MANUF. (E) – IRON, Steel, Engineering etc

1992

FM 22/5/92 (189E)

clearly some elements of the market still view the share as a growth stock.

Metkor, on the other hand, is having a bumpy ride, coming down from a February high of 300c to 230c. This should be attractive, though the future seems too hazy to determine whether the price will pick up in the short to medium term. *Shaun Harris*

METKOR/DORBYL (189E)

Tough times

FM 22/5/92

If first-half results are indicative of the state of the engineering industry, it's going through its worst patch in years. **Metkor's** results largely mirror subsidiary Dorbyl, the major earner. Its contribution is down significantly and certainly lower than the group expected, but to make matters worse both wholly owned subsidiaries Metkor Industries and Wispeco recorded losses.

The result, together with a R3,4m write-off for obsolete and devalued stocks in Metkor Industries' Hendler & Hart division, is a huge 80% drop in earnings.

Metkor's slide began last financial year, when the Usko associate lost an equity-accounted R15,8m. Chairman Flores Kotzee says the former problem company is being

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completely restructured, with loss-making operations sold, and accordingly performed better in the past six months.

Kotzee remains confident Metkor will improve earnings in the second half. With Usko's loss now out of the way he says full results will be better than last year. That in itself will be quite a feat, and any gain is unlikely to be substantial.

A lot will depend on **Dorbyl,** which with a third ship under construction and two more likely to start soon — as well as a concerted export drive — is at least assured of reasonable turnover for the next couple of years.

EARNINGS CRUNCH

Six months to	Mar 31 '91	Sep 30 '91	Mar 31 '92
Metkor			
Turnover (Rbn)	1,41	1,91	1,55
Operating income (Rm)	90,8	94,4	69,1
Attributable (Rm)	15,7	7,65	3,2
Earnings (c)	14,5	7,1	2,95
Dividends (c)	4,7	4,7	4,8
Dorbyl			
Turnover (Rbn)	1,26	1,64	1,40
Operating income (Rm)	82,8	90,4	68,7
Attributable (Rm)	51,1	65,5	42,5
Earnings (c)	160	205	133
Dividends (c)	28	80	28

But that's at the cost of slashed margins, which show clearly in the latest results. An 11% increase in turnover, thanks largely to the delivery of its first R100m ship to Germany (the second is nearly complete and should be delivered by year-end), has seen operating income drop by 17%.

CE Dawid Mostert notes that Dorbyl has achieved its target of doubling exports, which now account for 15% of turnover, but clearly at very low margins. Still, it seems to be doing a good job of riding out the recession without too much permanent damage. Earnings have taken a hard knock, but it is paying the price in interest (R16,9m) for continuing with its R145m capex programme in expectation that it will pay off when the economy turns.

Mostert also points out that borrowings are at their seasonal peak, and will decline towards year-end. He therefore warns that first-half results should not be taken as an indication of the full year.

But most domestic markets look pretty grim. Even with the second ship bumping up end-year results Mostert does not expect Dorbyl's earnings to improve on last year. The share price, however, has picked up a lot this year, climbing 50% to its current R28,50, not far from this year's peak of R32. Recent results could depress the trend, but

Dorbyl steps up exports

STAR 19/5/92

189E

By Leigh Hassall

A major export drive is cushioning engineering group Dorbyl's results from the major impact of the current recession.

Dorbyl reports today that operating income fell by 17 percent to R68,7 million (R82,8 million) while earnings per share declined by a similar percentage to 133,1c (160,1c) is the six months to end-March.

Group turnover rose 11 percent to R1,4 billion (R1,26 billion), but operating earnings were hit by a drop in margins from seven to five percent of sales.

Chief executive Dawid Mostert says the domestic recession, "the worst in our lifetime", caused a concerted effort to increase exports, resulting in the doubling of export sales.

Included in the export sales is the sale of the first of three 10 000 ton ships at R100 million each to West Germany. The second of the three ships is likely to be sold before the end of the current financial year.

Export incentives also had the beneficial impact of lowering the effective tax rate to 18 percent (22,5 percent).

Further capex for the beleaguered seamless tube factory Tosa is estimated at R36 million. The extension was originally shelved last year but is due for recommissioning early next year.

Mr Mostert warns that earnings for the full year are unlikely to equal those of last year. The interim dividend was maintained at 28c a share, albeit at a lower dividend cover of 4,8 (5,7).

No change in Woodrow's fortune

B/Day 19/5/92.

EDWARD WEST

PROFITS in the financial year to February 1992 at fluid-handling and related equipment holding group Woodrow were held at virtually the same ~~level as~~ in the previous year.

(189E)

Annual results published ~~today~~ show earnings at 18,1c a share compared with 18c a share at year-end to February 1991. A final dividend of 4,3c a share was declared bringing the total dividend for the year to 6,3c (6c) a share.

Turnover fell to R38,17m from R40,51m, but was not comparable because of the reduced sales arising from the disposal of the Hydraulic Steel Tube subsidiary during the year. The disposal resulted in an extraordinary loss of R1,8m.

Neumax was acquired for R1,4m during the year, joining Woodrow's other subsidiaries Meter Systems, the Combustion Group and Ascoreg.

Operating income fell to R4,40m (R5,34m). Interest paid came to R1,16m (R1,79m). Tax amounted to R527 000 (R889 000). Taxed profit increased marginally to R2,72m (R2,66m). Attributable income was virtually unchanged at R2,65m (R2,64m).

19/5/92

MD Graham Nel said although depressed economic conditions showed little signs of improving in 1992, the group had made the neccesary structural changes to be able to realise an increase in earnings this year.

These changes included decentralised management strategies, tight cost controls, accurate forecasting and quick reaction to changing markets.

Graham said that within 18 months the group would benefit from the expansion of refining capacity in the oil industry.

, Tuesday, May 19 1992

Dorbyl knocked by bad trading climate

B/Day 19/5/92. (189E)

EDWARD WEST

ENGINEERING giant Dorbyl,hit by poor trading conditions in the motor and engineering sectors, has seen profits shrink by 16,7% to 133,1c (160,1) a share in the six months to March 1992.

CE Dawid Mostert said although first half earnings were no quide to the year's earnings outlook because of the irregular flow of income from contracts of various terms, earnings for the full year were unlikely to equal last year's.

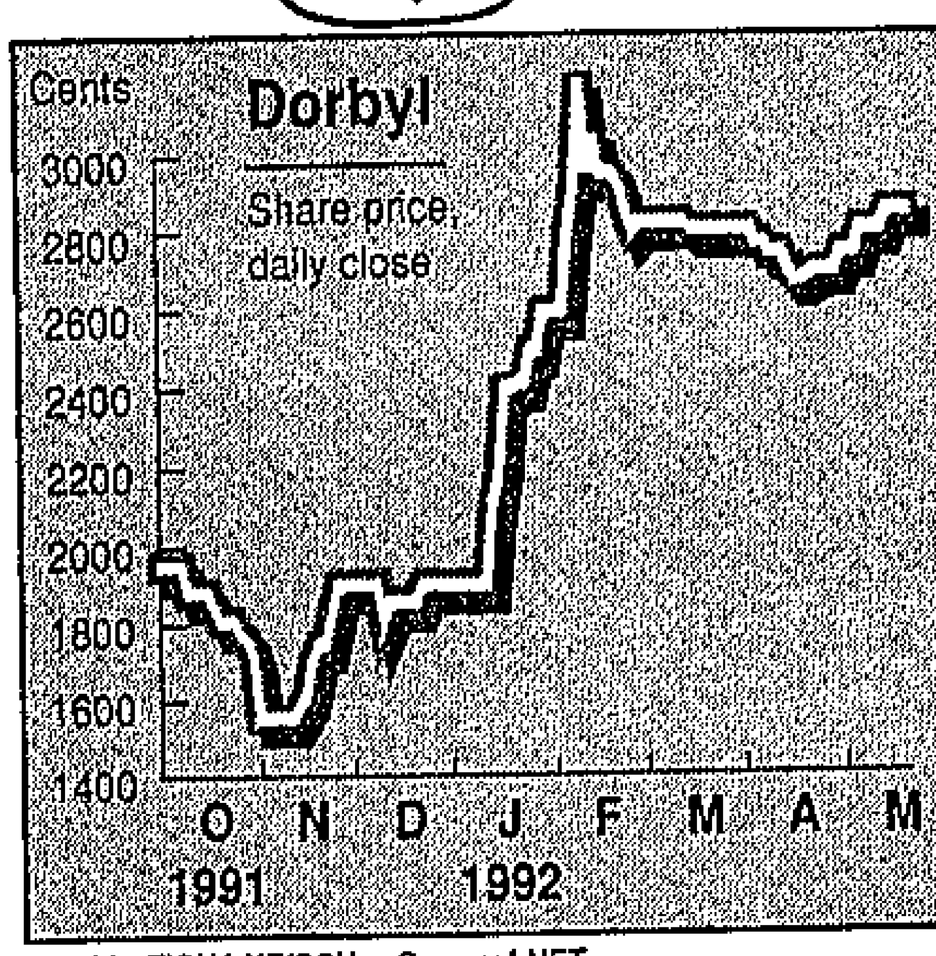
The past six months had turned out worse than expected.

However, the interim dividend of 28c a share covered 4,7 times by earnings was maintained. Gearing remained low at 28% (24%) in spite of higher stocks and debtors.

He said the target of doubling export sales was being achieved and export sales in the first half came to more than 15% of turnover at nearly R200m. Turnover rose 11,3% to R1,4bn (R1,26bn), but margins were squeezed and operating profit fell 17% to R68,7m (R82,8m). Interest paid rose 5,9% to R16,9m (R16m) leaving pre-tax profit 22,5% down to R51,8m (R66,8m).

Export income from GEIS and the now defunct marketing allowances on exports caused the tax rate to fall 18% (22,5%) to R9,3m (R15,03m).

Attributable profits fell 16,9% to R42,53m (R51,07m). There was a fractional increase in shares in issue due to an employee share option scheme.



Graphic: FIONA KRISCH Source: I-NET

Borrowings rose 18,5% to R235m (R192m). Mostert said borrowings traditionally peaked mid-year. Furthermore, Dorbyl kept its capex high throughout the downturn to improve efficiencies. Capex for new plant and information systems should approach R145m in 1992, he said.

The R90m joint venture between Dorbyl and Iscor to upgrade the Tosa seamless tube plant was still dogged by teething problems and the recommissioning of the higher capacity utility with a boost of an additional R60m was planned for 1993.

Prospects for the sale of two more ships were bright. Dorbyl had already delivered the first of three R100m, 10 000-ton ships to its West German owners.

COMPANIES

Titaco suffers difficult conditions, reports loss

B/Day 15/5/92

(189E)

DUMA GQUBULE

ENGINEERING contracting group Titaco, suffering from difficult market conditions and lower than anticipated order intakes, has reported a trading loss for the year to end-February.

But a writeback of an extraordinary item and a tax credit have enabled the group to report attributable earnings of R904 000, 40% down on the previous year's R1,51m.

