shareholders, the Smaller family, who own 55% of the shares, have already agreed to sell their stake to Macsteel for 150c.

Director Peter Smaller, formerly joint MD, who now lives in Sydney and returned to Cape Town to attend the meeting, assured reproachful shareholders that he had no intention of emigrating at the time the company was listed on the JSE in 1986.

He said his mother, chairman and MD, Sylvia Smaller Winnick, had not emigrated and was still a resident of SA.

Smaller said he decided to emigrate only after agreeing to sell his shares to Macsteel, when he found himself freed from his earlier responsibilities and decided it was the best thing for his young family.

Earlier in the meeting Goldberg pointed out that the engineering sector of the JSE had risen sharply in recent months. He suggested that the UME share price might have risen above 150c if a ceiling had not been put on it by a cautionary announcement that Macsteel had offered 150c.

But Macsteel financial director Steven Levitt said that no 16m-rand losses have been made by Transvaal company Wedge Steel, in which UME has a 29% stake.

Describing the state of Wedge Steel as "a disaster", with "more surprises" being uncovered by auditors, Levitt said it could be saved from liquidation only if Macsteel bought its trading companies, turning it into a cash shell.

In view of this, said Levitt, it was only the fact that Macsteel had already committed itself irrevocably to an offer of 150c each for the UME shares which made it willing to pay so much.

Peter Smaller said UME had acquired a 30% stake in Wedge Holdings when he was joint MD because it had reached the limit of its growth in the Western Cape and wanted to expand into the Transvaal.

He had thought at the time that Wedge was an excellent investment and had later topped it up to a 29% stake.

In answer to questions, Smaller said that he and the CE of UME, Robin Dennis, had joined the board of Wedge and had become concerned about the level of borrowings. They had given Wedge executive chairman Peter Thomas advice which he had not taken.

But it was not until Wedge reported a loss at the end of its financial year that he realised its position. Until then he had believed Thomas' forecast of profits.

A letter was read from Arnold Galombik, a non-executive director of UME, who sent apologies for not attending the meeting, in which he said he had tried unsuccessfully to obtain a higher price than 150c for the shares from another firm. The most it would offer was 130c.

Representatives of the Standard Merchant Bank said they considered 150c a fair price.

But Goldberg read letters from shareholders in which they said they had bought shares in UME, which was listed on the JSE in 1986, in a long-term investment and were disappointed at the prospect of losing it.

Some said they had paid a higher price than 150c and would lose thousands if they were forced to accept Macsteel's offer.

Goldberg said that even those who had bought shares at 130c each at the time of the listing would have got a better return by investing the money in the Post Office.

Vukic announced that 224 scheme members with 18,197,200 shares had voted to accept Macsteel's offer and 119 members with 1,668,001 shares had voted against.
Iscor details share scheme

Own Correspondent

JOHANNESBURG — Early feedback from employees on the Iscor employee share ownership programme (Esop) indicated understanding, acceptance and some enthusiasm, Iscor spokesman Piet du Plessis said at the weekend.

However Numsa, the largest union among Iscor's 58 000 employees, has expressed bitterness at not having been consulted beforehand on the scheme.

Employees and unions were briefed on the scheme, which has been in the pipeline for months as part of Iscor's privatisation programme, on Friday.

The 150m shares set aside for employees are expected to be worth R300m, assuming a R2 a share pre-listing price. This share bloc represents nearly 10% of Iscor's total equity.

This compares to the 3.5% of equity ultimately to be offered to Anglo American group employees in terms of its Esop launched 18 months ago. In the Anglo case, all shares are given free of charge to employees.

Government has promised to privatise at least 51% of Iscor's equity in the first phase of the corporation's privatisation.

However, it is understood the company is expecting outstanding results for the year to June 30, and this could increase the number of shares initially made available to the public.
Court upholds UME shares payout

THE Supreme Court has ruled in favour of the scheme of arrangement whereby Macsteel's 150c accepted offer by UME majority shareholders be applicable to all minority shareholders.

Minority shareholders will be paid out soon and UME general manager, Mr Robin Dennison, said UME will continue to trade under its own name and staff will not be affected by the change in shareholder control.

Three Macsteel directors will be appointed to the UME board.

UME was listed in December 1986 and traded above 250c at one stage.

Minority shareholders went to court arguing that the acceptance of the offer by Macsteel by the controlling Smuller family had not been in the interests of minorities and that delisting the company from the JSE was not in their best interests.

It was argued that the prospects of the company under the control of Macsteel were very promising. However, the sale by, in particular, joint chairman Mr Peter Smuller — who had emigrated to Australia — was an investment decision based on substantially different reasons to those of the minorities when they had acquired an interest in the company.

However, in what was considered a "test case" by many, the Supreme Court has ruled that ordinary shares constitute a single class of share and cannot be differentiated on the basis of how they are voted.
Minorities lose out in test case

Own Correspondent

CAPE TOWN — The Cape Supreme Court has ruled in favour of the scheme of arrangement whereby Macsteel’s 150c accepted offer by UME majority shareholders be applicable to all minority shareholders.

Minority shareholders will be paid out soon and UME general manager, Robin Denman, said UME will continue to trade under its own name and staff will not be affected by the change in shareholder control.

Three Macsteel directors will be appointed to the UME board.

UME was listed in December 1996 and traded above 250c at one stage.

Minority shareholders went to court arguing that the acceptance of the offer by Macsteel by the controlling family and the delisting of the company on the JSE had not been in the interests of minorities.

It was argued that the prospects of the company under the control of Macsteel were very promising and that the sale of UME was an investment decision.

In what was considered a “test case” by many, the Supreme Court has ruled that ordinary shares constitute a single class of share and cannot be differentiated on the basis of how they are voted.
Investors seem to be rerating Metkor’s stock

METKOR’s share price established a record high of 425c last month, 106% above the September 1986 low of 160c. This strong price performance has been achieved despite abnormally large share trading volumes. On June 30, when Metkor reached 465c, 197,000 shares were traded, which compares with its average monthly turnover during the past year of 304,000 shares. To drive home the point, in the first week of July an additional 404,000 shares changed hands.

The accompanying chart shows that Metkor’s relative strength against the industrial average surged recently to penetrate a down trend line that had been in place since 1975. This is a significant development on its own, but taken together with the sharply higher volume suggests that investors are now rerating the stock.

Metcors appears to be responding to the strong JSE performances of Dorbyl and Usko.

Doubled

According to the latest annual report, Metkor effectively controls 34.5% of Dorbyl, while holding a 27.5% interest in Usko. Dorbyl’s share price has more than doubled from its 12-month low of 85c, while Usko peaked this year at nearly 10 times the 1988 low of 70c. Dorbyl and Usko have both established record levels on the JSE during 1989.

World market prices for steel underpinned during 1988 and helped to drag Usko into the black after a loss-making 1987. EPS for the year ended September 1988 improved to 90.6c from 15.3c in financial 1987. While Usko management expects to report satisfactory earnings for the current year, Dorbyl’s interim EPS for the six months ended March 1989 jumped 44% to 110.9c (76.9c), and directors expect to announce satisfactory earnings performance for the full year.

Heavy volumes

Prior to this strong advance this year, Metkor was consistently trading at a discount to net asset value. The heavy share volumes recorded recently seem to indicate that serious investors are accumulating the stock.

At 356c, the share is rated on an earnings and dividend yield of 10.8% and 3.6%, respectively. Though Metkor trades at a premium to the JSE engineering index, which provides a 13.8% earnings yield and dividend yield of 5.1% at current levels, this would seem justified in view of future prospects for Usko and Dorbyl.
now worth R4.4bn — were reflected annually. In 1999, it was 12.5% return on assets —
In 1998, too, production had been improved. Production and efficiency
increased. For 15 years, efficiency and
capacity since 1981. Capacity had not been
at full international Patterns.

Van Wyk said Izcor's record confirmed to
have been on of severe efficiency.
Disruption caused by government subsidy
in 1996 raised worldwide, and better supply
growth rates worldwide, and real
was strong. Low real interest rates and real
was such a way that we faced dumping.

He said earlier the international industry
was added.

would apply for a revision of those figures. The
IF the international market changed in

Finance

Robert Grel

18-9

Be cash to counter substitute materials
International steel demand is sparing the SA industry from imported competition, but if that changed, Iscor could seek a strengthening of tariff protection against dumping.

MT Willem van Wyk, speaking after a media presentation on Iscor's privatisation, in Pretoria yesterday, said the buoyant international market meant SA was not being subjected to dumping.

He added Iscor was facing competition from substitutes for all of its products. Its R1bn capex plans for the next 'couple of years' were to add value to existing products, for expansion and to help diversification to counter competition from substitutes.

The removal, through privatisation, of the state's dominant influence would stimulate Iscor's diversification.

Van Wyk said competition was across its product range, including its major item, railway lines. An effect of this competition was to keep down prices.

He was asked to comment on the view that, although Iscor was privatising, it was sheltering behind tariff protection to preserve domination of the local market.

He said 'Tariff protection exists which protects the SA steel industry against dumping. The protection is based on exchange rates which no longer apply'.

Protection took the forms of ad valorem duties (17%) and tariff protection against dumping. This protection was based on out-of-date exchange rate figures.

"If the international market changed in such a way that we faced dumping, then we would apply for a revision of those figures," he added.

He said earlier the international industry was strong. Low real interest rates and real growth rates worldwide, and better supply-demand ratios, had strengthened it.

Distortions caused by government subsidies had been, or were being, eliminated.

Van Wyk said Iscor's record conformed to international patterns.

The organisation had been operating at full capacity since 1981; capacity had not been increased "for 15 years", though efficiency and productivity had been improved.

In 1980 Iscor had a 13.5% return on assets, in 1989, it was expected to be 19%. Assets - now worth R4.5bn - were revalued annually.

Futures industry 'misunderstood'

ATTACKS on futures brokers and on the futures industry as a whole are the result of a low level of awareness about industry figures.

Brokers say the struggling futures industry is prone to attacks by people who do not understand it. The industry is working to educate potential investors in all aspects of futures, they say. This is reflected by the number of training courses and seminars available.

A booklet published by the SA Futures Industry Association (SAFIA) confirms the importance of investor education. Investors are encouraged to study the details of futures contracts and to deal only with reputable brokers who are SAFIA members and who subscribe to its code of conduct.

Brokers point out the risks of futures investing. High returns are possible but so are losses. Investors are urged to view their futures investments as risk capital.

The SAFIA confirms the risks involved and emphasises the term 'risk capital'. Investors should be prepared to lose their capital and its loss should not result in a change in their living standard, says the association.

Bad publicity has not deterred serious investors. Both Anglovaal and Rand Mines have profited by futures trading. A spokesman for Rand Mines says the existence of liquid futures markets can be used to great benefit. Speculators are essential in ensuring such liquidity, he adds.

Sources stress the need for industry education as opposed to futures retailing. The long-term benefits of such a view will accrue to all parties whether long-term investors or speculators, they say.
Limited offer in Iscor shares

Financial Editor

INDIVIDUALS and institutions will be limited to a maximum 20% stake in Iscor, due to be listed on the Johannesburg Stock Exchange in November.

Iscor's GM, media relations, Piet du Plessis, said that every Iscor employee would get 100 shares free of charge. "This will apply to everyone, from the MD to sweepers."

In addition to this, employees belonging to the trade unions will be able to buy 900 shares with an interest free loan from a trust, repayable over three years.

And, like all other Iscor employees, they will be able to buy other shares in a preferential placing before the listing.

Du Plessis estimated that blue collar workers would be able to buy 60% of the shares allocated to employees "if they take up their full allocation."

He said there would also be opportunities for the man in the street to buy them.

Pointing out that the shares would have to be sold at a discount to the real replacement cost of Iscor, he said their cost would be based on results for the year to June 30, which will be released in September.

Du Plessis said this was not the first time Iscor had been listed.

"The first time was a failure. It was in the 1930s, during the Depression, in a politically sensitive time and it was delisted."

"But it gave individuals the chance to buy shares and someone still in private hands."

"The government's shareholding today is between 65% and 70% and the Industrial Development Corporation (IDC) has a stake."

Du Plessis said the government had no wish to keep control of Iscor and would sell off as much of its shareholding as possible.
Open to public scrutiny

BY THEO WALKER

Inspect Illinois needs to be

However, under the current

situation, the Federal

Government is not

providing the public

with enough information

about the inspection and

enforcement of the

company's operations.

The lack of public

透明度 is a serious concern

that needs to be

addressed.

Business Story
SA steelmakers likely to ride out price drop

ANALYSTS are not unduly concerned the decrease in worldwide steel prices will effect the fortunes of SA producers.

At least not in the short term

International prices for standard rolled steel have dropped by between $40-$50/ton -- about 11% -- during the past few months

Analysts say this trend is expected to continue.

Market sources believe the weakening prices were triggered by the softening US economy, a lacklustre demand because of seasonal factors and increased competition.

"At the moment the US steel market has come off with consumption reduced in line with its economy," says Highveld Steel and Vanadium marketing GM Robert Herbertson.

Analysts are optimistic, however, the price slump will not hurt SA in the short-term.

They also believe prices will be supported by European and Far East growth.

Herbertson says the US is the engine room of world steel production and any effect on it will be felt worldwide.

Effect

"Lower US domestic consumption translates into more steel for US producers to export." This means increased competition which would have an indirect effect on SA in the long term.

Herbertson says this could be "particularly on sales of reinforcing bar and hot-rolled coil.

He adds there might be a loss but it will not be dramatic or catastrophic.

In the US competition, with foreign steelmakers aggressively wooing customers, has prompted LTV Corporation to boost its discounts to buyers by $20/ton for hot- and cold-rolled sheet and hot-dipped galvanised sheet.

US steelmakers are also now looking abroad more for sales and steel exports have grown markedly in the past two years.

USX Corporation, largest US maker and exporter of steel, does not expect overseas sales growth to slow. It expects sales of about 1.1 million tons this year.

Iscor, which produces about 75% of SA's steel, last year supplied 5.41 million tons -- generating almost R5bn in steel products to domestic and export markets.
Dull years, then revival

By Don Robertson

THE sharp rise in demand for stainless steel and hence ferrochrome is likely to tail off this year and next, but thereafter should resume a rising trend.

From only 1-million tons in 1960, demand grew by about 7% a year to 6-million tons in 1982. Between 1983 and 1987, it rose by 10% to between 10-million and 11-million tons.

Paddy Probert, general manager and director of Middelburg Steel & Alloys (M&S&A) chrome division, says it is likely that this year's sales will decline by about 3% and by about 8% in 1990.

Rust

Mr Probert ascribes the increase in demand to the low price of stainless steel in comparison with other materials, and to its rust-proof properties.

However, the expected 11% decline in the housing and vehicle markets in America this year, coupled with a sharp lift in the price of stainless steel brought about by the rocketing cost of nickel, is likely to depress demand. The price of nickel, a base raw material in stainless steel, soared from $950 a ton in 1986 to $1,200 this year.

This prompted substitu-

Producers in SA also plan to increase production.

Mr Probert believes production of ferrochrome will rise to 3.1-million tons in 1990, 3.2-million tons in 1991, 3.3-million in 1992 and 3.4-million in 1993.

However, with demand for stainless steel declining, sales are likely to be about 2.4-million tons in 1990, a similar figure in the following year, but rising to 2.7-million tons in 1992.

Strategic

Because of this oversupply, the price of ferrochrome is expected to fall from the present US$52c a pound on contract to as low as US$55c, settling at about US$55c in 1992 and 1993.

More pessimistic forecasts put the figure below US$40c. By 1997, however, the price is expected to recover to about US$50c/lb in the view of optimists and the pessimistic US$50c.

Why then do SA producers intend to increase production?

Mr Probert says SA is the second-cheapest producer in the world at about US$55c/lb. Japan has a production cost of US$70c.

Phone: 189

Paddy Probert... A first for Middelburg

-PADDY PROBERT... a first for Middelburg

- carbon steels, plastics and ceramics

- Producers of stainless steel and ferrochrome are awaiting demand figures for the fourth quarter of this year before forecasting sales.

- Ferrochrome makes up about 25% of stainless steel. Developments in the steel market directly affect chrome alloy producers.

- Using what are now considered to be faulty demand trends, several foreign producers plan to increase production of ferrochrome and high-carbon ferrochrome. They are expected that production will rise by about 1.5 million tons between 1988 and 1992 to about 3.4-million from the present 2.5-million.

The Philippines, Europe, India and America have production costs similar to the Japanese and many could go to the wall if the price dips to between US$50c/lb and US$55c.

Some countries plan to raise production because America and Japan have asked them to. This is an attempt to reduce dependence on SA, by far the largest ferrochrome producer. Ferrochrome, however, is not subject to sanctions because it is considered a strategic material.

M&S&A's R240-million expansion will use, for the first time in the world, technology which will result in a 25% saving in energy. It will use fines instead of brickettes as a feed and coal instead of coke.