The dividend is being passed in order to strengthen the group's financial reserves.

Chairman and CEO Reinier Meyjes said the company was well placed to benefit from the expected upturn in capital spending.

Turnover plunged 47% to nearly R39m (R73,2m) in line with management's previously stated policy of restraining turnover to a level comfortably within the group's contracting and financial capabilities.

Considerably tighter margins resulted in a trading loss of R379 000 after a R3,82m trading profit last year.

An interest payment of R792 000 increased the pre-tax loss to R1,08m (R2,08m profit last year).

However, a tax credit of R1,26m — mostly related to an overprovision for deferred tax in previous years — lifted after-tax profits to R183 000. After a writeback of an extraordinary item of R721 000, attributable earnings came to R904 000.

Financial director Steve Linton said the extraordinary item related to provisions previously created for potential losses of an associated company, which were no longer required.

Titaco had since acquired a 100% interest in the company.

Meyjes said that the outlook for the ensuing year was more favourable, in spite of the poor market conditions.

The group had secured technology transfer agreements with major overseas groups operating in similar markets, with a view to participating in the expected upturn in capital spending.

Two major export orders from Zambia and Zimbabwe were also expected to come to fruition this year. In addition, the company had a reasonable residual order book, having already secured 60% of last year's turnover.

This would form a solid base from which an innovative and focused marketing effort, to identify opportunities, would be undertaken.

COMPANIES

Scharrighuisen may net Vaaltrucar

EDWARD WEST

OPENCAST mining, construction and plant hire group Scharrighuisen may be set to buy Vaaltrucar, signalling its first foray into the motor retail sector. (189E)

This possibility was prompted by today's joint cautionary announcement from Scharrighuisen, Vaalauto and Vaaltrucar. The latter's only asset is an 81% interest in Vaalauto. BDay 13/5/92

The announcement said negotiations between the groups had reached an advanced stage, which if successfully concluded, could affect the share prices of the companies. The announcement follows an earlier cautionary by the companies on February 21 1992.

Scharrighuisen MD Laurie Fischer declined to comment yesterday on the speculation. However, he said a further announcement would be made in due course, possibly in a week. Vaaltrucar directors could not be reached for comment.

In Scharrighuisen's 1991 annual report released in March 1992, chairman Casper Scharrighuisen hinted at further acquisitions when he said several areas had been identified where there was potential for new growth.

Vaaltrucar traded at 60c a share yesterday, close to its net asset value of 59,6c a share at its year-end to February 1991. It has 16,5-million ordinary shares in issue.

Fenner's got eggs in many baskets

(189E)

S|Times (BUSS) 26/4/92.

By ROBIN PEGLER

ENGINEERING group Fenner is about to issue its half-yearly profits to February 1992.

One should not expect fireworks — earnings may be little if any better than a year ago. Nevertheless, the shares are worth attention.

In spite of the recession, Fenner's earnings have improved every year since listing in 1987.

Group managing director Joe Biehler attributes this to Fenner's diversity. It has a wide range of specialist subsidiaries, each a leader in its field.

Gold

The group in general supplies many industries with relatively small items, such as pumps, valves and power transmission. Some of them are for replacement, the others are needed for capital projects, such as Mossgas.

Such diversity means that the completion of Mossgas does not harm Fenner unduly.

Similarly, economies on the gold mines have not affected the group as a whole too much.

Careful asset management has reduced gearing to 12%, so apart from trading, interest charges should be lower this year.

Fenner relies mainly on organic growth and follows a selective policy of acquiring other companies. A recession is the time for such takeovers — companies can be bought cheaply. A strong balance sheet, such as Fenner's, makes an acquisition easy. There is a possibility of this, though obviously Mr Biehler will not be drawn on this subject.

Fenner trades on the JSE at no more than net asset value. The share which appears to show the greatest similarity to Fenner is the higher profile Hudaco, a more aggressive acquisitor, whose shares are more marketable.

Hudaco trades at about three times net asset value, but returns on assets of both companies are reasonably similar. This suggests that in spite of limited marketability, Fenner is much undervalued.

If the half-yearly report shows reasonable profits and prospects, investors who are essentially long term can accumulate the shares.

FM 24/4/92

INMINS FM 24/4/92

Highly indebted (189E)

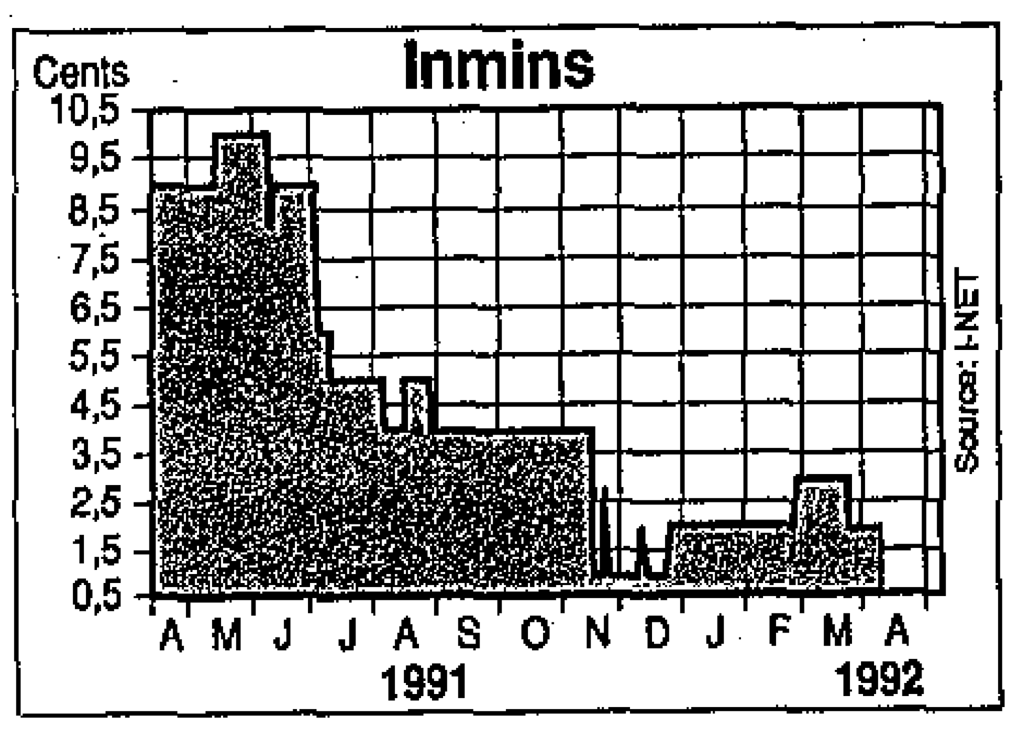
Sector: Industrial - Engineering*

The weakness of the Industrial Mining & Supplies (Inmins) share price is well justified by the inability to shrug off a heavy debt burden, despite two years of restructuring. After swinging into the black to a R4,9m operating profit from 1990's R1,8m loss, Inmins failed to pull out of the red at bottom line because of R6,6m financing costs.

Activities: *Holding company with interests in the mining and industrial supplies industry.*
Control: *Winhold 61%.*
Chairman: *J H Henderson;* MD: *W A R Wenteler.* (189E)
Capital structure: *26,5m ords. Market capitalisation: R530 000*
Share market: *Price: 2c. 12-month high, 10c; low, 1c. Trading volume last quarter, 26 000 shares.*

Year to Sep 30	'88	'89	'90	'91
ST debt (Rm)	45,5	18,9	22,9	21,7
LT debt (Rm)	12,0	10,1	8,8	8,2
Debt:equity ratio	0,54	0,97	12,7	16,2
Shareholders' interest	0,19	0,29	0,04	0,03
Int & leasing cover .	0,52	1,7	0,01	0,8
Return on cap (%) ..	1,7	—	—	8,4
Turnover (Rm)	326	273	193	169
Pre-int profit (Rm) ...	2,7	14,6	(1,8)	4,9
Pre-int margin (%) ..	0,8	5,4	—	2,9
Earnings (c)	(7,7)	3,9	(38,4)	(5,9)
Net worth (c)	11	13	(29)	(32)

The group continued to rationalise: two operations were sold and one closed, which caused a drop in sales volumes. In spite of this, it remains a sizeable operation, with turnover of R169m: an object lesson in how size does not count if sales are unprofitable.



This year could be crucial. Tangible NAV is already negative and the tax loss is likely to become the biggest asset. The nominal share price precludes curing the weak asset base by going to the market for money. Debt has not yet been significantly cut and degearing could take some years.

Chairman Chick Henderson (who retires at the end of April to pursue other interests) says cost cuts are paying off and constant attention will be given to asset management. He adds that growth is highly dependent on an upturn in the economy. Not suprisingly, the share price is close to the 12-month low.

* See McGre 9078 ..

Basil Barber

Management strategy keeps Scharrighuisen on track

189E

B104 23/4/92

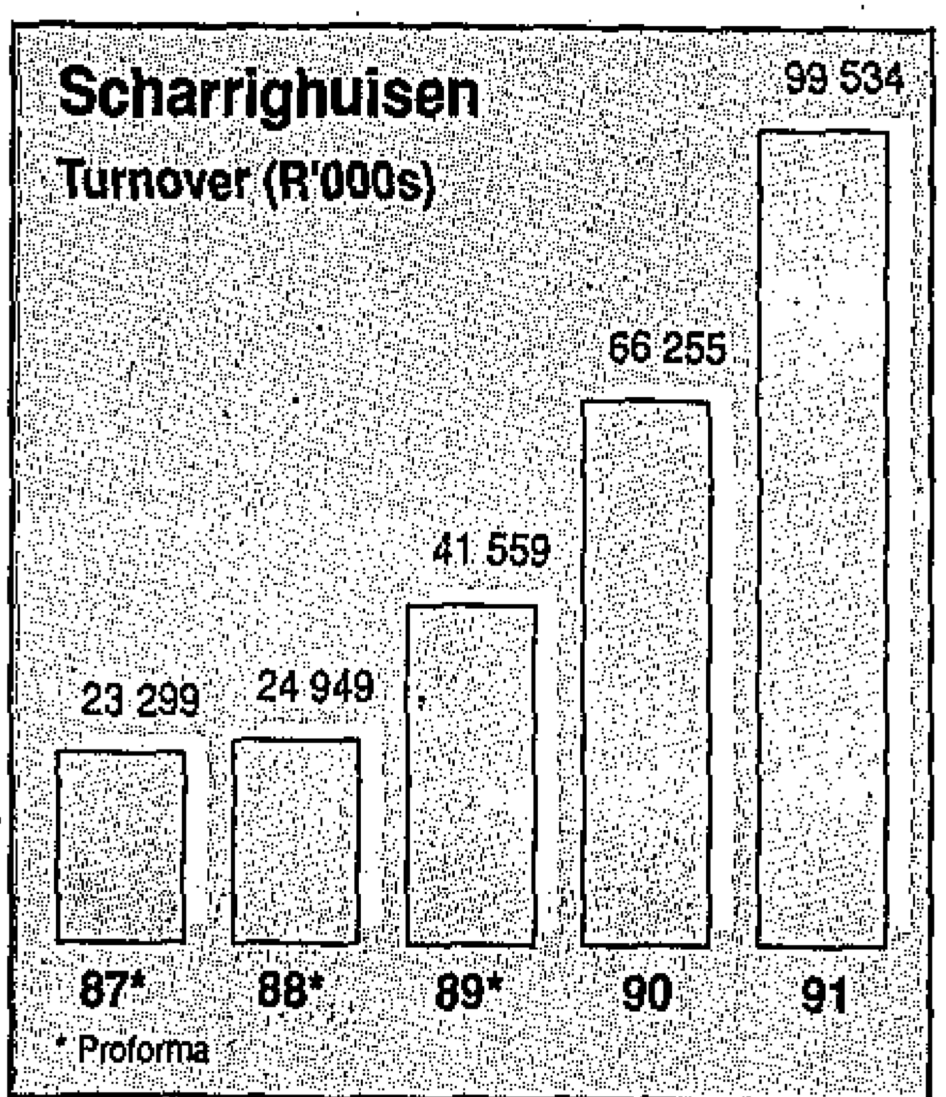
EDWARD WEST

SCHARRIGHUISEN performed well during the first quarter of the year and looks set to maintain its five-year trend of strong profit growth.

The 20-year-old opencast coal, gold and plant hire company could benefit further if negotiations for new prospects bear fruit, Scharrighuisen joint-MD Laurie Fisher said yesterday.

Since 1987 Scharrighuisen's attributable earnings had increased more than five times to R18,3m at year-end in December 1991 from R3,1m in 1987. Profits had increased 98% compared with R9,2m profit earned in the previous year.

Its share price had almost kept up with the profit performance. Its listing price of 170c had climbed — albeit erratically — to yesterday's untraded price of 340c a share. Before peaking at R4 a share on June 21 last year, Scharrighuisen touched a year's low of 180c a share.



Graphic: FIONA KRISCH Source: SCHARRIGHUISEN

Chairman Casper Scharrighuisen said in his annual review last week that while the severity of the downturn had not been anticipated, management flexibility averted any major setbacks.

Opencast mining operations continued to grow, however plant-hire revenues fell because plant was used for the mining operations. Construction activity was curtailed due to economic conditions.

The directors reported that the group maximised returns on assets by its ability to move underutilised plant from one division to another.

With the acquisition of Frigate Mining for R10m in July last year, the company diversified its opencast coal mining operations into gold mining and now successfully operates SA's largest opencast gold mine, says Scharrighuisen.

Fisher said West Wits had low-quality ore reserves to last for seven years. It operated at a profit because of its low cost and shallow (85-100m) operations. The group was also investigating the feasibility of other opencast gold mining operations, he said.

The possibility of the group entering the engine rebuilding business had also been mooted.

The financial statements showed Frigate had failed to comply with the terms of the acquisition and a substantial portion of the purchase consideration had not been paid. However, as Frigates obligations were guaranteed by a bank, no actual or future loss could arise, the report said.

Fisher said the dispute with Frigate had been resolved, as long as the recapitalisation of Frigate proceeded as planned.

NEI beefs up management team

(189E) STAR 14/4/92

NEI Africa has good long-term prospects, in spite of recent difficulties, retiring chairman Len Abrahamse says in his valedictory statement.

"We are satisfied that we have addressed the major problems that have reduced group's earnings in 1990 and 1991.

"The quantum of the group's improvement in 1992 and beyond will, apart from a much strengthened management team and the unquestioned quality of our products and services, be influenced by the extent of the improvement in the economy."

However, Mr Abrahamse sounds a warning about expectations of a short-term improvement

Peter Joubert . . . new chairman.

in performance. "I am not sanguine about the relatively short-term picture. However, the group is well poised to participate in the upturn when it comes.

Mr Abrahamse attributed some of the group's recent losses to excessively high income tax which could not be offset against profits elsewhere and said the performance by the diesel sector had been gradually improved through reduction of the number of franchises; improved margins and concentration on more profitable lines through rationalisation.

Asset management in certain companies companies still had potential for significant improvement and this was being attended to.

"A comprehensive review of the entire spectrum of financial management and related services has been initiated, using a strong task force comprised of our overseas shareholder (Cummins Engine Company), the external auditors who have strengthened and reconstituted their team, outside consultants and selected members of staff.

"Financial controls in the group have already been considerably strengthened and tightened; additional new experienced management appointments have been made or are in the process of being made."

Mr Abrahamse says disproportionately high tax at 117,2c a share led the company's directors to pay a dividend of only 7c a share.

He says his successor as chairman, Peter Joubert, has an outstanding track record and everyone in the company will benefit from his personal involvement and committment.

New thin-wall tubing plant

STAR 8/4/92

Haggie subsidiary, Maksal Tubes, has begun work on South Africa's first aluminium thin-walled tubing plant.

The plant will cost about R10 million and be established at the company's Springs manufacturing facility.

"The plant has the potential to save R2 million a million a year in foreign exchange," said Maskal managing director John Cross yesterday.

"Maximum capacity will be 500 tons of tube a year and the minimum thickness tube to be produced at the plant will be 0,4mm." (189E)

Initial production would be used for tubing for radiator and air conditioning systems in the automotive industry.

"We shall aim at the export market via the local manufacturers," Mr Cross added. — Sapa.

AMIC (189E) FM 3/4/92

Extensive investment programme

Activities: *Diversified industrial group with investments primarily in iron, steel and engineering; industrial explosives and chemicals; mining and construction equipment and services; pulp, paper, forestry and timber products; sugar and food; electronics and electrical engineering; freight and travel; motor vehicle components, assembly and distribution; and building and construction.*

Control: *Anglo American 45,7%. De Beers 27,3%.*

Chairman: *L Boyd. Deputy chairmen: H K Davies and A J Trahar.*

Capital structure: *57m ords and 1m 5,625% cum 1st prefs. Market capitalisation: R4,6bn.*

Share market: *Price: 8 150c. Yields: 4,3% on dividend; 9,0% on earnings; p:e ratio, 11,2; cover, 2,1. 12-month high, R92; low, R73. Trading volume last quarter, 570 000 shares.*

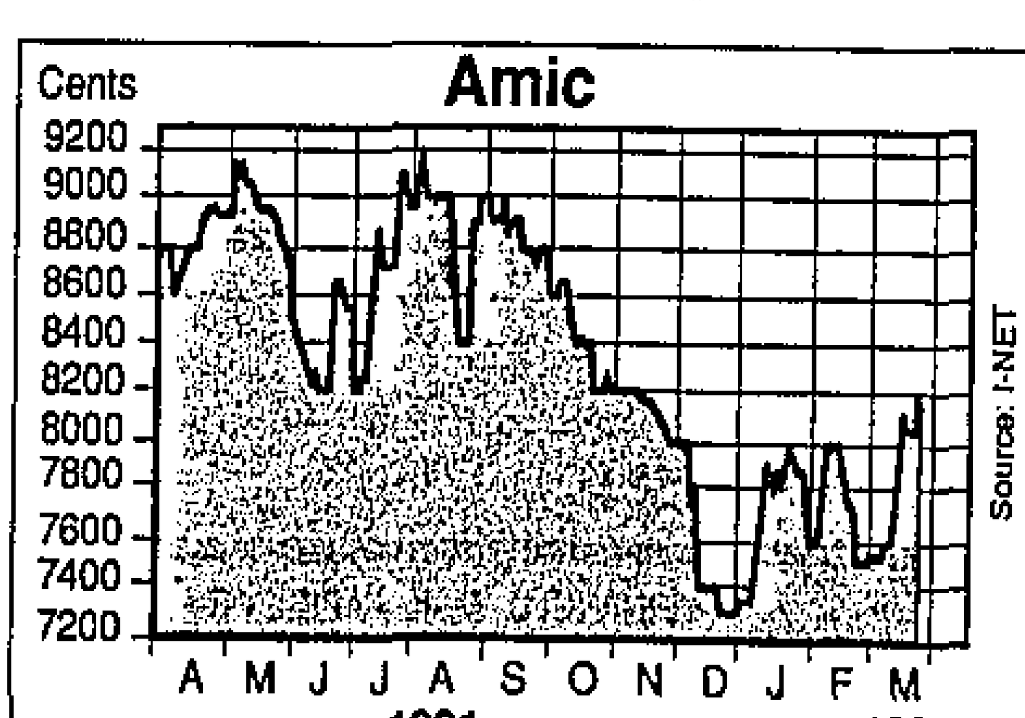
Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	433	365	398	470
LT debt (Rm)	110	450	271	516
Debt:equity ratio	0,24	0,15	0,11	0,13
Shareholders' interest	0,61	0,59	0,65	0,63
Int & leasing cover	24,9	32,9	20,0	17,4
Return on cap (%)	16,4	16,8	11,3	9,5
Turnover (Rm)	4,73	5,78	6,12	6,46
Pre-int profit (Rm)	994	1 310	799	643
Pre-int margin (%)	16,3	18,3	9,3	6,7
Earnings (c)	963	1 180	836	731
Dividends (c)	290	350	350	350
Net worth (c)	5 874	7 034	7 372	7 701

Amic's share rating has continued to decline against the Industrial index during the last few years. Investors appear concerned that the giant industrial group will be slow to benefit from a cyclical upswing in domestic or international economies.

Since financial 1989, when Amic reported record earnings, most of the subsidiaries and associates have been hurt by a combination of factors. These include local and worldwide recession, cuts in mining and public-sector expenditure, high interest rates, depressed commodity prices and dwindling returns on exports.

Despite difficult trading conditions at home and abroad — resulting in overcapacity at many of its operations — Amic has continued its extensive investment programme. While this may delay the recovery, it should make a significant contribution to Amic's longer-term performance.

Last week subsidiary Mondi announced it was taking part in a R550m deal to acquire a 44,4% stake, and joint effective control, of Austrian pulp and paper group Frantschach.



Amic's Boyd ... *investing for the long term*

Also in the consortium are Amic's major shareholders Anglo American and De Beers, and another Anglo associate, Minorco.

The move follows the 1990 acquisition of 49% of Austrian photocopy and business paper manufacturing Neusiedler AG. Amic reduced its stake in Mondi from 64% to 53%, after a rights issue in July 1990 to raise R454m for capital expansion at the forestry products group. Mondi is funding its latest acquisition through offshore borrowings, so the purchase will not affect Amic's shareholding.

Last year the Columbus Joint Venture, set up by Amic subsidiary Highveld Steel & Vanadium and Samancor, acquired the stainless steel business of Middelburg Steel & Alloys for R500m. The acquisition resulted in Amic acquiring a further 8,2m Highveld shares to maintain its 52% stake. This was financed by issue of 1,4m Amic shares.