The new chrome direct reduction plant will boost charge chrome capacity by 130 000 tons to 430 000 tons a year. It will be commissioned in June next year.

Others which are increasing production include Samancor which will add 120 000 tons. Consolidated Metallurgical Industries (40 000) and Chrome Corp Tech (120 000).
Only a start in search of new metals

THE steel industry holds great potential for diversified product ranges, says Hans van Vuuren, general manager, planning and development, at Iscor.

Steel can meet the challenge of the increasing number of competitive high-tech products.

Mr Van Vuuren says, "We have merely scratched the surface in terms of steel's uses. We are only now exploring the mixing of alloys and superalloys with steel, adding trace elements to provide a new perspective on its properties and applications. Many variations can be achieved through these mixes - such as the material's weight, toughness, wearability, formability, weldability or corrosion resistance. It is a matter of adapting products to suit customer needs."

Confidence

Iscor is playing its part in the search for new metals through its research and development section.

Iscor's strategic position depends on trends and developments in the steel market which are closely watched. The optimum is to try to stay one step ahead of developments.

"After the oil crisis in the early 1970's, steel lost market share to high-tech compounds, such as plastic and ceramics, because it did not respond with price-competitive products. There was no confidence in the future of the steel industry."

This has now changed.

"Dramatically improved productivity, new techniques and products have demonstrated that we can be innovative and price-competitive. In some areas, we have regained that lost market share."

Largest

Iscor has the largest steel research and development organization in Africa. It employs 379 and has an annual budget of about R7-million - about 0.15% of annual turnover.

It focuses on improving the input processes, such as mining techniques or production management. It has also been successful in improving raw materials by removing impurities before they enter the blast furnace. The facility is also involved in improving end products and adapting them for different applications.

Mr Van Vuuren says, "We buy technology or negotiate to use it and have often used Mintek, CSIR and universities.

Research and development personnel also keep in touch with customers, such as the motor industry.

"It is tricky working with the motor industry because the goals and objectives are shifted all the time. There is a need to build cars from lighter but stronger steel, with better corrosion-resistance features or better paintability."

"We must be cost-competitive with other products. This calls for some fancy footwork on our part."

Stress

Iscor has been able to produce lighter, stronger and more attractive wheel rims for the motor industry.

So successful has Iscor been in developing these steel wheels that it now exports wheel rims.

Railway lines are another area of interest, although Mr Van Vuuren says there were problems.

"Our early rails lasted about three years, but increased axle loads, more traffic and longer trains required more durable track."

"The new rails - with a higher manganese content - have a lifespan of about 20 years, and sales have declined from about 250 000 tons in the early 1970's to less than 200 000."

The development of a product is usually a long-term exercise.
But some of the big financial institutions were perfectly happy to invest in Iscor. However, the price of the steel maker was crucial, because it was the indicator of the financial situation. The steel industry was key to the economy, and the price of steel was a signal to the market. The government had to ensure that the price was high enough to attract investment. The issue of the privatization was set to take place in the next few years, and the privatization effort could not come to a halt.
Samancor profits at record level

JOHANNESBURG: — Continuing strong demand and rising prices for Samancor's products in world markets, and the further weakening of the rand, boosted the company's performance to a new record level in the 15-month financial period ended June 30.

Turnover for the period was R2,1 bn, representing an annualised increase of 66,5% over the previous year. Net attributable income of R567,1m was 141,5% higher on the same basis.

This includes a significantly increased contribution from Samancor's associated companies, notably Tubatse Ferrochrome.

The directors declared a final dividend of 65c and an extraordinary final dividend of 50c, which with the ordinary and extraordinary interim dividends of 45c and 40c gave a total for the year of 200c (75c).

MD Hans Smith said all operations had worked at full capacity and produced good results in the review period.

"The challenge now facing management is to consolidate at this high level and to fortify Samancor against the inevitable downturn in its notoriously cyclical markets," said Smith.

"Capital expenditure in the 1989/90 financial year will therefore be substantially higher as we invest in improving our infrastructure, quality of products and ore exposure in order to strengthen our competitive advantage."

Smith said the prospects for the new financial year were promising.

"Demand for Samancor's products is likely to remain strong but will probably not be sustained at present levels. In fact, we have already experienced some softening in price and demand, mainly in the ferrochrome market, nevertheless group results are expected to improve further during the next financial year," he said. — Sapa

New import replacement

WILLARD Batteries have launched SA's first locally manufactured maintenance-free stand-by battery.

Previously all maintenance-free stand-by batteries were imported.

Extensively tested over 18 months, the LS 90 has proven itself to be capable of handling the most demanding applications.

It is targeted at the fast-growing and strategically important UPS (Uninterruptable Power Supply) market. It will be sold to intermediaries for inclusion in their end-user packages.
Business Report

Iscor share price decision

Own Correspondent
JOHANNESBURG — Iscor's share price, in what is likely to be the major public offer of the year, will be decided today and announced at a press conference here tomorrow.

The conference will also release details of Iscor's capital structure.

This was confirmed yesterday by a senior Administration and Privatisation department official.

Speaking on condition he was not named, he said the prediction that the shares would sell for R2 each was, at this stage "a guessimate".

The decision on price would be made by today, he said.

Speculation expects the shares to be issued at a discount to ensure success in the first new-generation public sale of state assets.

The state is expected to raise between R3bn and R4bn through the offer.

What is to be decided by tomorrow, in the light of intensive canvassing of institutional opinion, is whether the offer will be, underwritten and by whom. The state is expected to raise between R3bn and R4bn through the offer.

In issue already are 1.5bn shares. Of these, 10% or 150m are for employees. Another 20% to 30% are held the IDC and a proportion of this, still to be revealed, for Iscor management.

At the end of June, announcing details of the employee offer, Eugene van Rensburg, said the state would ensure the widest possible public participation in the offer.

It is expected that separate allocations will be made for institutions and for the public, a limit of 20% being placed on the holding of any single SA institution or allied cluster of institutions.

Yesterday further details of Iscor board changes were released by the state.

Five existing members of the board have resigned — Sarel du Plessis, Rod Irondale, Leon Knoil, Hendrik Schoeman and Philip Theron.

They have been replaced by leading private sector executives Warren Clelow (Barlows CEO), Derek Keys (Gencor executive chairman) and Meyer Kahn (SAB group MD) and Jan van den Berg of Finnabank, one of the state's merchant banks.

This leaves one board vacancy yesterday, Jasper Nieuwoudt, chief executive of Privatisation and Deregulation in the ministry of Administration and Privatisation, said details of the vacant appointment had still to be released.

Iscor has ruled out an enlargement of the 10-man board and chose new board members to beef up the state corporation's attractiveness to the private sector.

In announcing this, state merchant banker, Henkie van der Merwe of Finnabank, said the intention was to appoint sound managers with a good track record, rather than representatives of shareholders. The Iscor board would be independent.
Iscor priced for success

R2 lure for small investor

By AUDREY D'ANGELO
Financial Editor

THE price of R2 each at which Iscor shares will be offered to the general public and financial institutions is clearly designed to make the listing a success, as well as to encourage the small investor, Cape Town analysts and stockbrokers pointed out yesterday.

The offer comes at a time when there are other opportunities, including rights offers, competing for the cash available to invest. "If the price were higher it could turn out to be a disastrous listing," said Glenn Moore of Personal Trust.

He thinks the share a good, long-term investment which will be in the portfolios of most major institutions. "I don't think it will be a spectacular share to hold. It will probably be a very solid sort of counter."

He expects the share to trade at between R2.30 and R2.50 at the end of the first day it is listed on the Johannesburg Stock Exchange "provided the market is stable."

However, Moore warned that the steel industry was cyclical. "It is a good industry to be in, particularly as Iscor is an exporter, as long as the rand is weak and demand good."

"But demand can dry up in a recession and earnings at such times could be lower than forecast."

Anthony Gibson of Syfrets said "I think the share is fairly priced. I am sure that some people would have liked it to be higher. But the Government is clearly determined to make the listing a success, and at that level it is generous enough for the man in the street to go for it."

"The Government has probably been influenced by what happened in the UK, and wants to set a trend of a share-owning nation. And it has learned the lesson of the BP privatisation, which was not a success."

"It might be said that the Government is giving State assets away at that price - but then it is giving them back to the taxpayer."

Doug Anderson, who said that in-depth discussions were held with 15 key institutional investors on how they saw the investment climate over the next few months, and how they rated Iscor and the market in which it operated.

"The conclusion was that the price and price earnings, as well as the dividend and earnings yields will make the listing a success."

"This pricing will allow capital growth for the share and will pave the way for future successful privatisations."

Concor
Financial Editor

Strahal boosts Merger
John Hall — the boss who talks to the shop

By Robyn Chalmers

JOHN Hall, winner of this year’s Human Resources Man of the Year award, is the acknowledged power behind the Middelburg Steel success story.

Mr Hall received the award at a banquet in Johannesburg this week. Other contenders for the title were Eskom’s human resources general manager, George Lindeque and Anglo American manpower consultant, Anthony Quinn.

Mr Hall joined Middelburg Steel & Alloys as group marketing director in 1970. The year it was technically bankrupt. Appointed managing director in 1974, he directed the company’s metamorphosis.

Boom

Last year, the company had sales of about R760-million and profit after tax of R115-million. In the wake of the ferrochrome boom, MS&A is one of the world’s leaders in its field.

Effective communication is the cornerstone of Mr Hall’s success. Since 1976, there has been a major change in senior management thinking about communication at MS&A.

Mr Hall recognised early on that although his employees were well trained in their particular field, they were often under-equipped to deal with group interaction where major decisions were made.

He says “In the past decade I have become increasingly aware of the inadequacy of traditional thinking processes to objectively respond to the key issues of change.”

Reduction

As a result, he initiated training sessions at foreman level to handle issues confronting the board and him as managing director.

This came in handy in 1976 when MS&A had to decide whether or not to invest in a mill and meltpool. Although it was vital to the group’s future, the project was set to cost R300 million — unaffordable at that stage.

Mr Hall introduced a series of workshops for his employees, intended to get them to communicate and start them rethinking and challenging traditional methods and techniques.

For the first time the total workforce was involved in management in an exercise. The outcome was a 50% reduction in the capital cost of the project.

Mr Hall has carried on with the workshops. They have led to improvements in cost effectiveness and productivity.

In one such workshop, employees worked out a plan for savings in power costs, raw material procurement and labour use of R3-million in one year.

Pressure

Mr Hall’s foresight extends to more than human resources. In 1983, when the ferrochrome market slumped, he bucked the trend of widespread retrenchments.

He stood firm in spite of pressure from shareholders, and was proved right two years later when the market recovered and MS&A could move to full capacity almost immediately.

Mr Hall is also an executive director of Barlow Rand, chairman of both MS&A and Pretoria Portland Cement, and Barlow’s director of human resources.
Hulett Aluminium is to invest R70m

NEIL YORKE SMITH

HULETT Aluminium announced yesterday it is to spend R70m on land, plant and equipment over the next two years.

MD Des Winship said the investment was part of a long term strategy to improve output and quality. "This is the first step in a series of significant programmes based on improved technology, engineering and process controls."

Much of the capital will go into expanding and upgrading the company's main plant at Matatuburgh, where R31m will be spent on expansion and quality assurance in the rolling mills.

"Aluminium's high-strength and low-mass alloys will play a significant role in transport, mining and packaging applications in the years ahead," added Winship.

In the past financial year the company posted bottom line earnings of R29,2m on turnover of R557,7m.
Vansa makes R25m profit in full operating year

VANADIUM and chrome producer Vansa Vanadium has reported audited bottom-line profits of more than R230m for the year to September — out of which a 2.5-cent covered maiden dividend of 25c will be paid.

In its first full year of vanadium operations, Vansa showed a taxed profit of R25,2m, after appropriating R14,6m for capex. The comparable figures for the previous year were profits of R1,3m from chrome alone — after tax and a R1,8m capex appropriation.

The latest results are equivalent to earnings a share of 63c (12,5c previously). The contribution is attributable profits for the year came almost equally from vanadium operations (R12,2m) and from wholly owned Winterveld Chrome Mines (R13m).

At the trading level, Vansa's operating profit for 1988/89 was R40,5m compared with R3,1m in the previous year. The company paid interest of R28,8m, compared with interest earned of R21,6m the previous year, while tax took R3,5m (R19,8m).

A review of operations Vansa says although production was inhibited by post-commissioning difficulties, vanadium profits were satisfactory. The chrome profits were generated by higher sales volumes and prices to local and export customers.
US firm sells its SA assets

PITTSBURGH — USX Corporation said yesterday that it had sold all of its equity interests in South African companies.

The oil and steel concern withheld the identity of the buyers and the sale price.

Shareholders submitted a resolution earlier this year that USX sell its holdings in South Africa. They withdrew the resolution after management said that sale negotiations were under way.

USX held a 21 percent stake in Associated Manganese Mines of South Africa Ltd, a 45 percent stake in Feralloys Ltd and a 46 percent stake in Prisoka Copper Mines Ltd.

The companies produce iron ore, manganese ore, chrome ore, zinc concentrates and ferroalloys — Sapa-AF.
Highveld cuts vanadium production

DRIFTING spot prices on the international vanadium market have forced Highveld Steel — the world’s largest vanadium producer — to cut production at its Vanitra works by two-thirds. At the same time, it has had to accept its second consecutive quarterly price cut as free-market quotes continue to slip from their extraordinary second-quarter highs.

The company recently announced its fourth quarter pentoxide price of $3/lb — 21% down on the third-quarter fix of $6.30 and easier by a third than the $7.50 quoted in the second quarter.

A company spokesman said last week that Highveld had cut production as international demand had slackened. No timetable for a return to capacity production had been set.

Highveld is the world’s major vanadium producer and effectively sets international contract prices. The spokesman said production had been cut as prices needed to be stabilised at a relatively good level.

Prices were recently boosted to all-time highs as demand outstripped supply in the rapid expansion of the world steel market.
Future for Wedge remains uncertain

WEDGE Holdings' shareholders are not a happy group these days as the share price continues to retreat in response to poor results and an uncertain future.

The share price fell sharply last week to a low of 26c as shareholders appeared to be throwing in the towel. This is in sharp contrast to the 270c high reached shortly after its JSE debut in August 1987 (see graph).

Wedge has traditionally carried on business as a steel merchant, while also being involved with certain secondary steel products. The group's track record was very impressive until last year as earnings a share jumped from 6.5c in 1983 to 25.3c during 1987.

In his review accompanying the 1987 annual report, chairman Peter Thomas told shareholders: 'Wedge is a tightly managed group operating in a giant industry.

Problems

'With close attention to overheads, Wedge is anticipating a further substantial increase in taxed profits. On this expectation, shareholders should also look forward to an increase in dividends.'

Wedge appeared headed for a satisfactory 1988 as the interim figures were released showing a 14.7% rise in turnover. Earnings advanced to 6.6c from 5.9c for the corresponding period of the previous year, in spite of a significantly larger number of shares in issue. At that stage, management did not indicate to shareholders any major problems were on the horizon.

Consequently, there was sufficient buying interest in Wedge shares at 80c to support them at this level.

Thus support area continued to hold until April this year, which corresponds to profit before interest being altered from the original figures given in April. The original figures showed operating profit before interest declined from R3,033m from R5,903m. But in an amended report which appeared in June, this figure for financial 1988 was adjusted downward to R1,441m.

The directors explain they have decided to write off, in the 1988 results, any debt that may be doubtful and for which there was no specific provision. In addition, taking into account the equity accounted earnings of UME, the full effect on operating profit before interest is an increased loss of R1,6m. This explains why the R1,441m, which appears in the latest annual report, differs from the R3,033m originally reported.

MD Reg Wepener recently resigned, which could have been a major factor behind the directors' decision to sell its SA steel trading activities to Macsteel. The sale will be determined once an audit of Wedge's assets and liabilities at April 30 1989 has been completed.

Thomas says if there is no dispute over price, the sale could be settled within the next few weeks. But
MS & A beats its own wildest profit prediction

REINIE BOOYSSEN

BARLOWS' wholly-owned subsidiary Middeburg Steel & Alloys (MS & A) beat its own wildest expectations for the year to September in lifting taxed profit by more than R100m to R251.7m (R114.9m)

Pre-tax profit grew from R153m to R320m, but a rise in the tax rate (15% to 33%) prevented bigger growth in taxed profit.

MD John Gomersall said yesterday that management had budgeted for taxed profit of R181m. "But these things do not come often. So we should be thankful if this good year has put us in a strong position in terms of cash-flow and gearing."

Record demand and prices for ferrochrome and stainless steel, and the continued slide of the rand, caused the rise.

Although MS & A's facilities were worked to the hilt, officials said there was no appreciable rise in physical production.

Gomersall warned the "bull-run" on MS & A's products was over, and that there had been a marked softening in market conditions since June. Production facilities for ferrochrome were set to increase capacity by about 30% over the next three years.

Gomersall said MS & A planned to use the full in the market to consolidate its position by looking at efficiencies. Officials said essential maintenance, which had been postponed to take advantage of the peak of the market, was now being done at some facilities.

There was also a ferrochrome expansion under development, at a cost of R30m, which was expected to achieve cost reductions. The facilities, which will lift capacity from 310 000 tons a year to 430 000 tons, were expected to come on stream next year.

MS & A's contribution to the Barlow Rand group attributable profit rose from 15.5% last year to 21.6% this year.

MS & A's performance this year could be the pinnacle of a steady six-year growth in profitability, from a R19.9m loss in 1983. Gomersall said it would be "difficult, if not impossible, to repeat the performance of the past year this year."
Furntech to sell WTI, become cash shell

Furntech is to become a cash shell after poor operating results for the interim period to June 30. It is to dispose of its sole operating subsidiary Western Transvaal Industries (WTI) to Macsteel Commercial Holdings for a price that will only be known after audited figures for December 31 are released.

The purchase price will be the audited tangible net asset value of WTI at December 31.

It will include an amount attributable to the increased value of plant and equipment at that date and is payable in cash.

In the interim period for the six months to end-June, Furntech reported a loss of 9.7c a share (+6.3c). Turnover increased 13.1% to R41.1m as an operating profit of R2.1m was turned into a loss of R2.3m.

The interim results include an extraordinary item of R10.6m that saw last year’s interim profit of R1.8m turned into a loss of R2.3m.

On the Furntech balance sheet, shareholders’ equity fell from R18.3m at end-December to R11.5m at end-June. The ratio of interest-bearing debt increased from 23% at last interim to 86%. The net asset value was 39.3c at the latest interim, against 49.9c a year ago, and 52.2c on December 31.

Meanwhile, PW Corporate Services last night announced “agreement had been reached with Macsteel for the disposal by Furntech of the entire share capital and all shareholders’ claims in Western Transvaal Industries (WTI).”

WTI is named as Furntech’s “sole operating subsidiary” and “accordingly, the disposal of WTI will result in Furntech becoming a cash shell.”
Robor expects to hold its own against inflation

SYLVIA DU FLESSH

DIRECTORS of engineering-listed Robor Industrial Holdings are expecting 1999 profit growth in line with inflation, outgoing chairman Brian Connellan says.

In the Barlow Rand subsidiary’s latest annual review, he says the impact of a clearly declining economy will be felt in the group’s businesses, particularly in the consumer durable and gross domestic fixed investment areas.

In addition, the world steel “boom” appears to be fading off rapidly.

The impact of a privatised Iscor, the major player in the domestic steel markets, and its future strategies relative both to local and export opportunities, will clearly have a bearing, he says.

Equally, the newly announced export incentives can bring significant improvements to earnings if we can rapidly and effectively increase the value added content of our exports.

A changing political dispensation and its impact on currencies and sanctions will also influence growth, he adds.

Results for the year to September reflected a 41% rise in earnings to R149.4c (R12.6c) a share and a total dividend of 62c (45c), covered 2.4 times.

These figures — well ahead of market expectations of a lukewarm performance — were realised on turnover which improved 27% to R363.6m (R601.1m).

Connellan says market conditions prevailing during this period were better than expected in domestic and export areas.

The split early in the year of the group’s Robor business into four operations specialising in steel merchanting, steel processing, metals merchanting and tubing distribution, has already proved successful and places the group in a better position to address under-performing aspects, he says.

“Rationalisation opportunities to enhance asset productivity further and reduce operating costs will be pursued in the ongoing year”
Samancor moves up

SAMANCOR should have ranked higher than published in the
turnover and profit tables in last week's Top Companies
Survey of the 50 largest companies.

Samancor's 1988 numbers were used mistakenly in placing
it 37th by turnover and 32nd by profit.

Samancor's turnover in the 13 months to September 1989
was R2.12-billion. That annualises to R1.70-billion and
puts Samancor in 37th spot after Imperial Cold Storage and
above Woolworths.

Taxed profit for the 13 months was R557-million, which
annualises to R455-million. That places Samancor in 14th
position after Sasol and above Driefontein Consolidated.
JOHNNY Loots is one of several worried Silver Corp shareholders who will defer their holidays to attend the company’s inconveniently timed annual meeting.

Unlisted Silver Corp will hold its meeting in the middle of the silly season — on December 15.

Mr Loots is one of hundreds of small investors who poured altogether R15 million into Silver Corp and are now wondering if they will get even small change back.

**Extravagant**

Silver Corp has sold its shares to the public with extravagant promises for three years. By December last year, its accumulated losses were R5.7 million and shareholders’ funds were down to R2.3 million.

The company last sold shares at 45c. There are 96.3 million shares in issue, so it valued itself then at R44.3 million.

Mr Loots says “Silver Corp’s latest investment opportunity — a silver-baked debacle, which the company calls SilFin — investors are invited to give the company more money.”

This time the funds will be put in a trust account. Silver worth 44% of the value of the investment will be bought. 20% will go into a mutual fund, costs will add 10% and 36% will go towards equity in Silver Corp at 25c a share, compared with 45c the last time it sold shares (before the October 1987 crash).

**Image**

Mr Naude and Mr Nel say the instrument will be tradable, rich will be manifest by the silver backing and the mutual fund element and a board of trustees will eliminate any credibility gap.

But it is hard for an outsider who is not a silver enthusiast to see merit in the instrument. He gets no return indeed 10% goes immediately in costs.

The report’s description of the company’s latest investment opportunity — a silver-baked debacle, which the company calls SilFin — investors are invited to give the company more money.

This time the funds will be put in a trust account. Silver worth 44% of the value of the investment will be bought. 20% will go into a mutual fund, costs will add 10% and 36% will go towards equity in Silver Corp at 25c a share, compared with 45c the last time it sold shares (before the October 1987 crash).

**Expiration and Reunert**

Safico Investments should have ranked 46th in last week’s Top Computer survey with an average annual return to shareholder of 37.1%.

The computer funds forgot to adjust for a one-for-one share split in 1987 and a 50-for-100 capitalization issue in August 1988 and a 25.1% a year and would have ranked 9th — ahead of AECL.

The capital reduction impeded in the TSI deal threw out the original calculation.
HIGHVELD Steel and Vanadium Corp Ltd (HGVJ) said it set a vanadium pentoxide price of $2.50/lb for the first quarter of 1990, compared with the current fourth-quarter price of $5/lb.

Highveld, which supplies about 60% of the West's vanadium, said the price cut reflected slackening demand.

Highveld also supplies certain socialist countries, so its quarterly price setting announcements determine contract prices.

The company announced last October that it cut production at its Vantra plant by two thirds because of the fall in demand, which has caused a steady slide in prices since Highveld's 1989 second-quarter contract price of $7.50/lb. — Reuters
Vanadium price cut

HIGHVELD Steel and Vanadium Corp Ltd (HGVJ) said it set a vanadium pentoxide price of $2.50/lb for the first quarter of 1990, compared with the current fourth-quarter price of $5/lb.

Highveld, which supplies about 60% of the West's vanadium, said the price cut reflected slackening demand.

Highveld also supplies certain socialist countries, so its quarterly price setting announcements determine contract prices.

The company announced last October that it cut production at its Vantra plant by two thirds because of the fall in demand, which has caused a steady slide in prices since Highveld's 1989 second quarter contract price of $7.50/lb. — Reuters
BASIC METALS

EXPORTS

1989
Usco may begin steel exporting

Bruce Anderson

The export of steel products has become a feasible proposition following the improvement in world steel prices and the weakening of the rand/dollar exchange rate, says Union Steel Corporation (Usco) chairman Floren Kotzee.

Describing Usco's prospects for 1989 in his chairman's review, Kotzee says the corporation has excess melting capacity available and it is envisaged this capacity will be used to manufacture products for the export market.

However, he warns: "It is generally expected local economic conditions will deteriorate and, under these circumstances, it is expected the corporation's profitability will be under pressure."

Dividends

Usco manufactures and sells special steels, mild steel, stainless steel wire, forgings, copper wire and cable as well as aluminium conductor and cable.

The group also has investments in various steel merchants, suppliers of copper and aluminium rod, and in manufacturers of copper wire and associated products.

The tripling of Usco's share price last year reflects the corporation's dramatic rise in profits - largely due to an improved performance from its steel division. Dividend payments were also resumed after an absence of four years.

Results to September show pre-tax profit well up after an almost 50% increase in operating profit (from R20m to R30m)
Making a mark in steel

HELOISE HENNING

BARLOW Rand consultant Paul Hatty did not have even a day’s experience in the stainless steel industry when he was seconded to the Board of Trade and Industry (BTI) at the end of last year to develop a plan for expansion in the sector. But he had distinguished himself as an industrial planner in a career marked by an ability to rationalise and organise.

He was a Barlow Manufacturing director. He designed the Kelvinator fridge which put the company on the map. Later he was responsible for rationalising the electrical companies in the group under a holding company — the forerunner of Reunert.

Hatty was in charge of both C.J. du Plessis and GEC when they were taken over, adapting them to the Barlows management style.

In a stint with the BTI, he investigated the country’s industrial infrastructure.

Deposits

His research formed part of the long-awaited government report on industrial development. It is widely believed the report included specific recommendations that could not be published, hence the delay.

Through this investigation, Hatty became knowledgeable on technical skills and beneficiation.

This is the crux of the latest task he has the world’s largest chromium deposits and, while these are not richest, local industry has been able to develop stainless steel to specifications the world accepts.

The only stainless steel producer, Barlow Rand-controlled Middelburg Steel, exports about 50% of its flat products. But SA needs to sell more value-added manufactured goods.

Of the 200 local manufacturers in the industry, only 10 export their finished products, giving credence to industrial planners’ accusation that there is a lack of drive among manufacturers when it comes to exports.

Hatty believes manufactured exports can increase if a system of incentives and disincentives is introduced.

“We have got to find a new breed of guy who wants to get out and work seven days a week in the export market. Unfortunately there are fellows who make enough, and prefer to play golf two afternoons a week.”

South Africans do not lack ingenuity, says Hatty. They have designed stainless steel products that sell well overseas. Manufacturers complain of a lack of capital for expansion, but there are plenty of potential investors seeking a productive, wealth-creating cause. What is lacking is the drive to launch products for export and keep them in the market.

Sanctions are no excuse. Manufactured goods at competitive prices, especially parts, will always find a market.

Variables

Hatty says the country’s export marketing has always followed the agricultural model — only surpluses have been exported. An industry like stainless steel, should be investing in factories to supply exports only.

Hatty hopes to develop a mathematical model containing all the variables from input costs, tax, production volumes and incentives he is working closely with the Stainless Steel Development Association.

He has given himself a year from February in which to deliver the stainless pipeline study.

Other projects he is involved in include Barlow Rand’s drive to privatise the company’s structure, having off owner-operated small industries. He is also evaluating the skills of the group’s staff.
R4-bn set aside to boost steel and ferroalloy production

By Derek Tommey

South Africa is expected to spend R4 billion in the next three years on expanding steel and ferroalloy production, and if some of the proposed steel projects come to light, this figure could reach R5 billion.

This estimate was given by Mr. Leslie Boyd, chairman of South Africa's second biggest steel producer, Highveld Steel and Vanadium, at the 1989 Capital Expenditure Prospects conference.

He said that because of the threat of sanctions, steel makers were not planning to increase production. But production of ferroalloys, which were mainly unaffected by sanctions, would rise substantially.

Reviewing the prospects for the steel industry, Mr. Boyd said that world production last year reached a record 780 million tons with South Africa producing just under 9 million tons equal to 1.15 percent of the world total.

The South African steel industry is one of the lowest-cost major producers in the world, with more accessible and easily mined raw materials than most other producers.

Other countries' export prices were not available but in terms of domestic steel prices, steel consumers in South Africa have the lowest-priced products.

Mr. Boyd said that South Africa exports about 34 percent of its steel production. This is a comparatively high dependence on exports by world standards. At its peak Japan was exporting 55 percent of its production, but this is now down to the 30 percent level.

However, since 1986 South Africa had lost its entire markets in North America and Europe, which, apart from being major volume markets, are also traditionally the highest price markets.

Stainless steel was another area where production could be increased as South Africa is the largest source of chrome alloys in the world.

Altogether the steel industry was expected to spend some R3 billion in the next three years, but it would be mainly on modernisation and not on increasing production.

The opportunities for expanding the ferroalloy industry are much greater than for the steel industry, as sanctions do not have a significant impact on ferroalloys.

South Africa at present is producing just over a million tons a year of chrome alloys, equal to about 4.35 percent of world production.

Production in South Africa in the next two years is expected to rise 40 percent.

Production of manganese alloy will also increase South Africa's accounts for 16.5 percent of world output but output this is misleading at South Africa is one of the four major producers of manganese ore and much of the manganese alloy production in other areas originates from South African ore, he said.

At present the three major local producers are planning to increase production by more than 20 percent in the next two years.

An increase in the production of vanadium pentoxide is also planned. South Africa produces 61 million pounds a year equal to 65 percent of world production outside of Russia and China.

South Africa is the major producer in vanadium and, because of the accessibility of high-grade vanadium bearing deposits, is likely to remain so.

South African producers are planning a 25 percent increase in the next three and Usco is planning to start vanadium production with a 15 million pound a year plant.
Strong export growth boosts Amic

By Ann Crotty

Amic managed to sustain the sterling performance reported at the half-way stage and for the full year to end-December reported earnings at the top end of the market's expectations.

The strength of the local economy and the excellent performance from the group's export activities enabled management to turn in a 47 percent surge in attributable earnings to R517 million. Earnings per share were up 43 percent to 96c (67c) and total dividend for the year was increased by 29 percent to 29c (22c) a share.

The increase in dividend was on the low side of expectations. Dividend cover has been increased from 2.9 to 3.3 times.

In his chairman's review Mr Graham Boustred stated that the results were largely a reflection of the strengthening of the economy throughout the year and the continuing resilience of the world economies which stimulated strong export growth both in volume and value.

But he cautioned that domestic demand is likely to be subdued by the measures being taken to restrain the economy. In addition, "Although world economies remain strong there are indications that some commodity prices may have peaked and further growth in these markets will be dependent on higher volumes and the performance of the rand in foreign exchange markets."

The star performers during 1986 were again Highveld Steel, Mondi and Boart. This was in line with expectations and in each case reflects the strong contribution made by exports.

At Highveld Steel, turnover exceeded R1 billion. Attributable earnings more than doubled to R121 million, equivalent to 17c (8c) a share.

Higher pulp and paper production and higher export prices enabled Mondi to increase attributable profit by 56 percent to R162 million (R104 million).

At Boart, attributable earnings were up 54 percent to R57 million (R38 million). Attributable earnings at Scaw Metals rose to R62 million (R56 million) AEEL's earnings were up 20 percent to R255 million.

Tongaat, Dorbyl, Samcor, McCarthy and the Ventron group all made sterling contributions to Amic's results.

At year-end the group's gearing was down to 25 percent from 47 percent.

On a general note Mr Boustred referred to the large increases in government expenditure and the associated rise in the tax burden, which continue to detract from the country's growth potential.

He stressed the need to ensure that proceeds from the privatization of Iscor should be used for capital expenditure and not to finance current spending.
Highveld vanadium prices set to increase

ROBERT GENTLE

LONDON — SA vanadium exporter Highveld Steel and Vanadium is likely to break from its traditional fixed-price policy and substantially increase second quarter prices, says the UK publication Metal Bulletin (MB).

It would effectively be charging its customers $8 a pound by imposing a $3 surcharge.

Highveld is reportedly keeping tight-lipped about the plans, despite persistent rumours in the market.

MB says the surcharge is seen in the market as an attempt by Highveld to give itself greater flexibility in the wake of the rapid run-up in prices in recent months.

Highveld’s current posting of around $4.50 per pound has been lagging for some time behind free market quotes, which are in the $10 per pound range, depending on demand from sources, like Japan and Russia.

“At present prices are trying to find a level, and an announcement by Highveld should help sort things out,” says MB.
Suppliers’ order books full until 1990s

Austrians on lookout for scarce SA metals

HELOISE HENNING

AUSTRIA wants to increase its imports of SA ferro-alloys and steel, but the suppliers’ order books are full until the 1990s.

Austrian trade with SA showed a turnaround from 1986 and 1987 when its imports from SA increased by 35.3% to R207.3m in 1988. Its exports to SA rose by 43.9% to R218.8m, according to figures released by the Austrian trade delegation in Johannesburg.

This makes SA, after Egypt and Algeria, Austria’s third largest trading partner in Africa, although trade with SA is only 0.3% of Austria’s total.

The Austrian trade representative in SA, Heinz Rampitsch, told Business Day the country was keen to improve bilateral trade relations because SA’s export prices were “unbeatable”.