Highveld's Rheem division established a R150m plant to produce aluminium cans for the local beverage industry. Amic's other investments included the purchase of another 2m Ventron shares, for R46m, lifting the stake in Ventron to 29,2%. It bought 51% of aluminium wheels and automotive components maker NF Die Casting for R30m. Group capital spending last year rose from R713m to R790m, of which 85% is related to expansion projects.

Ironically Highveld, which accounted for much of Amic's capex last year, has suffered more than most of Amic's operations from the domestic and international recession. The worldwide drop in consumption of steel and related products resulted in pre-tax earnings at Highveld being at least halved during each of the past two years. Subsidiaries Boart International and Mondi, as well as associate AECI, also suffered significant declines in pre-tax earnings.

Engineering firm Boart was hit by the fall in international mining activity and the slide in commodity prices. For the first time in eight years, Boart's export earnings fell short of local profit.

Soft export markets also hampered forestry products suppliers Mondi and associate NTE. After a 45% fall in pre-tax earnings in financial 1990, Mondi and NTE reported an earnings drop of nearly 12%. A deferred tax adjustment, arising from the lower company tax rate, helped these operations improve attributable earnings by nearly a fifth, but the benefit to Amic was diluted by reduced shareholdings in these two operations.

Best performer among the major contributors was wholly owned Scaw Metals, whose earnings rose nearly 13%. Buoyed by improved exports, Scaw was the biggest contributor to group profit last year — followed by AECI and Mondi. This was achieved despite weaker attributable earnings at 35%-held Haggie.

With Highveld and AECI earlier announcing declines in attributable income of 36% and 21% respectively, Amic's performance in 1991 was expected to be little better than the previous year, when attributable income fell 29%. Interim earnings were down 25%, but 6% growth in the second half limited the full-year decline to only 11%. Attributable earnings were R401m, on slightly higher turnover of R6,46bn. The additional 2,7m issued shares resulted in EPS sliding 12,6%.

Amic's earnings decline was cushioned by a reduction in effective tax rate, from 20% to just over 8%. Had the rate been maintained, attributable earnings would have fallen about a third. But most of Amic's tax relief was due to export incentives. Lower international sales is likely to mean a higher tax rate this year.

Operating income from subsidiaries dropped from R1,06bn in 1989 and R570m in 1990, to R434m. Contributions from associates held up much better, sliding from R247m in 1989 to R206m. Margins have generally contracted but management hopes to stem, and possibly reverse, this trend this year through improved productivity and tighter financial controls.

Lower earnings and high levels of capital spending have increased strain on the balance sheet. Net borrowings — excluding redeemable prefs that rose from R399m to R481m — climbed 47%, to R340m. Cash holdings at year-end were R646m, up from R438m.

Outgoing chairman Graham Boustred, who has been succeeded by Les Boyd, says Amic is budgeting for a modest increase in earnings. He expects little economic growth and warns that low levels of production capa-

cont —>

P.T.O.

Scharrighuisen plans to cast its net wider

189E

BDay 1/4/92

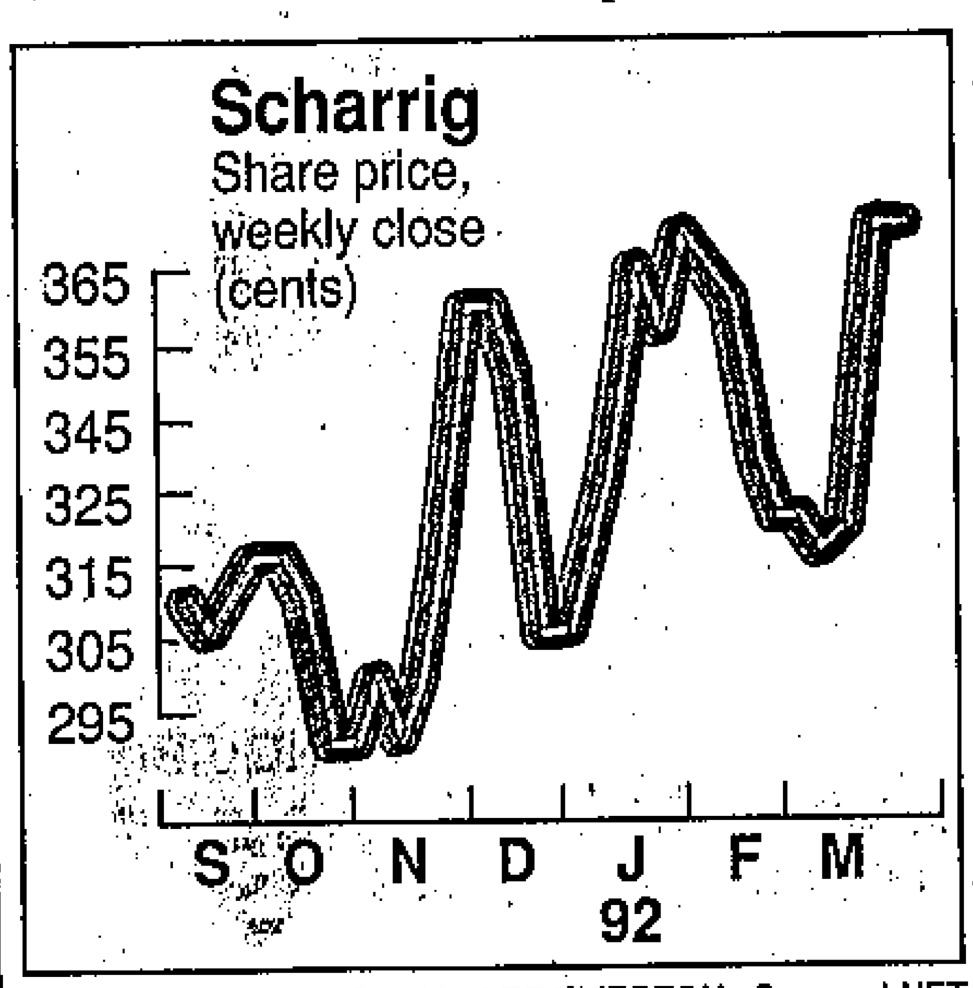
WILLIAM GILFILLAN

SCHARRIGHUISEN Holdings, currently embroiled in a dispute with the Frigate Group, was looking to take a significant stake in an unlisted engine rebuilding business, joint MD Laurie Fisher said yesterday when presenting the group's results.

On the back of improved efficiencies and greater economies of scale, the opencast contract mining, earthmoving and plant hire group reported a 85% surge in profits in the year to December.

A sharp rise in turnover to R99m from R66m in the previous year converted into a 98% increase in attributable income to R18m (1990: R9m).

On earnings a share up 85% to 70,8c (38,2c), a dividend of 25c a share has been declared. This represents a rise of 138%.



Graphic: LEE EMERTON Source: I-NET

Fisher said the possible investment in the engine rebuilding business originated through synergistic benefits relating to its knowledge of engines and workshop infrastructure.

"The rebuilding and reconditioning of engines for the automotive market is an area providing great potential," he said.

"Apart from the engine building business, we have identified operations within our core business of contract mining which are currently being investigated."

Analysts believed Scharrighuisen's reliance on the Frigate mining contracts, worth about R2m a month, was worrying management considering the large losses recorded by the Frigate Group in the past few years.

However the acquisition of a 40% stake in Frigate by a consortium led by mineralogist John Leach and the reassurance by Frigate's attorney Ivan Levy the group would be recapitalised following the deal would be a consolation of sorts, they added.

Chairman Cas Scharrighuisen said although the company's business had been affected aversely by the economy, the growth of opencast mining operations "more than made up" for the shortfall.

COMPA

ADE turnaround defies critics and the recession

BDay 1/4/92 (189E)

LINDA ENSOR

CAPE TOWN — Atlantis Diesel Engines (ADE) has defied its critics by returning to profitability, staunching the losses which in the past led to the engine manufacturer being branded an apartheid-created white elephant.

The achievement comes in the face of the dramatic slump in engine sales caused by the recession and intense destocking by the industry.

The 1991 calendar year saw total engine sales dip 44% to 8 266, the lowest point since 1981 and down from 14 784 in 1990.

From a historical level of about 15 000 tractor sales a year, sales last year dropped to 2 861, while tractor engine sales slumped to 1 068 due to destocking.

Medium truck sales plummetted from their historical average of about 5 000-6 000 to 4 127 but the high level of stocks meant only 2 437 engines were sold by ADE. Heavy truck sales, which in the past averaged between 15 000-20 000 a year, fell to 5 807 in 1991, and ADE's sales to 4 104.

ADE's return to the black was also achieved in spite of the gradual phasing out of the high protective barriers which have given the Industrial Development Corporation-controlled manufacturer a virtual monopoly of the SA engine market. It also came in spite of the freeze on prices of ADE's tractor engines.

Proud

Last year's losses have been converted into profits, ADE MD Fritz Korte said a small profit would be made in the year to mid-June on a turnover of about R440m, compared with the R13m loss suffered last year.

Of the R440m turnover, R300m would come from engines, R100m from after-sales parts, and R40m from exports of components.

Korte is justly proud of the achievement, saying the turnaround was made possible only by the personal sacrifice and commitment of ADE's staff, which resulted in cost savings of about R60m-R70m a year.

The spirit in the company is extremely high and the staff are very motivated, he says.

Korte personally made a big sacrifice, turning down a lucrative job offer from a German manufacturer. Involved, he chose to remain to see his task completed.

About one third of the savings achieved came from cutting the complement of directors, senior managers and head office staff to the bone.

Numbers dropped 35% from 950 to 580 and will decline further to a targeted 480 as people leave.