Austria would like to import more of SA’s ferro-alloys, commercial steel, stainless steel and ferrochrome. It would in turn export these to several Eastern Bloc countries, or would add value in manufacturing. But the order books of SA ferro-alloy and steel producers were filled until the 1990s, Rampitsch said.

Such imports would not be prevented by Austria’s policy on sanctions. Its banned list includes Kruger-rands, some steel products and cultural and sporting relations with SA. Austria also prohibits trade in arms, technology and electronics with the SA Defence Force, SA Police or nuclear facilities.

There are 25 wholly-owned Austrian companies in SA, the largest of which is the engineering giant Voest-Alpine A further 200 to 300 Austrian companies are involved in imports and exports.

The largest exports to SA involve technology and capital projects, such as the Corex plant at Iscor’s Pretoria works, as well as machinery, paper, metal goods, chemicals and synthetic fibre. SA’s exports to Austria are mainly minerals, fruit, chemical products and non-ferrous metals.

The improvement in trade represented a reversal of the negative trends in 1986 and 1987. After the mild sanctions packets introduced by Austria in 1985 and 1986, trade with SA declined.
Stainless steel alloy surcharge to go up

THE alloy surcharge on stainless steel for the second quarter of this year is to go up by between 20c and 40c a kilogramme, depending on the type of steel.

This was announced by Middelburg Steel and Alloys (MS and A) commercial manager, marketing, Derek Engelbrecht.

"The increases are mainly due to a fall in the value of the rand against the US dollar, and the fact that, in dollar terms, nickel was trading marginally higher at the end of March than in December 1989," said Engelbrecht.

MS and A's only supplier of stainless steel flat products, buys its nickel quota quarterly in advance and adjusts the surcharge accordingly.

In the first quarter of 1989, the nickel price rose from around $7 per pound to $9.60, before dropping to just over $7 in April.

"Surcharge increases have also been announced recently by producers in Europe and the US, where the alloy surcharge levels more than doubled on April 1."

"We understand the implications that the increasing price of stainless steel has on the market, and MS and A are making every effort to stabilise the surcharge. This was evidenced when we reduced the surcharge after a softening of the dollar price of nickel during the last quarter of 1988."

Engelbrecht said it was unlikely the nickel price would revert to 1987 levels. Some incorporation of the surcharge into the base price was expected.

Supply

"The nickel price has seen extreme volatility over the last year, and stainless steel producers are hostage to the wild price fluctuations," he said.

The sustained world demand for stainless steel has meant a continued demand for nickel. However, as there has been no increase in nickel production, demand still exceeds supply.

The nickel content of stainless steel accounts for 48% of the total cost of the metal. — Sapa
Vandium producers shun refining

Finance
Iscor posts record iron ore exports

Business Staff
EXPORTS of iron ore from the Sishen mine through Saldanha Bay are running at record levels.

Sales of ore reached 1,1-million tons in February, an increase of 57 percent on budget, says Iscor's house newspaper, Iscor News.

Industry officials add that not only have sales tonnages risen sharply, but so has the overseas ore price.

STEEL BOOM

The Sishen mine is going full out to meet export and domestic requirements.

But it is not only iron ore that Iscor is exporting in large quantities. Steel is also going overseas, although Iscor is keeping details of these exports close to the chest.

Iscor, along with Highveld, Samancor and other suppliers of raw materials used in the manufacture of steel, is benefiting from the overseas steel boom.

Iscor, which is to be privatised later this year, should have some good news for prospective shareholders when it produces its 1988-89 figures in July or August. Investors will have to wait for the profit statement to gain some indication of the value of Iscor sales.

However, owing to political considerations Iscor is unlikely to disclose its export markets. Both the US and the European Community have imposed restrictions on steel imports from South Africa.

But Iscor and other producers have learned that the closure of one market usually leads to the opening of another.

Iscor and other producers are being helped by the limited expansion plans of most steel producers.
Increase

2023

2024

2025

2026

2027

2028

Robot reveals in first-half shareholder confidence

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Note: The confidence levels are estimated based on historical data and market trends.
Higher rates cut back on Robor’s earnings

By Magnus Heystek, Finance Editor

A slight drop in operating margins, coupled with a sharp increase in interest costs, held back the interim performance of Robor Industrial Holdings (RIH) to an increase of 22 percent in earnings per share.

RIH is a major manufacturer, processor, supplier and distributor of a wide range of steel products, steel tube and pipes, stainless steel and aluminium.

Reporting for the six months to end March, RIH, a Barlow Rand subsidiary, recorded a turnover growth of 29 percent to R244.98 million.

Operating profit rose by 20 percent to R24.58 million (R20.5 million).

RIH attributes the drop in operating margins from 7.7 percent to 7.1 percent to competitive conditions in the local market and a shift towards exports.

The increase in exports, which rose from 25 percent to 33 percent of total turnover, however, had the effect of reducing the overall tax rate by two percent.

Taxed earnings rose by 23 percent to R19.423 million, which had the effect of increasing earnings per share, on a slightly increased weighted number of shares in issue, by 22 percent to 60.3c per share.

The interim dividend has been increased by 19 percent to 19c per share.

Commenting on the performance, RIH’s chief executive Mike Gahagan said yesterday the rate of growth in domestic demand had held up remarkably well, but that RIH was unable to take full advantage of a buoyant export market as a result of shortages of supplies of certain material.

He added that RIH had become more important as a rand hedge stock as exports have grown from 25 to 33 percent of the group’s turnover over the past six months.

The disposal of two under-performing operations had led to a slightly lower increase in turnover, compared with the previous reporting period, he said.

Working capital levels have been contained, but the sharp rise in interest rates over the period caused interest costs to increase by 38 percent.

Mr Gahagan said he expected market conditions to deteriorate somewhat as a result of actions taken by the Government to cool down the economy.

He expected export demand to remain strong, but said that material shortages and pressures on margins would tend to reduce export profitability.

RIH was nevertheless committed to optimising its export potential.

He nevertheless expected earnings for the second half to exceed those of the same period of 1988.
Robor slows, but the worst is over

THE growth in attributable earnings of Barlow Rand's Robor Industrial Holdings (RIH) slowed in the first half of the current year, but new managing director Mike Gahagan is far from downhearted.

RIH's earnings growth slipped to 23% from the previous year's 41% jump but in the six months to March 31 the group has gone through a restructuring, it has faced heavier pressure on margins from tougher competition and greater exposure to export markets and it has been squeezed by supplier shortages and higher interest rates.

Slipped

"We have weathered a storm," says Mr Gahagan. "Changes involved in a restructuring always mean uncertainty, but we are excited about how quickly we have dealt with the problems."

"The new structures are in place, day-to-day control has been established, teamwork has developed and we are expanding market share in key areas." Mr Gahagan is confident second-half results will be better than last year's.

Inventors seem to agree — the share slipped slightly to 83c from its 89c high immediately before the results, but it is well above the 45c of a year ago.

The share's strong performance in the past six months probably reflects overdue recognition of its value.

The group's interest payments in the past six months increased by 38% from nearly R1,4-million to R1,9-million, mainly because of higher rates. But gearing is still low, says Mr Gahagan.

The export drive, which has pushed foreign sales from 35% of turnover to 43%, resulted in incentive benefits which reduced tax charges by 2% on higher pre-tax profits.

Capex

On the bottom line attributable income increased from R15,8-million to R19,4-million and earnings per share increased from 49,5c to 60,3c. The interim dividend was lifted from 16c to 19c.

RIH has provision for heavy capital expenditure of R21-million, but Mr Gahagan says all of it is intended to improve productivity and maintain the group's competitive position.

Mr Gahagan says the group has found particularly severe competition in the stainless-steel market where price cutting has been prevalent. "But we have kept our market share, although margins have been cut."

A general downturn in the economy is bound to affect the group, but Mr Gahagan says that because so much of turnover is tied to national gross domestic fixed investment it is less likely to be hit immediately.

Many of the large-scale projects will run for some time and any change will take six months or more to filter through to RIH results.
Iron-ore shortage revives Sishen

A SHARP decline in international supplies of iron ore has given Iscor's trouble-stricken Sishen mine a fillip which is likely to last for at least two years.

Production and strike problems experienced by major suppliers Australia, Brazil and India have left steel producers short of ore and they have been forced to order additional tonnages from Sishen.

As a result, the mine and rail link to the Saldanha port, both of which have been a headache for Iscor in the past, are now profitable and contributing to earnings.

Record

World steel production this year is expected to top the record 763-million tons in 1986.

Ben Alberts, general manager, mining, at Iscor says Sishen had been producing 18-million tons a year. But last October it raised production to 31-million tons a year.

A total of 18-million tons could be exported.

Last year's exports of about 8-million tons have since October risen to about 11-million tons annualised.

In the past six months, tonnages shipped on the Sishen-Saldanha line have increased to between 15-million tons and 18-million tons.

As a result, the line is "making money and we hope to repay, within three years, the R814-million the Government paid to take over the line in October 1984."

"We are also getting a percentage of this and it is contributing to profits."

In the past two years, Iscor has not disclosed Sishen production figures.

Because of world shortages, the prices of lump ore have risen by 17% and fine ore by 13% to R40 a ton and R30 respectively.

Mr Alberts says the Mount Newman mine in Australia has been hit by strikes and production problems.

Planning has been affected and waste stripping at the open cast mine has fallen behind. This has affected production and will take up to two years to rectify.

Mount Newman as a major producer, especially of lump ore and makes up a large part of Australia's 24.4% share of the export market.

Exports of ore through Brazil's Ponto Maderia port have been affected by an accident relating to the stacker-reclaimer.

Brazil is the largest exporter of iron ore and has a 26.2% share of the market.

Protest

India, the fourth-largest producer with 17.6%, has been hit by strikes. In addition an African government has decreed that exporters pay part of their earnings to the state. Some shipments have been stopped in protest.

Because of the weak rand, Iscor's iron-ore exports are competitive internationally, even though SA is further away from its main markets than other suppliers.

Japan is the largest importer of iron ore for its steel mills. Last year it imported 123.4-million tons, of which Australia supplied 64.4-million tons, Brazil 37.8-million, India 21.7-million, Chile 4.92-million and SA 4.9-million.

SA is the ninth-largest exporter of iron ore.
Taiwan venture for Samancor, Hiveld?

SAMANCOR and Highveld Steel & Vanadium are negotiating with Chun Yuan Steel — a Taiwanese concern — on a possible joint stainless steel venture, says London-based Metal Bulletin.

The report says the parties are investigating the feasibility of a novel split production agreement whereby the initial stages of stainless steel production will be undertaken in SA, and the final finishing stages will take place in Taiwan.

The initial stages would entail the construction, in SA, of a melting shop and hot rolling mills, while a more capital intensive cold rolling mill would be built in Taiwan for the final finishing stages.

Chun Yuan — which holds a 23.5% stake in Taiwan’s proposed new stainless steel company, Usec (United Stainless Steel Company) — represented Usec’s three other shareholders (the chairman of Hsin Kung Electric Wire and Cable, Wang Yu-Yun, Walsin Lihwa Electric Wire and Cable, and the China Development Corporation) in the discussions.

Metal Bulletin’s sources say the melting shop, to be located in SA, is planned for 300 000 t a year capacity, with future expansion possibly doubling the output.

Some of the hot stainless band would be exported to Taiwan to provide feed for a 250 000 t/year cold rolling mill. But final capacities, and the production share each side might take, have yet to be decided.

“Before (split production) was just an idea. Now that it has been accepted both parties want some time to study it in detail,” said Metal Bulletin’s source. The report adds “Both sides will take about six months to complete their studies before returning to Taipei around September to compare findings.”
Bamboo Curtain pierced

SA steel fabricator Steinmuller-Lavis has broken through the Bamboo Curtain

The company has won a R7-million contract to supply nearly 2,000 tons of fabricated structural steel for a power station in China.

Competitors included five Australian bidders and companies from the UK, Singapore, the Republic of China and SA.

"China has declared us welcome suppliers," says Steinmuller-Lavis managing director Jurgen Schneider.

"We did not have to resort to any secretive transport or country of origin arrangements to win the order."

"The material is being shipped fob Durban, clearly marked with South Africa as country of origin."

In spite of the low value of the rand, Steinmuller-Lavis was not the lowest tenderer.

"Australia came in well below our price, but strikes and unreliability of supply ruled them out," says Mr Schneider.

"Quality, price and good delivery schedule all played a part in our success."

The first shipment is on the way to China.

The steel will be used in the construction of the Yee Yang power station, about 200 kilometres up the Yangtze River from Shanghai. Two units at the power station will each generate 300MW.

Delivery is due to be completed by the end of the year.

Standard 43A steel and 3CR12 stainless have been used for the fabricated sections for the main building and a dry coal store. The sections have been machined and painted.

"They only need to be bolted and welded together," says Mr Schneider.
**Macsteel, UME in R32,5-million deal**

**Business Staff**

INTERNATIONAL steel trader Macsteel is to take control of Cape-based steel merchant UME for R32,5-million.

Unlisted Macsteel has already begun the process to acquire the trading operations of another steel merchant, DCM-listed Wedge Steel for an amount rumoured to be in the vicinity of R12,5-million.

The deal will make Macsteel, already a giant on export markets, the largest independent steel merchant in the country.

Macsteel maintains a low profile. But its turnover runs into billions of rand a year as the company handles most of Iscor’s exports.

Last night the controlling shareholder of UME, which claims to be the largest steel merchant in the Western Cape, has accepted Macsteel’s offer of 150c a share.

A similar offer is to be made to minority shareholders. The company will be delisted.

UME is currently controlled by Mrs Smaller Wunnikow, the present chairman and managing director, who intends emigrating to Australia to be with her children.

Mrs Wunnikow has 56 percent of the issued share capital with Wedge owning another 20 percent. According to Mr Peter Thomas, chairman of Wedge, it will accept Macsteel’s offer.

UME, listed in the engineering sector of the Johannesburg Stock Exchange, has recorded compound earnings growth of 34 percent over the last four years.

In the 1988 financial year attributable earnings rose from R2,8-million to R3,7-million with the outlook for the current year very favourable, according to the 1988 annual report.

The purchase price of 150c a share puts the deal on a price earnings ratio of less than 6, based on historic earnings of 25,3c a share in 1988.

Asked whether the offer is not on the low side, a spokesman for UME said it might turn out to be a favourable price considering the higher tax rate the company is expected to pay in the current year.

Also, the equity-accounted earnings of more than R1-million that UME earned on its investment in Wedge Steel, will fall away as Wedge has recently reported a sharp turn-about in profitability.
Steel group Robor bucks sanctions

BARLOW Rand's steel arm, Robor Industrial Holdings (RIH), had significantly increased export earnings for the year in spite of sanctions, MD Mike Gahagan said last week.

"The rand's weakness against other major currencies and the development of specific market niches against international competitors has helped the group to achieve greater export volumes which now account for 33% of group turnover of R345m," he said.

Gahagan points to the dramatic growth since 1994 when exports accounted for only 8% "US sanctions compelled the group to become more aggressive about finding and exploiting additional new markets," he said.

RIH's star export performer, Brollo Africa, had increased its exports from a high base by 46% in real terms since 1994, said Gahagan.
Middelburg
announces
restructuring

Finance Staff
Middelburg Steel and Alloys, one of Barlow Rand's major profit contributors, has announced some senior management promotions to structure the company for the next phase of growth.

Paddy Probert has been appointed general manager of the alloys division and Keith Layt, general manager of the steel division. Both have also been appointed directors of Middelburg.

They take over the day-to-day running of their divisions, while John Gomersall remains group managing director and John Hall, executive chairman.

In addition, Tony Bagnall has been promoted to group technical and research and development director and Brian Wegerle to group manpower director.

Middelburg then recovered strongly to move from a break-even situation to a profit last year of R110 million.

It exports 15 percent of the world's ferrochrome from its plants in Krugersdorp and Middelburg. Middelburg last year announced two ferrochrome expansion projects for its two plants totalling R250 million.

This is expected to lift its present production of ferrochrome from 310,000 tons a year to over 480,000 tons. Middelburg is also planning the next phase of its steel expansion plans.
Tight manganese market
a boost for SA producers

SA MANGANESE producers are still reaping a windfall from a tight market.

And, unlike with chrome, there is little prospect as yet of a significant increase in production to ease the situation, say producers.

Samancor — SA’s largest producer of manganese ore and alloys — recently negotiated a 65% rise in the price of manganese ore, for the year from April 1, 1988 to March 31, 1989, with its Japanese customers.

The price rise was from $3.25 per percentage of manganese per ton of ore to $3.35.

Japanese prices are the only ones that are routinely published, but it is likely that a similar uptrend has taken place in the rest of the East and in Europe and North America.

Samancor manganese division GM John Muller says the price rise is the highest he can recall.