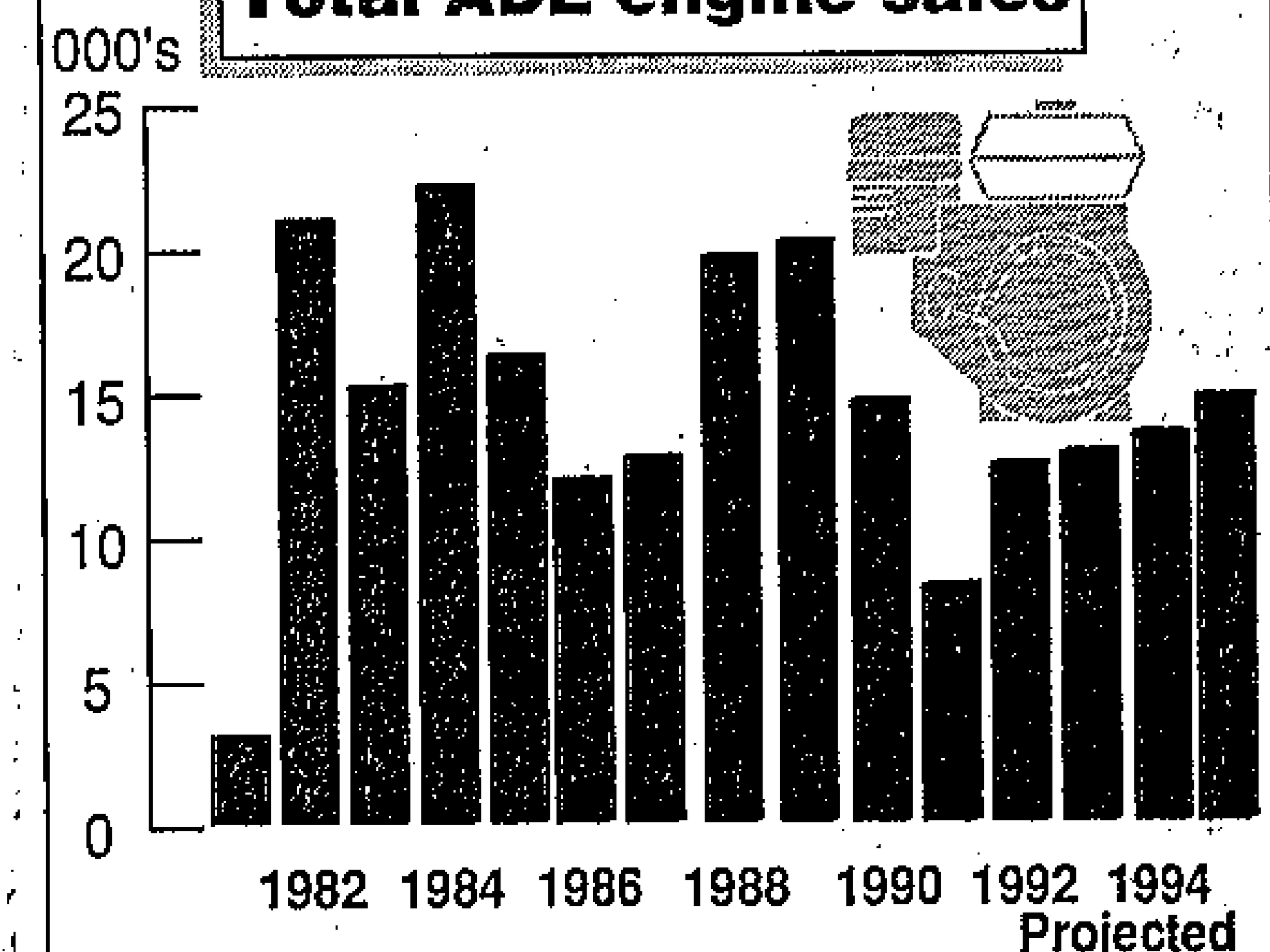
ADE has embarked on a multiskilling programme to train people to take over the tasks of their departing colleagues.

A cost-saving scheme was introduced in terms of which staff received a bonus of all money saved over and above the budgeted amount.

Two bonuses equal to a week's salary have been paid out and Korte is optimistic about two more being paid out later this year.

For 1993 a profit and productivity driven incentive scheme is under consideration.

Total ADE engine sales



Graphic: LEE EMERTON Source: ADE

Aiding the turnaround has been the contribution of suppliers who have held back price increases. Also, ADE restructured its production lines and diversified into the assembly of partially knocked down tractors, a small but profitable operation.

Lead times were reduced and says Korte, ADE's customers are now much happier.

"We have been able to meet the challenges by redirecting and refocusing ourselves and we are now working very slickly," he says.

ADE will maintain the freeze on tractor prices until the end of the year and after that will increase prices only by a percentage of inflation. In this way the differential between the price of imported engines and ADE engines will be progressively narrowed.

The drought and the farmers' worsening plight will contribute to ADE's burdens this year and may make it necessary to reduce projected tractor sales of 2 800 to about 2 000-2 200.

The projection for tractor engine sales is 1 981, medium truck engines 3 226, heavy truck engines 6 013 and industrial engines 1 237.

Total engine sales are projected to increase 51% to 12 467 (8 266).

Korte says these projections are very conservative being based only on the fact that stocks have now been depleted, and take no account of any possible economic upturn. Of crucial importance will be the export drive which will hopefully increase the capacity utilisation of the plant.

ADE's licensors, Perkins and Mercedes, have indicated they are willing to use ADE as a source of components for their worldwide operations provided the price is right.

Korte is confident of being able to increase the export of components to R150m this year.

In the 1991 calendar year exports of R50m represented about 10% of turnover. Greater throughput would have a direct impact on the bottom line and underpin the group's momentum to enhanced profitability.

NEI AFRICA FM 27/3/92

Rewriting the books 189E

The circumstances that required a write-down of R52,5m in NEI's net assets were documented in the *FM* two weeks ago (*Fox* March 13). But the full extent of the devas-

Activities: *Design, manufacture, supply, installation and maintenance of energy conversion and distribution equipment.*
Control: *NEI Plc owns 56,7% of Pyramid NEI Holdings.*
Chairman: *L G Abrahamse; MD: L D Hyslop.*
Capital structure: *6,3m ords. Market capitalisation: R59,5m.*
Share market: *Price: 950c. Yields: 1,5% on dividend; nil % on earnings; p:e ratio, n/a; cover, n/a. 12-month high, 950c; low, 625c. Trading volume last quarter, nil shares.*

Year to Dec 31	'88	'89	'90*	'91
ST debt (Rm)	97,5	114,7	155,5	174,0
LT debt (Rm)	2,5	4,2	3,2	3,1
Debt:equity ratio	0,37	0,41	0,97	1,18
Shareholders' interest	0,45	0,43	0,32	0,37
Int & leasing cover .	8,5	7,3	2,0	1,3
Return on cap (%) ..	17,1	17,3	7,9	9,0
Turnover (Rm)	439	587	712	797
Pre-int profit (Rm) ...	57,3	69,1	31,0	36,4
Pre-int margin (%) ..	13,1	11,8	4,4	4,6
Earnings (c)	528	520	(68,2)	(29,9)
Dividends (c)	211	211	165	14
Net worth (c)	2 477	2 722	2 005	2 328

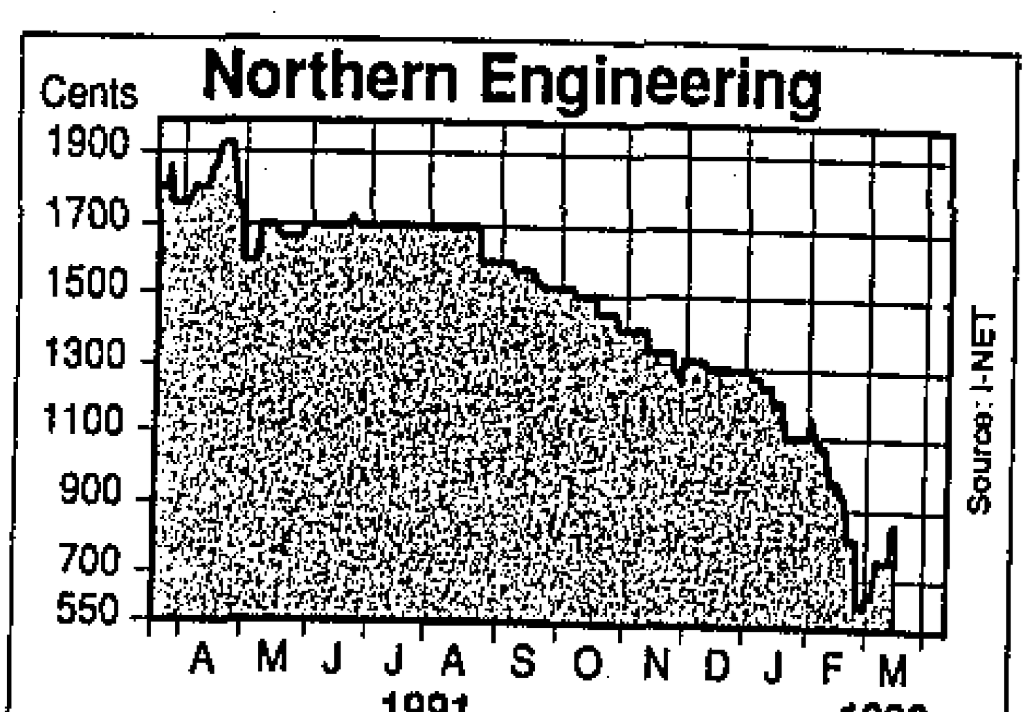
* Restated after R52,5m adjustment to net assets as advised, on June 20, 1991.

tation caused by management manipulation in the diesel division in 1990 has become apparent only with the issue of the 1991 annual report.

With the asset write-off, adjustments have had to be made to the figures for no fewer than four previous years — 1987-1990. So it was as early as five years ago that figures were stated wrongly in the books. The table highlights the effects of the changes, especially on EPS.

The problem was discovered at the beginning of last year, so the 1991 annual report is the first to document the R52,5m write-off.

Before the restatement and write-down, ordinary shareholders' funds in 1990 were R178m. After all adjustments, and with combined retained losses of R19,6m for 1990 and 1991, shareholders' funds at December 31 stood at R145,8m. With comparative figures restated, this is R20m higher than the previous year. As explained two weeks ago, the difference is largely accounted for by the land and building revaluation surplus of R23,4m posted to nondistributable reserves.



NEI's Hyslop ... *nothing to hide*

The revaluation has no effect on the cash position. And NEI has been a cash-hungry organisation. During the past two years net cash utilised was R104m, financed by an increase in net short-term borrowings. This increase caused net interest paid to jump to R29,1m (R15,6m).

In light of these troubles, it would not be out of place to expect explicit exposure of the fortunes of the 11 main operating subsidiaries on which the future of the group depends. But there is nothing except a few paragraphs that are supposed to reassure the investor that the group's future is sound. CE Lawrence Hyslop says he has nothing to hide, but any details of performance of each of NEI's 11 companies would help competitors.

Improved performance

Hyslop says most of the R100m or so has been channelled into Probuilt, which rebuilds diesel engines, and Propower, which distributes Cummins diesel engines and Probuilt products as well as other diesel automotive and engineering components.

Performance from the diesel section is reported to have improved throughout the year.

A profit contribution from the electrical companies is expected to continue, and an acceptable contribution from the mechanical activities is expected.

Unless the economy shifts into a higher gear, at best only a moderate performance can be expected from the group until it reduces its high debt:equity position and its cost of debt. The yield pattern suggests the share is already discounting a recovery, though the price is standing well below NAV. Unfortunately, the available information makes evaluation of the share problematic.

GRIM NEW LOOK

	1987	1988	1989	1990
EPS				
Original (c)	450	528	520	332
Re-stated (c)	332	327	446	(68)
Difference %	26	38	14	(120)
NAV				
Original (c)	2 261	2 503	2 723	2 842
Re-stated (c)	2 144	2 185	2 285	2 004
Difference %	5	13	16	29

It is anybody's guess whether a short-term position in the share is worthwhile. But, linked as it is with heavy industry, NEI is a substantial organisation whose performance will be tied to the fortunes of the economy. Under competent management, it should recover well in the long term. *Gerald Hirshon*

DATES TO REMEMBER

Last day to register for dividends:
Friday Apr 3: Bankorp 5c; Guardian 90c; JD Group 15c; MacPhail 13,5c; M & F 25c; Norimed 18c; Noristan 1,5c; Port 10c.
Meetings:
Monday Mar 30: BTR Dunlop (Durban); CDC (Sandton); Foschini (S) (Parow); Laser (Cape Town); Lefic (S) (Parow); Metpol (Cape Town).
Tuesday Mar 31: Hudaco (Elandsfontein); Inmins; Plastall; Simmers (Sandton); Waverley (Sandton); West Wits (S); Winbel; Winhold.
Friday Apr 3: U-Control; Unihold.
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.

HAGGIE

Looking ahead

189E

For many years, the mining industry was a critical market for Haggie. It remains important, but diversification since the late Seventies has greatly reduced the reliance on this sector.

Divisional breakdowns of the contributions from the major divisions — a useful innovation included in the 1991 annual report — show mining accounted for only 30,8% of the turnover of the steel wire and rope activities held in Haggie Rand and Consolidated Wire Industries.

Activities: *Makes steel wire and rope, as well as copper-based products and engineering consumables.*
Control: *Amic and Malbak each hold 35%.*
Chairman: *G S Thomas;* *MD: C Murray.*
Capital structure: *19,5m ords; 12m var rate cum red prefs. Market capitalisation: R551m.*
Share market: *Price: 2 825c. Yields: 5,6% on dividend; 10,5% on earnings; p:e ratio, 9,6; cover, 1,9. 12-month high, R30; low, R23. Trading volume last quarter, 114 000 shares.*

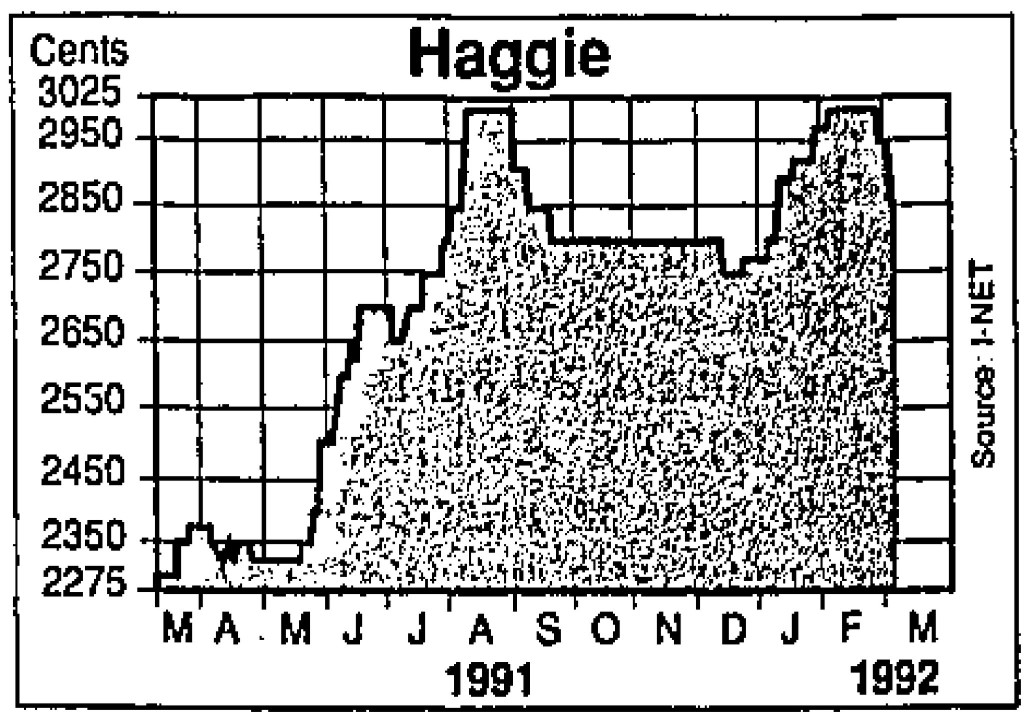
Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	76,0	108,3	130,4	130,5
LT debt (Rm)	3,5	5,6	4,2	33,7
Debt:equity ratio	0,22	0,30	0,32	0,28
Int & leasing cover	44	12,1	6,4	5,2
Return on cap (%)	22,9	25,4	17,4	12,6
Turnover (Rm)	875	1 180	1 254	1 182
Pre-int profit (Rm)	116	151	137	104
Pre-int margin (%)	13,2	12,7	10,9	8,8
Earnings (c)	319,7	406,2	363,2	295,5
Dividends (c)	128	157	157	157
Net worth (c)	1 684	1 938	2 067	2 203

This division accounted for 54% of Haggie's turnover and 70% of group pre-interest profit. Apart from mining, the division's sales were derived from general engineering (25,6%), export (15,4%), agriculture (9,2%), retail (7,7%), construction (7,5%) and marine (3,6%).

Next largest division was the copper-based products, comprising Copalcor, Maksal Tubes and Chicks Scrap Metals & Waste Services. It contributed 37% of group turnover and 24% of pre-interest profit. Largest market for these activities was construction (26,4%), followed by electrical (18%), export (18%), motor (17,3%), general engineering (16,5%) and mining (3,8%).

The smallest division, engineering consumables, comprising Somta Tools, Fascor/Sarmco, Neill Tools and Osborn, provided only 9% of turnover and 6% of pre-interest profit. Its main market is general engineering (52,6%), with most of the rest spread among exports (17,3%), mining (14,7%) and motor (10,1%).

Haggie's Murray ... *capital requirements will increase*



From these figures, Haggie is quite broadly linked to the local and world economies. Shrinking demand in most markets and diminishing volume throughput at the plants have severely affected capacity utilisation and profitability.

Chairman Grant Thomas does emphasise, however, that the static rand gold price and continuing high inflation forced the local mining industry to persist with, and, where possible, to intensify, its cost-cutting campaign. He says measures such as the large-scale destocking of spare winding ropes had a significant effect on Haggie Rand's production volumes.

MD Chris Murray says the steel wire and rope division suffered a significant fall in operating margin, from 14% in 1990 to 11,5% in 1991. Its working capital requirements increased slightly due to a build-up of stock late in 1991, when demand was at its lowest.

Rationalisation — not yet complete — has yielded better margins in the copper-based products division, even though sales fell in both local and foreign markets. The scrap business was hurt by poor economic conditions in the coastal areas. Ignoring the margin in the scrap business, the remainder of the division achieved a return on sales of 7%, against 5% in 1990.

In the engineering consumables division, margins fell sharply mainly because of a drop in local demand for Somta's products.

All divisions will concentrate on improving margins this year and management will give greater emphasis to control of working capital. Unfortunately, as Murray points out, the third objective — to maximise use of capacity through exports — runs counter to these two objectives.

Cash generated by operations increased last year by R14,8m to R118m, helped by better control of working capital. Nevertheless, debt had to be increased to help fund capital expenditure, which remains high.

Capex last year absorbed R62m, comprising R24m on existing operations, R30m on expansion and R8m on acquisitions. Since a spending programme was embarked upon in 1989, net investment (replacement of fixed assets, disposals and new investments) has totalled R201m or an average of R67m a year. Net borrowings rose last year to R124,5m (R114m), giving a gearing ratio of 28%, not excessive but the highest in years.

Murray notes that spending requirements will increase over the next few years as various projects are brought to fruition. Such projects include producing aluminium tube to replace the group's copper tube in certain applications and the plan to make steel tyre cord to replace imported tyre cord. The first phase of the tyre cord project will involve an outlay of R82m over the next two years.

Net gearing will rise towards 40% before the tyre cord project is completed, though management will aim to avoid a higher increase. Financing costs will thus continue to restrain earnings over the next year or two. Another damper will be an expected rise in the effective tax rate, from 1991's 25% to about 36% this year.

Haggie is targeting a modest improvement in earnings. Cash restraints will probably mean the dividend will be pegged for the fourth year. Improved cost controls and the investment programme should enable a strong profit recovery when the economy picks up — even if gold mining continues to lag. But the share, on a p:e of 15,3, looks fully priced for now.

Andrew McNulty

FM 13/3/92 (189E)

NEI AFRICA

Multitude of troubles

The tumble in share price from R40 in July 1989 to 650c is an indication of the multitude of troubles that NEI suffered, especially in 1991. It was once regarded as a pale blue-chip but two consecutive years of EPS losses have dispelled that rating.

The best that can be said about 1991 is that the loss was less than in 1990, in circumstances which must constitute the ideal nightmare for a non-executive chairman like Len Abrahamse.

In April, shareholders were alerted via a cautionary announcement that all was not well. In June, they were told that investigations into a subsidiary in the diesel division had revealed that the board had been given wrong management information for years.

Stock had been overvalued by R26,5m and R14m liabilities had not been reflected in the accounts. Net assets had to be reduced by R52,5m.

Lawrence Hyslop was appointed CE in 1990, before the scandal was uncovered. He explains that it had been intended to grow Probuilt and Propower, parts of the diesel division, rapidly, to replace business that would no longer be available to International Combustion after the last Eskom power station contract and Mossgas were completed.

Over-enthusiastic management at Propower and Probuilt pushed turnover at the cost of margin. This led to losses. To disguise them, a misguided cover-up was implemented and financial controls were skewed.

To reflect the correct position, NEI has restated 1990 figures. This has cut net operating income to R15,4m from R40,4m, net income to R4,3m from R20,8m, EPS to a loss of 68,2c from a profit of 332c, and NAV to 2 004c from 2 842c.

The 1991 income statement as a basis for comparing performance with 1990 is therefore somewhat hollow, and the same can be said for balance sheet ratios. What does, however, stand out in 1991 is that net finance costs rose to R29,1m, against an original R15,1m in 1990 and a restated figure only R500 000 more.

The only significant balance sheet change arises from a revaluation of land and buildings, that added a surplus of R23,4m to nondistributable reserves.

In restructuring the group after the fiasco, Hyslop has removed divisional compartments. There are now, he says, 11 separate companies, each with autonomous management, which report to group head office. He is confident that Probuilt's margins will improve, that it will break even this year, and that Propower is well placed to take advantage of any improvement in the economy.

Hyslop will say no more about 1992 prospects, other than that results will improve. In the circumstances it is difficult to comment on whether the share represents value. But it is trading at only 28% of stated NAV. Without ignoring both the precipitous fall in price

FM 13/3/92 (189E)

and risk involved, this may be an opportunity to acquire a recovery stock which has a close affinity with the economy. *Gerald Hirshon*

FM 6/3/92 (189E)

UNIHOLD FM 6/3/92

Heavy debt burden (189E)

Reasons for the recent cautionary notice about engineering group Unihold and its pyramid, U-Control, are expected to be revealed next week. Financial director Brian MacDonald says only that the effects should be favourable for shareholders, but market talk is that an acquisition is planned.

If so, the funding method will be interesting. Interest-bearing debt grew sharply over the past year, and at December 31 totalled R51,3m against the year-ago level of R30m. This lifted the debt:equity ratio from 55% to 68%. This, and flagging profitability, has pulled the interest cover down to only 2,7 times.