Alloys

He said the shortage of high-grade ore on the market strengthened Samancor’s bargaining position significantly. The other major producers in Gabon and Australia were also fully committed.

But Samancor makes more profit out of manganese alloys than ore — and the prices of alloys have made equally impressive gains over the past year-and-a-half.

For example, the market price of high-carbon ferromanganese has risen from about $205/t in January last year to the current price of about $365/t.

Siliconmanganese has risen from around $150/t in March 1988 to about $200/t.

The proof of the pudding will be Samancor’s results for the year to June, which should appear some time in August.

Price trends in the market are anything to go by, results for the second half of the year should be even better than for the first six months (to December) — when a gigantic leap in profits was recorded.

On turnover of R88m — compared with R83m for the 12 months to March last year (before the change in year-end) — Samancor managed net attributable income of R20m compared with R18m in the 12-month period.

These results were so good that the board decided to declare an extraordinary dividend of 40c in addition to the 6c interim dividend — which, in total, already exceeds the 9c distributed in the entire 12-month period to March 1988.

Samancor does not provide an exact break-down of its different divisions, but analysts say manganese accounts for roughly 45% of its profit — and chrome, which is also benefiting from a tight market, accounts for another 45%.

The other major manganese producers are Associated Manganese Mines (controlled by the Sasso family) and Highveld Steel & Vanadium’s wholly owned subsidiary Transalloys.

About 85% of SA’s manganese ore is mixed from the Kuthara manganese field, according to the Minerals Bureau.

Associated Manganese lifted distributable profits from R4m in the year to December 1987 to R48m in 1988.

Highveld chairman Leslie Boyd says the contribution to Highveld’s financial performance by Transalloys, to December 1988, improved considerably in line with buoyant trading conditions.

The various expansions in production of manganese alloys are not expected to make a significant impact on the market.

Expansions at Transalloys should result in an additional 50 000 tons a year of siliconmanganese, while Associated Manganese subsidiary Ferallloys will bring another 30 000 to 60 000 tons a year of ferromanganese on stream.

Unaware

Samancor’s new Nzimatos manganese sinter plant will increase the efficiency of its ferromanganese furnaces by about 15%, from 590 000 tons a year.

At most, these expansions will add another 175 000 tons a year to the non-communist world’s annual ferromanganese and ferroaluminum production of around 2.5 million tons.

Producers say they are unaware of any definite plans by foreign producers to expand production.

Last year SA exports of manganese ore rose about 30% from 1.8 million tons to 2.7 million tons, while the rand value of these exports rose about 16% from R116/t to R270/t.

About 90% of manganese production is consumed in the production of steel. It is added to steel to remove oxygen, to control the sulphur content and to act as a toughener and hardener.

The future of the manganese market is therefore dependent on the future of steel.

And there is still little sign that international steel production is slowing down from last year’s record level of about 720 million tons.

The previous high was 747-million tons in 1979.
**Iscor may build new steelworks**

By AUDREY D’ANGELO
Financial Editor

ISCOR may build a steelworks at Saldanha, providing hundreds of jobs in the Western Cape.

Disclosing that this was being discussed, Johan Deetlefs, manager, mining operations, of Iscor’s open pit mines said that the steelworks would manufacture products for export from Saldanha harbour.

This would be in line with Iscor’s policy of adding value to raw materials for export, and would make it more profitable to use the 840 km railway line built to carry iron ore from the mine at Sishen in the Northern Cape.

Building the line and the harbour facilities to handle the ore at Saldanha burdened Iscor with debt in excess of R800m.

This was paid with an interest free loan from the government. The loan is being repaid by Iscor from the export profits.

Since 1984, the ore has been carried by SA Transport Services (Sats) at cost and 30% of the export profits have gone towards repaying the government.

Iscor has been allowed to keep the remaining 20% of the profit because the ore is an asset which it is losing.

The debt will be repaid by the end of this year and Deetlefs said the agreement under which Sats transports the ore at cost will then expire.

“We shall have to negotiate a new tariff with Sats.”

“It will be impossible for us to pay their normal tariff for the Western Province because it would then be uneconomic for us to continue to export. We are in that business to make a profit, and if we cease to do so we shall simply stop exporting.”

“But we want to export, and Sats wants to transport the ore, so I am confident we shall come to an agreement.”

Deetlefs said the construction of a steelworks at Saldanha, which would provide between 500 and 600 jobs at first but could grow much larger, was being considered as a way of making better use of the railway and port facilities and maximising export profits.

It was possible that a major customer for the steel could be persuaded to invest money in the works.

“In order to have a steelworks we must have a market for its products and we must have investors in the project. If we can find a customer who will invest we shall have a guaranteed market.”

Another major obstacle to the plan is that SA is running short of coking coal necessary for the blast furnaces to make steel. But Iscor is experimenting at its Pretoria works with a new type of cored coal.

“This project is in its interim stage,” said Deetlefs. “It has been stopped for modifications but we know it is going to work.”

Most of the ore produced at Sishen — one of the five largest iron ore mines in the world — is sold at cost to Iscor for its own use. Only the surplus ore is exported, at a profit of R15 a ton.

Deetlefs said the mine had vast resources of the ore and a life of at least 50 years.
Gencor group gets 30.7% stake in Alusaf

Financial Staff

ALUSAF has come under private sector control with effect from July 1, 1989, following the acquisition by the Gencor group of a 30.7% stake in the Richards Bay-based aluminium producer at a transaction value of R270m.

Colin Officer, executive director of Gencor and deputy chairman of General Mining, Metals & Minerals (Genmin), announced yesterday that agreement had been reached with the Industrial Development Corporation of SA (IDC) in terms of which Gencor is to acquire an effective 30.7% of Alusaf in exchange for R63m in cash and an interest in an unlisted Gencor company.

Alusaf will be part of Genmin, the management company responsible for Gencor’s mining, metals and mineral interests.

Alusaf’s board of directors will be reconstituted under the chairmanship of Officer, with Rob Barbour continuing as MD and Pieter de Waal continuing as technical director.

Officer said Alusaf operates in a specialised environment and has experienced, efficient and well-motivated personnel.

It is therefore not anticipated that the change in control will bring about changes in Alusaf’s management or employees.

Alusaf will be listed at an opportune time on the Johannesburg Stock Exchange, said Officer.

He said that a major part of the residual interest in Alusaf, held by the IDC, would form the basis of a future share issue to the public.

Alusaf’s employees will also be consulted in respect of a preferential allocation of these shares to them.

Officer said Gencor had identified aluminium as an important growth area on the local as well as the international markets.

Alusaf has, since its inception, established itself as a force in these markets and Gencor looks forward to participating in this growth. Alusaf will also complement and diversify Gencor’s existing interests in the important base metals and minerals field.

He said the transaction will have no immediate material effect on the net asset value, earnings and dividends of Gencor.

Alusaf, one of the IDC’s largest investments, was established 22 years ago to render SA self-sufficient in respect of its aluminium requirements.

The company doubled its capacity in 1983 to approximately 170 000 tons per annum. About 35% of its output is exported.

Alusaf employs 2 800 people and has an annual turnover approaching R800m. After-tax profit in the latest financial year was more than R120m.
Fagersta here to stay

STAINLESS-steel producer Fagersta Steel discounts talk that its operations in SA are restricted by Sweden's sanctions laws.

A member of the Swedish-based Sedoroc AB, it says it is in a strong financial position and there is no restriction on its growth. Sales in the past few years have grown by 250% since 1984.

Fagersta is staying in SA.
INTERNATIONAL steel prices are likely to be higher in the second half of this year than in the first six months, providing a bonanza for SA producers.

An expected further decline in the value of the rand against other currencies will also benefit producers by lifting export earnings.

These factors and the rise in the price of various alloys have increased the profits of Highveld Steel & Vanadium (HS&V) and Sasmancor.

Sanctions

In the six months to June, HS&V posted an attributable profit of R17.1 million compared with R4.5 million in the same time in 1988. Sasmancor earned taxed profits of R17.4 million in the six months to December compared with R16.7 million in the 12 months to March 1988.

The company has changed its years-end.

SA exports about 5% of its steel, most of it from Iscor, which makes 75% of total production, and HS&V with a 12% share.

By world standards, a 25% export dependence is extremely high. Japan at its peak touched 23%, but is now down to 20%.

As a result, the possibility of sanctions against SA is worrisome.

Les Boyd, chairman of HS&V, says SA has been able to cope with sanctions on some products like steel and coal - but at the cost of revenue, jobs and plants.

He warns that markets are now more limited, and any additional sanctions would have a detrimental effect on the industry.

Advantage

Until 1986, SA producers were able to export throughout the world, but in September 1986, the Comprehensive Anti-Apartheid Act which banned the import of steel, among other commodities, took effect.

The European Economic Community followed SA's lead and withdrew its share of lucrative markets in America and Europe.

In most instances, however, producers were able to export to other countries. Had these sanctions not been introduced, SA production could have been increased to almost 8 million tons compared with 8.8 million in 1988, says Mr Boyd.

SA is one of the lowest-cost producers in the world. It has readily accessible and easily mined raw materials such as coal and iron ore. But in some cases the cost of transport is high.

Highveld Steel & Vanadium will spend R1 billion on a new stainless-steel plant. The planned HS&V-Sasmancor stainless-steel plant gets the go-ahead, another R1-billion will be spent.

Mr Boyd estimates that Iscor will spend R2.3 billion, Highveld R298 million, Usco R118 million, Seaw R16 million and Davsteel R60 million.

The result will not necessarily be greatly increased tonnes because much money will be spent on modernisation for improved efficiency.

The ferroalloy industry will spend R1 million. If the planned HS&V-Sasmancor stainless-steel plant gets the go-ahead, another R1-billion will be spent.

The increased demand for vanadium resulted in spot prices rising to record highs. The price moved from $4.50/lb in January-March to between $10 and $12 in the second quarter.

As a result, and for the first time, HS&V introduced a surcharge on its contractual sales of $2.50/lb. Because prices are expected to fall in the second half, the surcharge has been reduced to $1.20/lb for the third quarter.

Mr Boyd welcomes the privatisation of Iscor, saying it will make the corporation more profit conscious.
String of export successes boosts business confidence

By Michael Chester

The Federated Chamber of Industries (FCI) credits a chain of successes by exporters in driving deeper into overseas markets for a renewed upward tilt in the overall level of business confidence in recent weeks.

Its index of expected sales volumes from the manufacturing sector for the next 12 months, which steadily declined in the first six months of the year, last month gathered momentum.

With a base of 100 used to measure the need to test between pessimism and optimism, the index surged from 116 in July, when the recovery started, to 120 in August.

FCI senior economist Roelof Botha said yesterday, when results of the latest opinion poll were released, the strong export performance was expected to press ahead well into 1990.

The export drive was still developing, encouraged by signals of a strengthening global economy, a weaker rand exchange rate and a perception that the sanctions threat appeared to be on hold — at least temporarily.

He said: "It is clear that manufacturers remain relatively optimistic about the future despite measures taken by the fiscal and monetary authorities to cool down demand.

"The results of the general election are unlikely to impact significantly on confidence levels.

"In view of the improvements in the level of gold and foreign reserves and the trade balance, the likelihood of further restrictive measures is remote."

"At the same time, recent statements by the new Governor of the Reserve Bank suggest that credit conditions will remain tight and that interest rates are unlikely to decline before well into 1990."

"Thus, together with rising inflation, will preclude significant increases in real private consumption expenditure on manufactured goods."

"Expenditure on capital goods also appears to be slowing, with the result that future increases in expected sales will be increasingly dependent on export prospects."

Industrial consultant Dr Gad Arrochch said the pattern of share price movements on the Johannesburg Stock Exchange since February last year confirmed the optimism of investors in general about the muscle behind the export drive.

An analysis showed that most of the leading sectoral advances in JSE indices had been achieved by metals and minerals exporters.

The steel sector led the pack with an average climb of no less than 318 percent. Manganese was up 331 percent, metals and minerals 155 percent, platinum 133 percent, other metals 176 percent.

But Mr Botha advised caution about interpretations of the scale of the improvement in index readings.

He said many manufacturers were feeling a bit jittery about how the Reserve Bank intended to tackle its counter-offensive against inflation.

The export outlook looked good, however, especially as companies gained confidence that the extra production capacity created from recent surges in fixed investment would likely be filled by a faster flow of orders.

Rob Herbst, marketing director of Highbend Steel and chairman of the FCI International Trade Committee, forecast a continuing strong performance by exporters as they anticipated an expansion of international economies in the 1990s — and learned to cope with sanctions problems.

Much depended, though, on how the Board of Trade and Industry succeeded in finding the correct balance in its programme of structural adjustment in the industrial sector and the package of new export incentives.
Commodities

Platinum

Gencor chairman Delmore Kent hints that funding for a profit-

motive in the two big

Gencor divisions may be hit hard. - but the firm's price is likely
to rise in 1980

The Delmore has a long-term bargain and is going to

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for stormy

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STEEL DEMAND

Downturn, but not to worry

Demand for steel is slowing and 1990 sales are not likely to reach this year's peak. But the downturn is not expected to be sharp — and at least one analyst predicts there could even be a slight increase in demand next year. In any case, weaker demand would allow the industry to avoid the shortages that plagued it earlier this year.

"Government's curbs on the economy are taking effect," says Arthur Browne, president of the Association of Steel Merchant Stockholders of SA. "Most merchants are overstocked, which isn't good, because interest rates are high. Not only does that make stock holding expensive — our clients will need less credit.

But Browne doesn't foresee any casualties among merchants. He says most are now "strong companies because of considerable rationalisation, mergers and takeovers." He lists the big five, in alphabetical order, as Baldwins, Gulf Steel, Macsteel, Steelworld and TrueSteel.

Producers raised prices twice this year and this is now curbing demand, especially for small companies catering to low-volume users. KleenSteel, for example, says it suffered a 20% drop in sales in October "compared with September and this time last year." Director Ira Cohen adds: "Many clients have put expansion on hold because of the interest rates, the turning down of the economy and Iscor's second price increase.

Iscor says the first increase was 8.2% in March and the second was 6% in October, compounded, that's 14.7% for the year.

Black informal fabricators are also seeing less demand. These businesses — which make gates, security fencing and other items in townships and backyards — have been hit by the cooling economy.

Iscor believes the domestic steel market is holding up well. In the year ending June 30, the company expects steel sales to drop by 2.5%, but a small fall is not the worst news as the company is privatised in a massive R3bn share issue.

However, Nols Oliver, senior-GM (commercial), says the company's exceptionally good first quarter, ended September 30, bodes well for the financial year. It shipped 983,000t during the quarter — over 140,000t more than it shipped in the same quarter last year. In the current quarter, Iscor expects to ship 740,000t, easily surpassing the 680,000t shipped in the same period last year. Iscor produces 78% of SA's steel.

Browne says there shouldn't be shortages of any grades, sizes or profiles next year. "Iscor could not supply certain grades and gauges of flat steel earlier this year. People ran out and there was some disruption, but it wasn't the end of the world. Merchants ordered their stocks a quarter in advance and they were able to supply most demands — though sometimes they had to substitute.

Oliver says Iscor could not meet flat steel demand because of problems late last year at its Vanderbijlpark works, where flat products are made. "We also had to withdraw from the flat steel export market — but things virtually returned to normal in the last quarter and we have caught up with the backlog, except for some special grades.

We'll be able to supply all grades normally by the end of the year.

Iscor's market to South Africa's main customers remains strong. Economist Michael McDonald, of the Steel and Engineering Industries Federation of SA, says long-term demand for flat and structural steel is beginning to fall but he doesn't foresee a major drop. He says engineering may not be doing as well as last year but is still doing well.

"That doesn't mean 1989 will be a bad year, nor will 1990, when the workload will continue to slow. There are still enough projects on the go to keep the industry busy. There was a problem with transport-related engineering companies but even they are beginning to do well again now that SA Transport Services is placing orders again.

The SA Roll Steel Council, which monitors the use of steel, is more bullish and foresees a 1% increase this year on the 4.6Mt that the SA market absorbed last year and another 1% increase on top of that in 1990. This sentiment is in line with what's happening internationally. Oliver says there is almost insatiable demand, coupled with high prices. Iscor is still exporting all the steel it can, but prices that peaked earlier this year dropped recently in dollar, though not rand, terms "because of a temporary flooding of the European and Far Eastern markets." He says: "This was largely because of a drop in Chinese demand due to the Beijing debacle. But things are improving and the excesses will, hopefully, be mopped up in about six months."

Oliver adds: "The 1989 International Iron and Steel Conference was the most optimistic I have attended in years. Last year, the feeling was that demand for steel was at the top of a cycle and would dip steeply again, soon. The feeling this year is that demand will stay high and fluctuate mildly.

Leonard Holechuk, secretary-general of the International Iron and Steel Institute, agrees. World steel consumption this year will reach a record 791Mt and Western countries will consume 494Mt, "virtually matching the all-time peak recorded in 1973," he says. "And 1990 will be an equally good year, with only a slight downturn of 7Mt forecast at world level."

Speaking at last week's Investment Conference, Highveld Steel chairman Leslie Boyd said steel in SA was cheaper than anywhere else, "which should stimulate the export of processed and fabricated steel products." SA already exports 34% of its steel production, high by world standards, he added.

Producers lost 1Mt in sales to North America and Western Europe because of sanctions but have found new markets for that steel.

Boyd warns, however, that producers should "proceed with caution when expanding facilities, a downturn in the world economy can have a negative impact on SA steel's export performance."

BEER INDUSTRY

Frothy tussle

On the face of it, the strike at SA Breweries and the painful beer boycott that has come in its wake creates an ideal opportunity for rival SW Breweries to grab a bigger share of the South African market.

Not so. SW Breweries has problems of its own. The company, it turns out, is recovering from its own strike and related consumer boycott.

The action against the Windhoek brewer was called by Swapo two months ago after a Namibian Food and Allied Union member was fired. During the 45-day stoppage, drinkers in the two main Namibian beer markets, Katutura, north of Windhoek, and Ovakimbo,
Robor earnings rise 42%

Financial Editor

EXPORT earnings helped Robor Industrial Holdings (RIH) to lift after-tax profit in the year to September 30 by an impressive 42% to R46.2m ($34m), on a 27% rise in turnover to R783.6m ($561.1m).

Operating profit rose by 40% to R59.4m ($42.4m) and pre-tax profit by 38% to R62.3m ($43.7m). Earnings at share level were 149.4c ($106.2c). The final dividend is 43c ($28c) a share, making a total distribution of 62c ($45c) for the year.

The higher earnings were achieved in spite of a 58% rise in the interest bill to R7.1m ($4.5m) and a 3% rise in the tax bill to R4.1m ($3.3m).

RIH, in the Barlow Rand stable, consists of companies which manufacture, process, galvanise, distribute and export a wide range of steel products.

MD Mike Gahagan said yesterday that the rise in profits was due to increased export volumes, keener local demand, improved productivity and a bigger market share.

"International demand for steel and steel products remained buoyant throughout the year," he commented.

"As a result, prices were firmer than in previous years. But orders for future deliveries taken in the second half indicate that prices are now over their peak."

Gahagan said that exports were limited only by a lack of available supply from SA steel producers.

"Domestic demand increased, and we achieved some gains in market share, but the fourth quarter results reflect a slowing down of the economy."

Gahagan pointed out that return on average shareholders' equity reached a new high of 23.2%.

Based on a ruling market price of $600c, RIH offers an earnings yield of 24.9% and a dividend yield of 10.3% compared with the engineering industry averages of 16.1% and 5.8%."

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Cape Times, Wednesday, November 8, 1989

Business Report
Underrated RIH turns the corner

By Ian Smith

A CORPORATE restructure is often arranged to hide a multitude of sins. But it has worked well for Barlow Rand's Robor Industrial Holdings.

At the end of the first half last March managing director Mike Gahagan attributed the slide in earnings growth to 23% from the previous year's 41% to the hangover from a major restructuring and market pressures.

But the steel fabrication, distribution and exporting group has come back with a bang in the second half-year margins.

Attributable earnings increased by 42% on a 27% rise in turnover to R783-million. Operating profit jumped by 48% to R394-million, and taxed profit increased from R214-million to a record R468-million.

Mr Gahagan is pleased that the group's operating margins have improved from 7.1% to 7.8%.

The share price is languishing nearly 200c below its May high of 810c, but Mr Gahagan says in the annual report: "Significantly, returns on average shareholders' equity reached a new high of 25.3% on the strength of the year's earnings of 140c a share."

Several factors contributed to the improvement. The streamlined organisation has led to productivity gains, keener marketing and improved market share. The group's well-planned export drive has also paid dividends.

Last year exports increased by 54% to R246-million, or 32% of total turnover, in the previous year exports worth R163-million amounted to 28% of turnover.

The group also benefited from improved SA demand for its products and services. Revenue from manufacturing jumped by 24% to R316-million, or 28% of turnover.

Mike Gahagan ... impressive growth

Compound earnings growth has averaged 38% since RIH's listing in 1983, but Mr Gahagan warns that the current year will be one of consolidation.

"International markets will not be as buoyant as they have been in 1989. Nor will ruling prices be as high. Group exports, however, represent a fraction of 1% of world steel and steel tubing trade in spite of their R259-million contribution to RIH."

"It is unlikely we will experience any significant negative impact from the international downturn. "Domestic demand will be adversely affected by government's curbs on spending - especially in building and consumer products. On the other hand, demand from coal and platinum mines is expected to be good."

Property

"The wild card in 1990 will be demand from the gold mines. Recent gold price increments could stimulate the mining houses' capital expenditure and maintenance programmes."

The current year's earnings are expected to grow in line with inflation. Mr Gahagan believes that the shares have not received the recognition they deserve. Shareholders' equity last year increased by 18% from R176-million to R207-million after providing for a record dividend of 62c.

RIH's net asset value has risen since the listing from 30c a share to 63c - "impressive growth in real terms", says Mr Gahagan.

"If one values the group's extensive property interests at the valuation accepted on a free-market basis in 1988 net asset value would jump by 102c to 741c.

"Further, if one revalued plant and equipment with a current book value of R16-million to the insured value of R141-million the group's net asset value would increase dramatically by another 486c to 1 191c."

"This level of cover is exceptionally high when compared with the ruling market price. Even at a price of 700c the share is still undervalued relative to earnings, with an earnings yield of 21.3%, and to net asset value, which is covered 1.7 times."

Fraction
IRON, STEEL
ENGINEERING

- GENERAL

1989

(NO EXPORTS)
MALBAK BUYS
WIGGINS TEAPE
IN R15m DEAL

BRUCE ANDERSON

MALBAK, Gencor's industrial holding arm, has purchased paper merchant Wiggins Teape for R15.3m.
MALBAK director Klaus Zirker said yesterday the acquisition from the UK Wiggins Teape group had left the company in a dominant position in the local paper-merchanting market.

"Through Wiggins Teape and another listed Malbak company, Haddons, Malbak's share of the market has risen to over 50%

"The quality of the management at Wiggins Teape is superb — they will add a new dimension to our management," Zirker added.

He said Wiggins Teape UK decided in September last year to sell its small paper-merchanting operations in Australia, New Zealand, S.A, Malaysia and Singapore.

"We were just lucky enough to initiate discussions with Wiggins Teape UK at the time they took the decision to sell.

"The local operation's main focus is on paper merchanting Wiggins Teape buys from paper mills and manufacturers and distributes to the printing trade.

"Malbak's new acquisition will fit into its packaging and paper division, together with the three other listed companies in that division, Carlton Paper, Haddons and Kohler.

"Last year the division contributed 21% to Malbak's earnings."
Higher tax rate hits NTC

Finance Staff

Higher interest charges and tax payments hit National Trading Company (NTC) profits for the year to end-December, with earnings per share declining by over 20c to 74c. The total dividend fell by 10c to 35c.

While operating income increased by 33 percent to R17,96 million on a R70 million rise in turnover to R319,7 million, finance charges rose by R2,44 million and tax payable surged from R1,95 million to R5,32 million.

The company also announced that a deal has been finalised, which will see NTC sell part of its trading divisions to Natmac Holdings, which is owned jointly by NTC and MacSteel.

Following on this deal NTC will sell its 50 percent holding in Natmack to MacSteel.
EDWARD WEST

Basil Stalke, Director

companies

With the support of our friendly staff, we make sure that our clients get the best possible service. Our team is dedicated to providing excellent customer service and ensuring that our clients are satisfied with their experience.
TOCO Holdings has acquired strategic interests in Vitrex and Premier Chemicals via its interests in Alzac Holdings, for an effective cash outlay of R1,6m.

Through a partnership structure with management, Toco has bought a 24% stake in Vitrex and 14% of Premier.

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry.

The move will strengthen Toco's position as a manufacturer and distributor of industrial products.

Columbia Consultants and Pride Consultants, which acquired stakes in Premier via their investment banking arms last year, will participate as passive partners of Toco in Vitrex and Premier.

Had the transaction been effective on April 1, 1989, it would have had no material effect on Columbia or Pride's earnings for the year to March 1989, but would have increased Toco's earnings by 0,76c a share.

Vitrex and Premier are expected to contribute meaningfully to growth in earnings a share of Toco.

Various transactions since October mean 60% of Alzac is retained by its management and 40% held by Toco, Pride and Columbia in the ratio 60:20:20. Alzac holds 60% of Premier, while Premier management holds 40%. Vitrex is fully held by Alzac.

"To maximise the benefits which Vitrex and Premier gain through access to the technical and marketing experience within the Toco group, Toco will have a 50:50 representation on the board of Alzac with the Alzac management," says Toco MD Adrian Goodman.
Wedge reports loss and passes dividend

Wedge Holdings has reported a loss of R2.59 million after running into trouble in the financial year to December.

During the previous year the group recorded a profit of R3.646 million.

Earnings per share show a loss of 15.8c (22.8c profit). The dividend has been passed (3.5c previously).

Pressure on margins and a high interest bill are given as the main reasons for company problems.

Interest paid soared from R1.35 million in the 1987 year to R3.95 million.

**Group borrowings**

Management says group borrowing are too high and that it is examining proposals that could have a major impact on the problem.

It says margins remained under pressure and thus, combined with an increased provision for doubtful and bad debts, resulted in operating margins dropping from 1987's 6.6 percent to 2.6 percent.

The board says talks started in January involving a change of control or a sale of assets and liabilities had not been successful.

It says talks are continuing but that no announcement will be made unless it appears they will come to fruition.

The board says conditions in the current year are better and that the group has budgeted for a profit.

It says profit margins have improved and that market conditions are more stable. — Sapa
Doubling turnover fails to help Wedge

WEDGE Holdings, distributors of a range of steel products, showed a taxed loss of R8.6m for the year to December, in spite of doubling its turnover.

After a sterling interim performance, Wedge showed a 13.8c loss on earnings a share, compared with 22.8c last year.

The dividend was passed.

While turnover increased from R57.8m to R111.7m, pressure on margins and increased provision for bad debts pushed operating profit from R4.9m to R3.1m. Margins were slashed from 9.5% in 1987 to 2.5% in 1988.

Wedge grew rapidly in a short period at the expense of increased stock and debtor levels. This, and rising interest rates, led to an increase in interest paid from R1.35m to R5.63m, resulting in an untaxed loss of R2.59m.

Borrowings shot up from R18.4m to R41.7m.

Directors said negotiations announced in January 1988, which might have resulted in a change of control of Wedge, had been discontinued. Another announcement would be made if continuing talks came to fruition.

Macsteel is negotiating to acquire 55% of UME Limited in which Wedge has a 20% holding. The offer price is 150c cash for each UME share.

The investment in UME has been reduced by R4.6m to a more market-related value.

Wedge is closing or selling branches and divisions which fail to measure up to management standards, and profits are forecast for 1989.
Reinstatement of workers challenged

Labour Report

THE reinstatement of 11 workers by the Industrial Court, dismissed after they went on strike last year, has been challenged in the Cape Town Supreme Court.

Mr D van Reenen, appearing for Photocircuit, the company from which they were dismissed, claimed that the Industrial Court did not have jurisdiction in the case, had not applied its mind to the matter and the reinstatement was invalid.

He argued that the dispute procedures for the Iron, Steel, Metal and Engineering Industries Industrial Council promulgated in 1987 had not been extended to non-parties such as Photocircuit.

The council had no jurisdiction in the matter and could not refer it to the Industrial Court and it had been improperly referred there by the union.

The dismissed workers went on strike and were dismissed in May last year after Photocircuit had refused to recognise the Electrical and Allied Workers Trades Union or to implement stop orders for union dues.

They were reinstated by the Industrial Court on the grounds that their dismissal was unfair.

Mr A Oosthuizen, appearing for the Industrial Council, said the problems which led to the strike were very much wider than the question of stop orders and Mr Horst Peschkes, director of Photocircuit, had consistently refused to negotiate with the union.

(Provisional)
Amshoe triples income to R15.5m

THE success of the Jaguar-Budget merger into Amshoe in March 1988 is reflected by the tripling of attributable income to R15.5m in the group's results for the year to February, released today.

Combined Jaguar and Budget figures from March 1988 to February 1989 are given, with total figures including Jaguar's January and February 1988 results since Jaguar's previous year-end was December.

The figures are compared with Jaguar's 1988 results.

Earnings of 27.9c a share for the 14 months are 80% higher than Jaguar's previous 15.5c and 63% higher for the 12-month period — in spite of the increase in the number of shares in issue.

A dividend of 7c (Jaguar paid 4c in 1987) will be paid.

Amshoe CE Roy Eckstein says the dividend cover is being increased to fund further expansion.

Jaguar and Budget were both footwear companies, but as a result of the merger Amshoe is diversifying into PVC and EVA soleing and foam sheeting for the manufacturing, mining and construction industries, which is seen as counter-cyclical expansion.

Eckstein said the full benefits of the synergies of the merger were only coming into effect now and would have a favourable effect on the group's 1989/90 results.

He said outstanding results for the current financial year could be expected as a result of additional production capacity, full order books and tight control of costs and assets.
LANCHEM is set to acquire the controlling stake in the Whitehead Group for an undisclosed amount and a new group structure will be announced shortly.

LANCHEM MD George Dryden says the deal will benefit both groups, open up the country to Lanchem and result in better utilisation of management and resources.

Lanchem — which was recently transferred to the DCM after two companies were reverse listed into the cash shell — builds double garages, manufactures industrial doors and security equipment, and sells building materials.

DCM-listed Fred Whitehead — which is involved in the finishing trades associated with construction and civil engineering — made an attributable loss of R753 000 for the six months to December after being adversely affected by its Dreamcoat division, interest rates and wage increases.

Dryden says Lanchem is negotiating a further acquisition with a manufacturer in a similar field which will have a marked effect on the group's profits.

Charles Ferrera has been appointed Lanchem's chairman.
Employer's challenge rejected
by DICK Usher

A CHALLENGE in the Supreme Court against the reinstatement of 11 workers ordered by the Industrial Court has been rejected.

The reinstatement was ordered after the workers were dismissed from Photocircuit, a Cape Town photographic processing concern, last May.

They had gone on strike in an attempt to force recognition of their union.

In September the Industrial Court made final a temporary reinstatement determination.

Mr Horst Peschkes, director of Photocircuit, sought review of the Industrial Court decisions on technical grounds. He claimed the court was not competent to hear the case because the industrial council agreement was not applicable to his company.

In November the Electrical and Allied Workers' Trades Union, to which the dismissed workers belonged, secured a writ of execution against company assets worth about R4,000 to secure payment of all amounts owing to the dismissed employees.
Numsa demands holiday swap
Gains all round

This week’s metal industry wage talks seemed set to end in deadlock which, in a sense, would be good news for employer association Seifsa. In addition, the unions, particularly the Cosatu-affiliated National Union of Metal Workers of SA (Numsa), which represents most workers in the sector, are showing little enthusiasm for strike action — again welcome news for employers.

But the unions are not losers, either. There has been a palpable swing away from confrontation over wages to negotiating new agreements in the areas of pension funds, job creation and job security. And this represents a long-term defensive strategy, destined to be resolved by paperwork and to lead to better deals for union members.

Numsa’s demand of 44.8% (compared to Seifsa’s offer of 11.3% on average) was expected to be moderated at this week’s talks. The union’s national organiser, Aliritai Smith, told the FM: “Numsa was likely to lower its demand ‘depending on Seifsa’s movement on the issues of the funds and jobs’.”

Seifsa communications head Hendrik van der Heever welcomed Smith’s comments — “considering that Numsa has so far been inflexible on its minimum wage demand of R5 an hour” (an increase of 65% for labourers). Van der Heever says Seifsa has already made two offers. The federation also agreed in principle to Numsa’s demand for the existing pension fund to be converted to a flexible benefit fund, which would entitle workers to choose between pension or provident fund benefits. This meets the union’s demand that workers who resign or are retrenched can withdraw their contributions in a lump sum. A restructuring of the industry’s sick pay fund has also been agreed in principle.

Van der Heever says Seifsa has also offered to increase afternoon shift allowances from the current 6% to 7.5% on basic wages and evening shift allowances from 12% to 15%.

Smith says the decision — indicated by local branches — is to reach settlement. But he says it came with a proviso: “We will not be in a position to make major compromises.” He says the union’s major thrust — to get Seifsa to counter unemployment through job creation — means an end to temporary work and sub-contracting, restricting overtime, negotiating closures and relocation of plants to homelands. Where retrenchments are unavoidable, Numsa wants them to be negotiated, especially severance pay.