At bottom line the results have been reasonably steady but uninspiring. EPS in the 1991 year were marginally lower, at 22,4c (23,6c), which in itself hardly seems to justify the share price performance.

When Unihold released its interim results about six months ago, the share price was around 140c, with the dividend yield at 8,6%. It now trades at a 12-month high of 175c, on an historical earnings multiple of 7,8 and a dividend yield of 7,7%.

Like many other industrials that have reported recently, Unihold's year-end figures show sales continued to increase, but this was against the background of further deterioration in trading conditions, with the inevitable effect on margins. On 10% higher turnover, the operating margin fell from 11,7% to 9% — the lowest in five years. MacDonald blames the low margin on tight conditions in local and global markets, which caused the group to reduce the rate of annual increase in selling prices.

Thanks to export incentives derived partly from the newly acquired Benoni Engineering Foundry and Mine & Steel Products, the effective tax rate was cut by 13,8%; the tax charge fell to R3,2m (R6,2m). Attributable earnings were up about 5%, but EPS dropped because more shares were issued.

Engineering was again the most profitable division. Its contribution to profit increased to 50% (1990: 42%), while foundries provided 27% (36%) and electrical activities 23% (22%). Sales were derived from foundries 36% (31%), engineering 30% (30%) and electrical activities 34% (39%).

Group MD John Butler concedes that gearing is too high. Debt:equity has dropped from the 75% level at the halfway stage, but that was largely because capital spending is normally at a peak during the first six months of the year; cash flow tends to pick up in the second half.

Capex of R22,7m was spent in 1991. MacDonald says last year was considered a time to invest. Acquisitions included Hendor Wear Parts, which should open opportunities in the agricultural, quarrying and construction markets. A further R17m capex has been earmarked for this year. Two properties will be purchased, one for use by the industrial division in Port Elizabeth, the other for the Dacalight division in the Cape.

MacDonald feels prospects for this year are mixed. Growth is expected from the divisions operating in niche markets and from those where manufacturing capacity has been expanded. While the rating of the share does not seem too demanding now, prospects will obviously be influenced by the announcement expected shortly. *Basil Barber*

8. Deur in klousule 3 (b) (ii) "R54" te vervang met "R59,40" en "R144" te vervang met "R158,40".
9. Deur in klousule 4 die uitdrukking "uitreikingsgeld vir duplikaatregistrasiesertifikaat: R7,50:" te vervang met "uitreikingsgeld vir duplikaatregistrasiesertifikaat (BELASTING OP TOEGEVOEGDE WAARDE INGESLUIT): R8,25:".

(6 Maart 1992)

RAADSKENNISGEWING 21 VAN 1992

STADSRAAD VAN KRUGERSDORP

WYSIGING VAN ELEKTRISITEITSVERORDENINGE

Kennis geskied hierby ingevolge die bepalings van artikel 96 van die Ordonnansie op Plaaslike Bestuur, 1939, dat die Stadsraad van voorneme is om sy Elektrisiteitsverordeninge te wysig.

Die algemene strekking van die wysiging is om 'n verhoging van tariewe deur Eskom van 1 Februarie 1992 aan die verbruiker oor te dra.

'n Afskrif van die wysiging lê gedurende kantoorure vir 'n tydperk van 14 dae vanaf die datum van publikasie hiervan in die *Staatskoerant* by die kantoor van die Stadsekretaris, Kamer S118, Burgersentrum, Krugersdorp, ter insae.

Enige persoon wat beswaar teen genoemde wysiging wil aanteken, moet dit skriftelik binne 14 dae na die datum van publikasie van hierdie kennisgewing in die *Staatskoerant* op 6 Maart 1992, by die ondergetekende indien.

M. C. C. OOSTHUIZEN,
Stadsklerk.

Burgersentrum
Posbus 94
Krugersdorp
1740.

6 Maart 1992.

(Kennisgewing No. 30 van 1992)

(6 Maart 1992)

RAADSKENNISGEWING 22 VAN 1992

SUID-AFRIKAANSE RAAD VIR INGENIEURSWESE

WYSIGING VAN GELDETARIEF: DIE WET OP DIE INGENIEURSWESEPROFESSIE VAN SUID-AFRIKA, 1990 (WET No. 114 VAN 1990)

Kragtens artikel 6 (4) van die Wet op die Ingenieursweseprofessie van Suid-Afrika, 1990 (Wet No. 114 van 1990), maak die Suid-Afrikaanse Raad vir Ingenieurswese hiermee bekend dat hy kragtens artikel 6 (1) (k) van genoemde Wet die voorsiening in die Bylae hiervan gemaak het en dat die Minister van Openbare Werke sodanige voorsienings goedgekeur het.

8. By substituting "R54" with "R59,40" and "R144" with "R158,49" in clause 3 (b) (ii).
9. By substituting the expression "Fee for issuing a duplicate registration certificate: R7,50:" in clause 4 with "Fee for issuing a duplicate registration certificate (INCLUDING VALUE-ADDED TAX): R8,25:".

(6 March 1992)

BOARD NOTICE 21 OF 1992

TOWN COUNCIL OF KRUGERSDORP

AMENDMENT TO ELECTRICITY BY-LAWS

Notice is hereby given in terms of section 96 of the Local Government Ordinance, 1939, that the Town Council intends amending its Electricity By-laws.

The general purport of the amendment is to pass on the tariff increase by Escom to the consumer as from 1 February 1992.

A copy of the amendment is open to inspection at the office of the Town Secretary, Room S118, Civic Centre, Krugersdorp, during normal office hours for a period of 14 days from the date of publication hereof in the *Government Gazette*.

Any person desirous of lodging an objection to the said amendment must do so in writing to the undermentioned within 14 days after the date of publication of this notice in the *Government Gazette* on 6 March 1992.

M. C. C. OOSTHUIZEN,
Town Clerk.

Civic Centre
P.O. Box 94
Krugersdorp
1740.

6 March 1992.

(Notice No. 30 of 1992)

(6 March 1992)

BOARD NOTICE 22 OF 1992

ENGINEERING COUNCIL OF SOUTH AFRICA

1891E

AMENDMENT OF TARIFF OF FEES: ENGINEERING PROFESSION OF SOUTH AFRICA ACT, 1990 (ACT No. 114 OF 1990)

In terms of section 6 (4) of the Engineering Profession of South Africa Act, 1990 (Act No. 114 of 1990), the Engineering Council of South Africa hereby makes known that, in terms of section 6 (1) (k) of the said Act, it has made the provisions in the Schedule hereto and that the Minister of Public Works has approved such provisions.

BYLAE

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing R. 1113 van 11 Junie 1982 soos gewysig by Goewermentskennisgewings R. 1638 van 30 Julie 1982, R. 1497 van 8 Julie 1983, R. 2396 van 2 November 1984, R. 1737 van 22 Augustus 1986, R. 2590 van 23 Desember 1988, 480 van 15 Junie 1990, R. 2057 van 31 Augustus 1990 en R. 2543 van 2 November 1990.

2. Regulasie 2 van die Regulasies word hierby gewysig deur regulasie 2.3.4 deur die volgende regulasie te vervang:

"GELD OP 'N TYDBASIS

Die geldeskaal op 'n tydbasis sal soos volg wees:

2.3.4.1

Vennoot of direkteur—19,5 sent per uur per R100 of gedeelte daarvan van die totale jaarlikse salaris wat in verband staan met 'n direkteursgradering in die Staatsdiens.

2.3.4.2

Geregistreerde ingenieur sowel as vennote/direkteure wat op hierdie vlak dienste lewer—17,5 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 2.3.4.2 die tydtarief ingevolge regulasie 2.3.4.1 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.

2.3.4.3

'n Lid van die gesalarieerde professionele en tegniese personeel—15 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 2.3.4.3 die tydtarief ingevolge regulasies 2.3.4.1 en 2.3.4.2 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.".

3. Regulasie 3 van die Regulasies word hierby gewysig deur regulasie 3.3.4 deur die volgende regulasie te vervang:

"GELD OP 'N TYDBASIS

Die geldeskaal op 'n tydbasis sal soos volg wees:

3.3.4.1

Vennoot of direkteur—19,5 sent per uur per R100 of gedeelte daarvan van die totale jaarlikse salaris wat in verband staan met 'n direkteursgradering in die Staatsdiens.

SCHEDULE (189E)

1. In this Schedule "the Regulations" means the Regulations promulgated under Government Notice R. 1113 of 11 June 1982, as amended by Government Notices R. 1638 of 30 July 1982, R. 1497 of 8 July 1983, R. 2396 of 2 November 1984, R. 1737 of 22 August 1986, R. 2590 of 23 December 1988, 480 of 15 June 1990, R. 2057 of 31 August 1990 and R. 2543 of 2 November 1990.

2. Regulation 2 of the Regulations is hereby amended by the substitution for regulation 2.3.4 of the following regulation:

"TIME BASIS FEE

The scale of fees on a time basis shall be as follows:

2.3.4.1

Partner or director—19,5 cents per hour per R100 or part thereof of the total annual salary attached to a director's grading in the Public Service.

2.3.4.2

Registered engineer as well as partners/directors rendering services at this level—17,5 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 2.3.4.2 will exceed the time basis fee in terms of regulation 2.3.4.1 the fee shall be agreed upon beforehand by the relevant parties.

2.3.4.3

A member of the salaried professional and technical staff—15 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 2.3.4.3 will exceed the time basis fee in terms of regulations 2.3.4.1 and 2.3.4.2, the fee shall be agreed upon beforehand by the relevant parties.".

3. Regulation 3 of the Regulations is hereby amended by the substitution for regulation 3.3.4 of the following regulation:

"TIME BASIS FEE

The scale of fees on a time basis shall be as follows:

3.3.4.1

Partner or director—19,5 cents per hour per R100 or part thereof of the total annual salary attached to a director's grading in the Public Service.

3.3.4.2

Geregistreerde ingenieur sowel as vennote/direkteure wat op hierdie vlak dienste lewer—17,5 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 3.3.4.2 die tydtarief ingevolge regulasie 3.3.4.1 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.

3.3.4.3

'n Lid van die gesalarieerde professionele en tegniese personeel—15 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 3.3.4.3 die tydtarief ingevolge regulasies 3.3.4.1 en 3.3.4.2 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.".

4. Regulasie 4 van die Regulasies word hierby gewysig deur regulasie 4.3.4 deur die volgende regulasie te vervang:

"GELD OP 'N TYDBASIS

Die geldeskaal op 'n tydbasis sal soos volg wees:

4.3.4.1

Vennoot of direkteur—19,5 sent per uur per R100 of gedeelte daarvan van die totale jaarlikse salaris wat in verband staan met 'n direkteursgradering in die Staatsdiens.

4.3.4.2

Geregistreerde ingenieur sowel as vennote/direkteure wat op hierdie vlak dienste lewer—17,5 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 4.3.4.2 die tydtarief ingevolge regulasie 4.3.4.1 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.