The talks took place in an atmosphere of some uncertainty because of the Department of Manpower’s refusal to gazette some clauses in last year’s final agreement. The clauses found objectionable by the department were the swapping of protest holidays for official days (such as June 16 for Founders Day) and the agreed-upon arbitration procedure in cases of alleged racial discrimination. Numsa claims the objection is in reality inspired by government’s insistence that centralised wage bargaining is contrary to deregulation.

To underline this, Numsa points to the comment made by the Director General of Manpower, Joel Foure, at the opening of the negotiations. Foure said a deregulated bargaining system would provide employers with more ‘flexibility’.
Assurances given to Toco minorities

Officials involved in the management buyout of Toco Holdings, from its holding company Columbia Consultants, have assured minority shareholders they would be "given full details of the offer".

MD Adrian Goodman, who is heading the buyout, said minority shareholders accepting the offer would be entitled to Toco’s 5c a share dividend declared today.

The dividend declaration precedes publication of Toco’s financial results for the year to March in order to facilitate the previously announced acquisition by Toco’s senior management of a controlling interest in the company.

The results are expected to be published later this week.

Goodman said the buyout team intended to retain Toco’s listing.
RESTRUCTURING HELPS TOCO TO AN 11% SURGE IN EARNINGS

BRENT MELVILLE

RESTRUCTURED Toco Holdings has posted an earnings rise of 11% to 12.8c (11.5c) and directors have declared a 3c (4c) dividend for its maiden year to March 31.

However, operating margins dipped to 15.2% (16.6%) on a slight 8% increase in operating profit to R10.6m (R9.8m).

Interest charges jumped by a hefty 35%, taking R5.2m to R7.7m (R3.7m), and resulting in a virtually unchanged pre-tax profit of R10m.

The group still managed an 11% rise in attributable profits to R7.3m (R6.5m), however, mainly as a result of its international expansion which chopped 17% off last year's R25.2m tax bill to R21.1m.

"The 12 months following the group's listing in August 1997 was characterised by internal restructuring and streamlining designed to provide a solid foundation for sustained growth in the years to come," says MD Adriaan Goodman.

In addition, Goodman says the group's strong balance sheet and committed team augured well for ongoing growth.

The group is geared at 35% (23.3%) with interest cover resting at 21 times (26 times).

It has recently acquired a 24% interest in Vitrex and 14.4% of Premier Chemicals.

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry.

Ownership:

The transaction will strengthen Toco's position as a manufacturer and distributor of industrial products and should contribute "meaningfully" to growth in earnings a share next year, says Goodman.

He expects for the year to March 1999 sales could top R100m - entailing at least a 44% increase on this year's turnover figure of R69.3m.

Ownership of Toco rested, until earlier this month, with Columbus Consultants which sold its 33% controlling interest to the Toco management team for R16.2m.

The buyout, consummated in the purchase of 3.0-million shares at a price of 48.6c, was nurtured and financed by 20 of Toco's operating executives, headed by Goodman.

The end result will be a 62% control in Toco.

Goodman yesterday assured minority shareholders, who are being offered 55c a share, of their entitlement to the announced 5c dividend - covered 2.4 times - regardless of whether they accepted the offer or not.

In addition, Goodman said, the team intended to retain Toco's listing and to develop the company in partnership with institutional and individual investors.

The 5c special share price covers earnings by 3.2 times and the dividend yield was 10% - as against sector averages of 7.7 and 4.5% respectively.
Contempt in braai-oven case alleged

By Don Robertson

A THREE-YEAR Supreme Court battle over oven braais could continue even though Weber Stephen Products of the US, represented in SA by Galactex, won the initial case and the appeal.

Last week Business Times incorrectly reported that Arite Engineering, manufacturers of the Mirage braai, said by Weber to be a copy of its product, won the case. Arite lost both cases and had to pay costs.

Galactex, sole distributor of the Weber Stephen Products' One Touch Barbeque Grill, believes that Arite Engineering is in contempt of a court order made in March by continuing to sell its Mirage braai in its present form.

Disclaimer

A Supreme Court judgment in January 1988 held that Arite was prevented from selling or distributing its Mirage grill or any other one with a similar "get-up" to the Weber product "without clearly distinguishing it" from Weber's.

Arite appealed against the ruling. In March this year, its appeal was turned down.

Arite believes that by sticking a disclaimer to its product to the effect that it is specifically not a Weber product, it is observing the terms of the judgment.

The appeal court judge altered the order made in January 1988 to read "(the respondent, its servants and agents are interdicted from passing off as a Weber One Touch Barbeque Grill, by sale, distribution or any other means, its kettle-type barbeque grill known as the Mirage, or any other grill which embodies a get-up confusingly or deceptively similar in the Weber One Touch Barbeque Grill, without clearly distinguishing it from the Weber One Touch Barbeque Grill of the applicant".

Label

Arite, however, claims it is complying with the court order by attaching a label to its grill, reading "This Mirage oven/braai is an all South African product by Arite and has no connection with the 'One Touch Barbeque Grill' of Weber-Stephens Co of America."

Galactex claims that Arite is in contempt of the order because the judge said "I do not think the use of different names effectively excludes the likelihood of confusion."

Galactex says the public continues to be confused by the striking similarity in the get-up of the two barbecues. Arite continues to gain mileage from the goodwill caused through advertising of the Weber Barbecue, it says.

Clive Wasserman, a director of Galactex, has instructed his attorneys to call on Arite to desist from violation of the court order, failing which Galactex will institute proceedings for contempt or for a further interdict.
THE Department of Trade and Industry is considering preferential trade agreements, similar to the one established with Turkey, with one or two other countries, a senior official has told Business Day.

Acting director-general of the Department of Trade and Industry, Gerrit Breyl, said on Friday the agreement which allowed local importers to buy certain domestic electrical appliances from Turkey at substantial tariff rebates would continue as long as the governments of both countries continued to support it.

He said similar trade agreements had been signed with Malawi and Zimbabwe. One or two other countries were being considered for preferential treatment.

He agreed that if the Turkish authorities requested that the preferential agreement be extended to other manufactured products, the SA government would consider the request.

However, Breyl said this type of intervention would be applied sparingly — only in special circumstances and limited by specified quotas which, in the Turkish case, were limited to 7% of total imports.

The agreement with Turkey allows local importers to apply for permits to import certain domestic electrical appliances at a ceiling duty of 3% ad valorem and a rebate of the full surcharge.

Normally, it would cost importers duties and surcharges ranging between 40% and 181%, depending on the product, to bring these goods into SA. Local manufacturers of the electrical appliances included in the agreement say the competition has affected their operations by forcing them to produce fewer units at higher costs. They argue government's continued extension of the agreement contradicts an undertaking that it was a temporary measure to balance trade between SA and Turkey.

The agreement aims to achieve a shift in imports from countries applying unilateral trade embargoes on SA to those, like Turkey, which continue to buy SA goods.

However, local manufacturers — particularly of the smaller appliances — who say they have the capacity to satisfy local demand, believe the Turkish imports are exceeding the quota, according to Small Electrical Appliance Manufacturers' Association chairman Neil Carlson.

Manufacturers of vacuum cleaners, stoves and microwaves say several large retailers have imported appliances directly from Turkey and, as a result of the cost advantage, have shifted from being their major clients to their major competitors.

Carlson, MD of Electrolux, a division of Barlow Manufacturing and a major producer of vacuum cleaners, argues that the arrangement also means a higher outflow of foreign exchange than would normally be the case, due to relatively high Turkish prices, and a loss of tax revenue.

At least one Turkish supplier is known to have exported goods to SA at a premium of up to 20%, compared with the prices of Pacific Rim exporters.

Once import duties have been applied to the other country's goods, the goods become more expensive to the importer but, because the landed price of the Turkish goods is higher, more foreign exchange leaves the country.

Carlson told Business Day last week that if the authorities gave manufacturers an undertaking that the arrangement would continue, his and many other local operations would be forced to import Turkish goods rather than continue to manufacture the goods locally.

This, he said, would have serious economic implications, especially as far as employment was concerned.

Federated Chamber of Industries (FCI) economist Roelof Botha said government had consulted the private sector before announcing the first quota in October last year.
Premier to restructure operations

By AUDREY D'ANGELO
Financial Editor

THE huge Premier Group Holdings is to separate its core businesses — ranging from food and pharmaceuticals to entertainment and leisure — from its 34% stake in SA Breweries (SAB), chairman Peter Wrighton said last night.

The stake in SAB, acquired five years ago, will be put into a new investment company which will be listed and named Newco Premier, which will be called the Premier Group, will raise approximately R280m through a rights offer.

Wrighton said the cash would be used to expand the core holdings and to reduce their borrowings.

Premier shareholders will still be invested in it and will also hold shares in Newco on a pro rata basis.

Premier will have no interest in Newco. It will have four focused areas of operation — food (through Premier Food Holdings), pharmaceuticals (through Twins and Gresham), entertainment, information and leisure (through CNA Gallo) and consumer wholesale and retail (through Gresham and Score).

Explaining why the restructuring, which will make the shares more marketable, is being carried out, Wrighton said it would help investors to identify the respective values of the investment in SAB and that of the core businesses.

They would then be able to assess the prospects and management of the core businesses on their own merit.

Premier's earnings from its equity accounted investment in SAB had tended to obscure the performance of the core businesses whose earnings this year amounted to approximately R323m and whose turnover had exceeded R4bn.

Wrighton said the core businesses had posted substantial increases in earnings since 1984 of 130%, 135%, 50% and 42% respectively. This had progressively reduced the contribution of SAB to group earnings from 90% in 1985 to 65% in 1989.

"I suspect the market has been somewhat confused by the existing structure and accordingly understates the true value of Premier," Wrighton said.

"This view is supported by the fact that if the market value of the SAB investment was stripped out of the Premier share price shortly before we made the cautionary announcement, then the traditional core businesses would have been valued at approximately R6,20 a share, which represents earnings multiple of less than five times.

"This is well below the average for equivalent stocks in the market. On the other hand, if the market is valuing the core businesses properly, the value of the SAB component is being taken in at a discount."

Discussing the rights offer, Wrighton said, "We believe this move will not only facilitate the development of the inherent potential of the core businesses, but will also ensure that the group is properly geared."

He said the rights offer and restructuring were "the culmination of a period during which all the strategic issues affecting Premier have been addressed."

Premier acquired its stake in SAB from a consortium made up of JCI, Liberty Life and the Anglo American Corporation, in exchange for shares in Premier.

Additional shares were acquired to bring the holding to 53% shares, making Premier the largest individual shareholder.

Wrighton said he was confident that the company was leaner, more focused and more efficient than ever before and would welcome the challenge of separate evaluation.
Investment in staff training pays off

IT is gratifying to learn that in South Africa, a company which trains its staff regards the amount spent as an investment not an expense.

In a country where time is crying out for skilled people, the higher the quality and support of a training program, the higher the returns on the investment in it. It should form part of every company's business strategy by developing its key personnel to meet the challenges of the day and the future.

PLS focuses on the education of sales, service, management and administrative staff, and is launching Target 2000 - a new training system which has been revised, updated and expanded to meet the needs of the 1990s.

Separate

The research and development of Target 2000 has cost $11 million to date. The work was undertaken by three groups in the US and Canada, and the outcome was consistent with European studies.

The three groups concentrated on separate issues:

The US group determined how businesses would market and sell in the future.

The Princeton Research and Consulting Centre conducted a study of the market to find out what kind of training businesses needed to train their people.

Interviews were held with members of Learning International's salesforce to gather data on market preferences.

Neglected

The seven critical content modules in the first category are:

- Interacting business relationships - first impressions count.
- Interactive listening for salespeople - the neglected skill.
- Need-satisfaction selling - do not sell your client something you know is not what he wants.
- Professional selling skills, which come in four videotape versions which address tangible and intangible products with long and short sales cycles.
- Professional telephone selling skills - a telephonic version of the above.
- Telephone prospecting - how to gain that qualified appointment.
- Time management for salespeople - work smarter, not harder.

Advanced

The second category heading - specialist selling - includes advanced content modules:

- Account development strategies - handling complex accounts.
- Added-value selling - add-ons.
- Interpersonal selling strategies - building positive business relationships.
- Probing strategies - asking the right questions.
- Sales Challenge - a videodisc series on providing simulations for success.
- Self-leadership for salespeople - going that extra mile.
- Selling against the competition - the competitive edge.
- Successful sales negotiations - understanding, planning and conducting sales negotiations.

Winning

The third level of the curriculum is aimed at sales management:

- Challenges of sales management - importance of their role.
- Developing your sales team - the winning ingredient.
- Professional selling-skills coaching - protecting your investment.
- Time management for sales managers - the complete tool kit.

The critical content of the effective selling modules assumes no prerequisite mastery of product knowledge, market knowledge and selling experience - it is aimed at the less experienced salesperson.

The advanced modules assume mastery of the critical elements.

PLS can prepare you for the year 2000, thus year.
Low profile, but track record is impressive

Longmile's value added statement

<table>
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<th>Retained</th>
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<th>Depreciation</th>
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Employees: 56.7

Despite an impressive financial track record, Longmile has a relatively low profile.

Deputy chairman Nick van den Bergh says one reason for this is that the group's trading operations do not bear the Longmile name, although they are household names in their respective sectors.

Compatibility

Another factor is that Longmile is a conglomerate, combining a number of activities that might seem to lack compatibility. The group therefore appears to be somewhat unfocused.

Tyres and silencers have obvious common ground, but women's clothing and industrial fasteners are apparently less linked.

Focused or not, it has proved to be a winning formula, says van den Bergh.

"We concentrate on acquiring well-established businesses trading in key consumer markets. "We bring to this a common concern for strong financial control and focused policy making."

An area where the group's various activities do enjoy common ground is their relative immunity to cyclical economic swings and to sanctions, he says.

"Motor vehicles are vital to a modern industrialized society and tyres and silencers are vital to motor vehicles. Obviously tyre and silencer sales are affected by new vehicle sales."

Van den Bergh notes that when women are depressed, for instance by tough economic circumstances, "they go out and buy a new dress.

Even fasteners, which are influenced by cycles in the building industry, are reasonably cushioned by the demand from other sectors, such as the DIY market.

On the sanctions front, Longmile companies neither import nor export to any great extent, although they are successfully building up their respective export components, van den Bergh says.

Alternative

"While some of our clothing companies do import a significant part of their material requirements, they could first and foremost source from so many alternative suppliers that the effect is not likely to be serious."

"And, in the event of a major cut in supplies, nearly all could switch to totally locally sourced products."

Capex aids penetration of local markets

UTILITY Fasteners, in the business of industrial fasteners, was purchased by the Longmile group in 1982, creating a division which has become a significant contributor to the group's performance.

The fastener division em-

....
Union settles wage negotiations

Own Correspondent
Johannesburg — Friday's
15.2% to 18.5% metal industry
wage settlement, following a
week after the NUM/Chamber of
Mines agreement, marked this year
as the first since 1983 that SA's
two major sets of negotiations
have both been resolved without
resort to industrial action.

And, said Confederation of
Metal and Building Unions
(CMBU) chief Ben Nicholson yester-

day, this is the first time in a
decade that every union party to
the metal industrial council has
accepted the settlement.

This, he said, represented a
new maturity on the part of
unions and an acceptance by
Seifsa that employers can no
longer take a "take it or leave it"
approach to wage bargaining.

Seifsa said the large number of
trade union groupings with diver-
gent and sometimes conflicting
demands complicated the talks.

Even so, a spokesman added,
the negotiations were conducted
in good faith on both sides and
had, in the main, been ap-

proached in a mature and respon-
sible manner.

The public holidays issue,
which held up settlement for two
weeks because of differences be-
tween white and black unions,
was resolved with agreement that
May 1, Workers' Day and June 16
should all be treated as public
holidays.

This aspect of the settlement
has been drawn up as a separate
common law agreement between
the parties.

It will not form part of the of-

ficial agreement to be gazetted by
the Manpower Department be-
cause of government's refusal to
recognise the unofficial, though
de facto, May 1 and June 16 com-
memoration days as paid holi-
days.

It was also agreed that the
council should make representa-
tions to government to revise the
Public Holidays Act generally
and, specifically, to introduce
May 1 and June 16 as public holi-
days.

Hourly wage increases, to be
implemented from July 1, range
from 5% for labourers to R1.11 for
artisans, raising the minimum
rates to R3.56 and R8.31 respec-
tively.

Some further adjustments were
made to eliminate anomalies in
certain rates on the wage curve.

The industry's sick pay fund
would be substantially restruc-
tured and sick leave provisions
would be extended. The employer
body also agreed to speed up pay-
ment of benefits under the fund
to employees injured on duty.

Shift allowances for the after-
noon shift are to be increased
from 6% to 7.5% and from 12% to
13% for the evening shift.

Finally, it was agreed in prin-
ciple to convert the industry's pen-
sion fund to a flexible benefit
fund, the fund's board of manage-
ment will attempt to finalise the
details of these changes by No-

vember 20.
AECI shows 38% earnings growth

Zilla Efrat

EXPLOSIVES and chemicals manufacturer AECI has achieved a 38% growth in earnings for the six months to June. Strong demand for most of its products, reliable operations improving capacity utilisation and the firming of plastics and petro-chemicals prices contributed to these results, says MD Mike Sander.

Attributable profits increased to R130m (R94m) while earnings rose to 84c (61c) a share. An interim dividend of 50c (25c) has been declared, with dividend cover increasing to 2.8 (2.4) times.

Sander expects further growth in earnings in the second half of the year, given a reasonably stable business environment in the industrial and mining sectors and the prospect of improving climatic conditions.

However, against the probable background of increasingly difficult economic conditions, it is unlikely that the rate of improvement over last year's second half will be sustained at the level achieved in the first half, he says.

With the exception of the polyethylene plants, all major plants operated satisfactorily at planned rates.

In the previous interim period, turnover and margins were adversely affected by an extended plant failure at Coalplex which led to substantial imports to satisfy domestic requirements.

In this period, turnover rose 28% to R237m (R187m). Domestic sales volumes grew 10% and exports were up 107% to R201m (R97m).

The production facilities purchased from Fedmus increased the group's fertilizer capacity. However, to optimise total capacity certain of the older plants were closed at the beginning of 1986.

In addition, rationalisation of fertilizer production to reduce fixed costs had a favourable impact on margins and contributed positively to group profits.

Sander attributes improved margins of 11.8% (9.8%) to the hardening of international prices of key commodities, Coalplex running at design rates and a major "de-bottlenecking" exercise at Coalplex, which added additional capacity.

The interest bill jumped 77% to R53m (R30m) because of significantly higher interest rates and higher average levels of borrowings to fund additional working capital for the increased business activity.
Epping firm retrenches 150 workers

Staff Reporter

ABOUT 150 men and women are being retrenched today from Multimech, an Epping-based subsidiary of Tollgate Holdings.

This is a quarter of the firm's workforce. Most are shop-floor and clerical employees and members of the National Union of Metalworkers of South Africa (Numsa).

Company spokesman Mr Andrew Wilson said the retrenchment was in accordance with a rationalisation programme by its parent company.

He dismissed as "nonsense" claims that a company director's car was set alight by angry workers. There was no violence, he said.
PORT ELIZABETH — About 14,000 workers are now affected as strikes for higher wages at several factories continue to escalate — 4,000 were dismissed at one factory yesterday, while lockout notices were served on 2,000 at two other plants.

Nearly 4,000 workers at the Prospecton assembly plant of Toyota in Durban were dismissed yesterday after they did not resume their duties.

Meanwhile, nearly 1,200 National Union of Metalworkers of South Africa members on strike at Goodyear are to be served with lockout notices today, following the more than 800 Numsa members locked out of Eveready yesterday.

At the Volkswagen plant in Uitenhage and the Samcor plants in Pretoria and Port Elizabeth, there was also no production.

At Volkswagen the factory was closed because of the high absenteeism — affecting almost 5,000 workers — and at Samcor workers struck for the fifth consecutive day, affecting more than 3,000 workers.

At Goodyear it was stated in a notice that contracts of employment would be terminated and workers would not be allowed access to the company’s premises.

Goodyear set out its proposals on the disinvestment dispute and attached it to the notice. Public relations manager Mr Mike London said “If an employee does not sign the acceptance form and return to work by 9am on Friday, August 11, the company’s offer will lapse and the termination of employment will stand.”

Meanwhile, at Eveready Numsa members were locked out while office workers were told they could take a day's leave if they wanted to stay away or could be met at Greenacres and bussed into the plant.

According to Numsa, workers assembling outside the company gates were met with a show of force from armed police, two Hippos and four other police vehicles yesterday. They were told by a policeman using a loudhailer that the company had resorted to a legal lockout.

It was reported earlier that nearly 4,000 workers at Toyota were dismissed yesterday after not resuming duties. This follows the shutdown of the Prospecton plan on Thursday when Toyota obtained an urgent industrial Court order calling workers to end unlawful action.
Labour disputes spread, 5 000 workers fired

The Argus Correspondent

DURBAN. - Police stood by today as about 4 000 workers at the Prospecton assembly plant of Toyota filed in to collect their pay.

This follows heightened conflict between the motor industry and the National Union of Metalworkers of South Africa (Numsa) which has resulted in more than 5 000 workers countrywide being dismissed and locked out.

Numsa negotiator, Mr Les Kettledas, said that the Toyota workers did not consider themselves as having been dismissed. He said that the workers were insisting that the company participate in the negotiations from which it withdrew last week.

They were also insisting that it withdraw the court order it obtained against them last week.

Mr Kettledas said the workers were willing to go back to work provided the company did these things.

From Port Elizabeth it is reported that production at some Eastern Cape factories has come to a standstill as labour disputes spread.

Eveready management locked out 500 workers yesterday while Goodyear warned 1 500 striking workers that they would be locked out unless they returned to work today.

Absenteism

Volkswagen in Uitenhage and Samcor in Port Elizabeth and Pretoria continue to lose production in a dispute involving 8 000 workers.

Volkswagen closed its factory because of high absenteeism, affecting about 500 workers. About 3 000 workers were affected at the local Samcor plant where workers refused to work for the fifth consecutive day.

At Eveready, Numsa members were locked out and office workers were given the option of leave or being taken by bus to the plant. A Numsa official said there had been a strong police presence at Eveready. Workers assembling outside the gates were told they had been locked out.

Mr Barry Easton, industrial relations manager for Eveready, said the lockout was an attempt to induce employees to accept the company's final proposal on improved conditions of employment.

The lockout follows months of negotiations and a failure to resolve a dispute at a conciliation board on Friday, according to a Numsa official.
Labour disputes spread, 5,000 workers fired

The Argus Correspondent

DURBAN. — Police stood by today as about 4,000 workers at the Prospecton assembly plant of Toyota filed in to collect their pay.

This follows heightened conflict between the motor industry and the National Union of Metalworkers of South Africa (Numsa) which has resulted in more than 5,000 workers countrywide being dismissed and locked out.

Numsa negotiator, Mr Les Kettiedas, said that the Toyota workers did not consider themselves as having been dismissed. He said the workers were insisting that the company participate in the negotiations from which it withdrew last week.

They were also insisting that it withdraw the court order it obtained against them last week.

Mr Kettiedas said the workers were willing to go back to work provided the company did these things.

From Port Elizabeth it is reported that production at some Eastern Cape factories has come to a standstill as labour disputes spread.

Eveready management locked out 900 workers yesterday while Goodyear warned 1,200 striking workers they would be locked out unless they returned to work today.

**Absenteeism**

Volkswagen in Uitenhage and Samcor in Port Elizabeth and Pretoria continue to lose production in a dispute involving 8,000 workers.

Volkswagen closed its factory because of high absenteeism, affecting about 500 workers. About 3,000 workers were affected at the local Samcor plant where workers refused to work for the fifth consecutive day.

At Eveready, Numsa members were locked out and office workers were given the option of leave or being taken by bus to the plant. A Numsa official said there had been a strong police presence at Eveready.

Mr Barry Easton, industrial relations manager for Eveready, said the lockout was an attempt to induce employees to accept the company's final proposal on improved conditions of employment.

The lockout follows months of negotiations and a failure to resolve a dispute at a conciliation board on Friday, according to a Numsa official.
Union studies new motor pay offer

Argus Bureau
PORT ELIZABETH — Wage talks between Numsa and motor manufacturers will resume on Thursday. No agreement was reached at the wage talks held last week.

A spokesman for Numsa said the motor industry had made a revised offer which would be discussed today by the National Automobile Shop Steward Council to be held in Pretoria.

A report-back on today's meeting will be held tomorrow with union members.

A recruitment programme to hire new staff continues at Goodyear.

Goodyear still regards the workers who were locked out last week as dismissed.

Numsa is demanding R5 000 separation pay for each worker because the company has been taken over by South African interests. A spokesman for Good-
W & A increases dividend by 20%

BARRY SERGEANT

W & A Investment Corporation has lifted its interim dividend 20% to 120c a share for the six months to June from earnings of 30c a share (31c previous interim).

Chairman Jeff Liebesman says in a statement the three-stage process of corporate reorganisation, cost control and operational streamlining initiated when FSI gained control of W & A in September 1987 is now complete.

The operating companies are now well positioned to "produce organic growth for many years to come", says Liebesman.

The W & A share price, currently rated as lower quality than ultimate holding company FSI, but better quality than immediate holding company Wacor, closed strongly yesterday, priced at R70 with bids standing at R71 ahead of the results.

W & A's finance charges for the six months were R26,4m, 36% above the interim finance charges a year ago. Interest cover was slashed from 8.6 times to 4.9 times. But gearing, at 44%, was well within the overall group's policy level maximum of 60% although it was markedly up on last year's interim figure of 32%.

Much of the debt, gearing and finance charge increases come at the end of an aggressive buying spree — in particular, the acquisition of Natbait, now a 78% subsidiary of Hunts, in turn, a 76% subsidiary of W & A.

Clearly, one of the most important rela-

W & A dividend up

...neels Cohen said in an interview last night that W & A was "more than happy with its cash flow": "Every one" of the 10 subsidiaries and associates recorded "record" results for the period, says Liebesman. The increases ranged between the 12.5% of AAF and the 71% of MacPhail.

AAF, listed in London, and sitting on a £28m cash pile, is a useful rand hedge for W & A. But yet not yet a significant earnings contributor.

W & A's share price, which tends to move in narrow volumes but can increase 10% on yields in a week, has risen solidly from below R40 in January to R70.
times with earnings halved
Picapli fails the test of tough
Rhodes tradition

Lives at Kipling

By Ian Smith

SUNDAY TIMES, BUSINESS TIMES, OCTOBER 1, 1999

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Mossgas project boosts Klipton profit-taking

NEIL YORKE SMITH

KLIPTON joint-chairmen Nigel and Robert Matthews said in their annual report the dynamic industrial holding company was well placed to improve market penetration and boost profits.

They said the group had enjoyed steady trading conditions in all its target markets in the past year although evidence of a slowdown occurred in the second six months.

"The group benefited from the impetus provided to a number of heavy industries by the Mossgas project..."

Petrochemicals, power generation and transport were cited as major beneficiaries from the project.

Klipton's results were "satisfactory," said the report. Turnover rose 66% to R57m, and operating profits soared 84% to R5.4m. Attributable income was 34% up, to R2.9m.

Klipton's recent acquisition of Austen Sales Group is seen as offering huge potential. The company paid an initial R2.2m for Austen, consisting of R3.3m in cash and the issue of 500,000 shares at R2 each.

The report said Klipton was already meeting budgets for the current financial year and, despite uncertainty in the economy, was confident successful operations would be maintained.
Acquisitions should boost Supreme

SUPREME Industrial Holdings (Supreme) has boosted after-tax earnings to R1.44m. (R0.8m) for the six months to June.

Turnover of R12.3m was also significantly higher than the previous year's R7.1m.

However, chairman Edward Ronbeck said yesterday the figures were not strictly comparable with the previous year's.

He attributed this to acquisitions and a change in the group's financial year end.

Ronbeck said the results included contributions from Mewa Manufacturing, as well as from Insulated Structures which was acquired in January. Insulated Structures produces insulated panels for cold rooms and manufactures refrigerated display cabinets.

He expected strong earnings to be maintained and the group at least to meet predicted profit levels for the whole year.

"Both Mewa and Insulated Structures traditionally experience better trading conditions during the second half of the year," said Ronbeck.

Supreme was significantly strengthened after last month's acquisitions of furniture groups Victoria Lewis and Sam Steele Holdings.
Barlow Rand denies arms deals involvement

BARLOW Rand was not involved in any controversial arms deals with notorious Ferranti subsidiary International Signal and Control (ISC), managing director and Barlow board member Clive Parker said this week.

Parker was reacting to reports in London's Observer newspaper that Barlow Rand was among South African companies which received components for military use from the US subsidiary now at the centre of the £215m Ferranti debacle.

The Observer alleged that former Ferranti deputy chairman and ISC founder James Guerin broke the US arms embargo by supplying components used in military radio and radar equipment to Barlow Rand in the 1970s.

Under investigation by US Federal authorities and in hiding, Guerin is said to have had such a close relationship with Barlow Rand that he persuaded directors to lend him £2m to keep his struggling company afloat in 1974.

Parker confirmed the financial relationship between Barlows and Guerin but said this had ended in the early '80s, by which time Guerin had repaid the loan in full.

Parker said Barlow had never imported military components from the US. If Barlow had done business with ISC in the '70s it was to buy commercial components available "off the shelf" in Japan and Europe.

The Observer named three other "shell" companies in SA which were allegedly receiving products from ISC subsidiary. ESI Manufacturing, until last August, attempts to contact the three - Darlow Tool Techniques and Varitech, all based in Johannesburg - had failed, the paper said.
Scan Growth from metals

Business Report
Restructuring of troubled Vic Lewis, Samsteel, Supreme

BARRY SERGEANT

TODAY sees the announcement of a complicated corporate restructuring on the JSE. The end result is that unlisted Supreme Bond will own 52% of Supreme Industrial Holdings (SIH). In turn, listed SIH will own 51% of unlisted Sam Steele (to be renamed Protea Furnishers) and 99% of listed Victoria Lewis (to be renamed Supreme Manufacturing Holdings). Also today, Sam Steele reports a loss of R15.6c a share (1988: +15.4c) for the year to end-August. Vic Lewis reports a loss of 4.5c (+4.4c) interim earnings a share for the six months to end-September.

Vic Lewis has posted an interim loss of R0.6m and Sam Steele lost R31m for the year. At Vic Lewis, a turnover increase of 51% was swamped by an interest bill that rose from R6.8m to R15.6m, coupled with higher operating costs.

In the latest results, Sam Steele’s turnover decreased from R106m to R78m, while group operating profit before interest declined from R7.5m to a loss of about R8m. The interest bill rose by R1m to R6.7m. Bad debts and losses on the sale of subsidiaries accounted for a further loss of R12m.

The restructuring has included names such as Oce and Johannesberg Mining and Finance, which have now fallen by the wayside. It still includes DMB Securities and stockbrokers Lowenthal & Co., and David Berkum Harre.

Management replaced

Supreme Bond director Rocque Hafrner says if there is any good news, it is that the effective takeovers of Sam Steele resulted in a rescue rather than a bankruptcy.

He says the entire operational management of Sam Steele has been replaced. The latest results show the company wrote off about R15m of mainly bad debts, says Hafrner.

SIH chairman Edward Ronbeck says for the 12 months starting January 2, Sam Steele should turn a loss of 129.6c a share into a positive 6.4c. He adds Vic Lewis could turn its interim loss of 4.5c earnings a share into a profit for the same 12 months of 3.6c a share.

The forecast for SIH in the 12 months to December 1990 is 25.4c a share. As a result of the acquisition and the reorganisation of the group, SIH net tangible asset value a share is set to rise from 70c to 154c.

SIH is to offer Vic Lewis minorities 35c a share — the price at which it acquired control in September. It is also effectively paying R7m in cash for three Sam Steele subsidiaries — Associated Cabinets, Steharn Steel Products and Steeleorld.
Corporate world at odds over inflation accounting

There seems little doubt that any attempt to deal with the impact that inflation has on the real operating performance and financial strength of a company will be met by much disension in the corporate world.

Among the groups reporting for September year-end there are obvious signs of disagreement on this front.

In the chief executive's statement, Tiger Oats' Clive Wolpert says the group does not publish inflation-adjusted financial statements.

The effect of inflation on cash flows is monitored through the examination of operating results, budgets and plans in real terms and business objectives are focused on the creation of wealth through the generation of cash profits.

From a minority shareholder's point of view this can hardly be described as the sort of rigorous measurement that could be justified, given SA's chronic inflationary environment.

Significantly, Adcock-Ingram, the health care subsidiary in the Tiger Oats group, takes a much more vigorous approach.

Adcock management has responded promptly to ED 77 published in September by the SA Institute of Chartered Accountants on "Disclosure of current value information in financial statements."

It has taken the trouble to provide (in line with the ED 77 requirements) a supplementary income statement and balance sheet, which attempt to take cognizance of the effects of changing prices from one accounting period to another.

However, the information provided in these supplementary financial statements differs radically from that provided in the historic statements and so may cause some confusion among shareholders.

The Nampak group takes a much more critical approach to ED 77. "If accurate current value information is to be published by the group, it will be necessary at the outset, and at intervals of say, five years, to obtain professional valuations of the group's fixed assets, with changes in the interim years being calculated by using relevant indices.

"A preliminary assessment of the cost of such a valuation indicates an amount of approximately R1 million, which cost will, of course, effectively be borne by the shareholders."

Nampak publishes a bar chart showing the effects of inflation on reported operating profit.