4.3.4.3

'n Lid van die gesalarieerde professionele en tegniese personeel—15 sent per uur per R100 of gedeelte daarvan van sy totale jaarlikse salaris insluitende 'n gereelde bonus, indien enige: Met dien verstande dat hierdie tariewe geag word vestigingsheffings en heffings ten opsigte van tyd deur klerklike personeel bestee, in te sluit, wat dus

3.3.4.2 (1894E)

Registered engineer as well as partners/directors rendering services at this level—17,5 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 3.3.4.2 will exceed the time basis fee in terms of regulation 3.3.4.1 the fee shall be agreed upon beforehand by the relevant parties.

3.3.4.3

A member of the salaried professional and technical staff—15 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 3.3.4.3 will exceed the time basis fee in terms of regulations 3.3.4.1 and 3.3.4.2, the fee shall be agreed upon beforehand by the relevant parties.".

4. Regulation 4 of the Regulations is hereby amended by the substitution for regulation 4.3.4 of the following regulation:

"TIME BASIS FEE

The scale of fees on a time basis shall be as follows:

4.3.4.1

Partner or director—19,5 cents per hour per R100 or part thereof of the total annual salary attached to a director's grading in the Public Service.

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Registered engineer as well as partners/directors rendering services at this level—17,5 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 4.3.4.2 will exceed the time basis fee in terms of regulation 4.3.4.1 the fee shall be agreed upon beforehand by the relevant parties.

4.3.4.3

A member of the salaried professional and technical staff—15 cents per hour per R100 or part thereof of his total annual salary including a regular bonus, if any: Provided that these rates shall be deemed to include establishment charges and charges in respect of time expended by clerical nie afsonderlike heffings uitmaak nie: Met dien verstande voorts dat indien dit sou blyk dat die tydtarief ingevolge regulasie 4.3.4.3 die tydtarief ingevolge regulasies 4.3.4.1 en 4.3.4.2 sal oorskry, daar vooraf tussen die betrokke partye ooreengekom word.". 189E

5. Die regulasies tree in werking op datum van publikasie daarvan in die *Staatskoerant.*

(6 Maart 1992)

RAADSKENNISGEWING 23 VAN 1992

STADSRAAD VAN THABAZIMBI

WYSIGING VAN WATERVOORSIENINGS-VERORDENINGE

Die Stadsklerk van Thabazimbi publiseer hierby ingevolge artikel 101 van die Ordonnansie op Plaaslike Bestuur, 1939 (Ordonnansie 17 van 1939), die verordeninge hierna uiteengesit.

Die Standaard Watervoorsieningsverordeninge, afgekondig by Administrateurskennisgewing 21 van 1977 en deur die Raad aangeneem by Administrateurskennisgewing 738 van 15 Junie 1977, soos gewysig, word hierby verder gewysig deur die vervanging van artikel 12 (1) (a) met die volgende:

"12. (1) (a) Uitgesonderd in die geval van die Regering van die Republiek van Suid-Afrika, die Transvaalse Provinsiale Administrasie, die Departement van Vervoerwese, of 'n ander klas verbruiker deur die Raad goedgekeur, moet elke aansoeker om 'n toevoer of diens, voordat sodanige toevoer of diens gelewer word, by die Raad 'n bedrag geld stort soos deur die Raad van tyd tot tyd ingevolge artikel 80B van die Ordonnansie op Plaaslike Bestuur, 1939 (Ordonnansie 17 van 1939), soos gewysig, bepaal.".

P. E. ODENDAAL,

Stadsklerk.

Munisipale Kantore
Privaatsak X530
THABAZIMBI
0380.

(6 Maart 1992)

RAADSKENNISGEWING 24 VAN 1992

STADSRAAD VAN AKASIA

WYSIGING VAN TARIEWE VIR WATERVOORSIENING

Daar word hierby kragtens die bepalings van artikel 80 (B) (3) van die Ordonnansie op Plaaslike Bestuur, 1939 (Ordonnansie 17 van 1939), bekendgemaak dat die Stadsraad van Akasia op 27 November 1991 besluit het om die gelde insake watervoorsiening te wysig en dat dit in werking tree met ingang van 1 Desember 1991.

Afskrifte van hierdie wysigings van gelde lê ter insae by die kantoor van die Stadsekretaris, Kamer 122, Dalelaan 16, Akasia, vir 'n tydperk van 14 dae vanaf publikasie hiervan.

staff which shall, therefore, not be chargeable separately: Provided further that if it should be found that the time basis fee in terms of regulation 4.3.4.3 will exceed the time basis fee in terms of regulations 4.3.4.1 and 4.3.4.2, the fee shall be agreed upon beforehand by the relevant parties.".

5. The Regulations shall come into affect on the date of publication thereof in the *Government Gazette.*

(6 March 1992) 189E

BOARD NOTICE 23 OF 1992

TOWN COUNCIL OF THABAZIMBI

AMENDMENT TO WATER SUPPLY BY-LAWS

The Town Clerk of Thabazimbi hereby in terms of section 101 of the Local Government Ordinance, 1939 (Ordinance 17 of 1939), publishes the by-laws set forth hereinafter.

The Standard Water Supply By-laws, published under Administrator's Notice 21 of 5 January 1977 and adopted by the Council under Administrator's Notice 738 of 15 June 1977, as amended, are hereby further amended by the substitution of section 12 (1) (a) for the following.

"12. (1) (a) Except in the case of the Government of the Republic of South Africa, the Provincial Administration of the Transvaal, the Department of Transport Services, or any other class of consumer approved by the Council, every applicant for a supply or other service shall, before such supply or service is given, deposit with the Council a sum of money as determined by the Council from time to time in terms of section 80B of the Local Government Ordinance, 1939 (Ordinance 17 of 1939), as amended.".

P. E. ODENDAAL,

Town Clerk.

Municipal Offices
Private Bag X530
THABAZIMBI
0380.

(6 March 1992)

BOARD NOTICE 24 OF 1992

TOWN COUNCIL OF AKASIA

AMENDMENTS OF TARIFFS REGARDING WATER SUPPLY

It is hereby notified in terms of section 80 (B) (3) of the Local Government Ordinance, 1939 (Ordinance 17 of 1939), that the Town Council of Akasia resolved on 27 November 1991 to amend the tariffs regarding water supply with effect from 1 December 1991.

Copies of these amendments are open for inspection at the office of the Town Secretary, Room 122, 16 Dale Avenue, Akasia, for a period of 14 days from the date of publication hereof.

Dorbyl sees profit drop for the year

(189E)

ST Times (Buss) 24/5/92

By ROBIN PEGLER

DORBYL chief executive Dawid Mostert expects earnings to be lower for the year to September 1992. But he stresses that profits accrue unevenly and the first half is an unreliable guide to the second.

Dorbyl reported this week that its earnings a share fell 17% to 133c in the six months to March 1992.

Although its fortunes are linked to fixed investment, diversification in the past few years has reduced this. Earnings should improve more quickly when the SA and world economies recover.

Destocking appears to be over and increasing exports, which are 15% of Dorbyl's turnover, should play a major role in the recovery. Dorbyl has wider international markets after the lifting of sanctions.

Ships

Prices are competitive and do little more than cover fixed costs, but tax concessions help to make the operations profitable. Tax was 18% of profits for the half-year and may not exceed 25% for the next year or two.

One division which did better post-sanctions business is shipbuilding and repairs, although this is one of the reasons why income accrues unevenly. One ship has been delivered, a second should be ready the current year and a third in the next. Mr Mostert hopes for more orders.

The group's divisions have been geared down to meet current low demand, but can be adjusted fairly quickly when the economy improves.

The TOSA seamless-steel tube mill, a venture with Iscor, is closed because of plant problems, but is on schedule to reopen in January. Dorbyl's share of the additional capex is about R36-million.

Although borrowings are traditionally higher in midyear than at the end, they are still comfortable. Capex is forecast at R150-million so that Dorbyl can become more competitive. This means lower profits now as a result of higher interest charges, but improved earnings to come because of lower costs and expanded capacity.

There has been speculation that Dorbyl could list some of its divisions separately, perhaps increasing market liquidity for the group as a whole. Mr Mostert says management is looking at this possibility, although the economic climate does not favour it in the short term.

Although there is little immediate benefit for shareholders, Dorbyl's earnings could turn around rapidly when economies improve.

Metkor

Dorbyl holding company Metkor gives a less favourable picture. After allowing for stock write-offs, its subsidiaries Metkor Industries and Wispeco incurred losses of R10-million.

The capital reconstruction by associate company Usko entails a rights issue in which Metkor will need to take part. This should ultimately help Metkor, but will add to its interest bill. If it were not for its holding in Dorbyl, Metkor would be in a bad way.

Decaffeinated: Other

	Kilogram	Free on board Rand value	Number of importers
1988	69 544	369 225	
1989	42 109	196 819	
1990	39	8 757	
1991 Jan.-Oct.	55	911	4

Coffee, roasted: Not decaffeinated

	Kilogram	Free on board Rand value	Number of importers
1988	23 502	300 307	
1989	27 206	420 455	
1990	23 376	307 066	
1991 Jan.-Oct.	24 612	343 483	14

Coffee, roasted: Decaffeinated

	Kilogram	Free on board Rand value	Number of importers
1988	941	18 137	
1989	4 059	71 151	
1990	109	2 280	
1991 Jan.-Oct.	5 765	75 248	16

Coffee substitutes containing coffee

	Kilogram	Free on board Rand value	Number of importers
1987	829	15 653	
1988	680	4 416	
1989	535	21 272	
1990	1 357	39 818	
1991 Jan.-Oct.	38	1 569	2

Non-repayable grants to firms 189D

266. Mr B B GOODALL asked the Minister of Trade and Industry:

(1) Whether he will furnish details on non-repayable grants given to firms in terms of the Programme of Innovation Support for Electronics administered jointly by his Department and the Industrial Development Corporation of South Africa Limited; if not, why not; if so, (a) how many firms have been given such grants, (b) what are their names, (c) how much (i) has each firm received and (ii) has been provided for this purpose in total, (d) what is the (i) identity, (ii) directorship/membership, (iii) shareholding and (iv) address of each of these firms, (e) what products have been produced with the aid of non-repayable grant finance and (f) in respect of what date is this information furnished;

(2) whether these products are open for inspection; if not, why not; if so, what are the relevant details?

B647E

The MINISTER OF TRADE AND INDUSTRY: 189D

(1) Competitiveness in international markets is based on new products and on new and adapted technology.

Whilst governments are moving away from permanent subsidies and tariff protection towards liberalization of trade, they increasingly give support for technology development because it is start-up support that stimulates growth. Products which are being initiated, must compete on their own merits. Contrary to a policy of perpetual protection, stimulation of technology and product development is the appropriate way of encouraging industrial growth.

The Department of Trade and Industry adheres to a policy of full disclosure of information on innovation support for the electronics industry by means of the Innovation Support for Electronics (ISE) programme. Financial and other administrative information are publicized bi-annually in progress reports. Project-specific information is reflected in the reports as projects are completed, coinciding with final payment of allocated grants.

On 7 April 1992 the Director-General of the Department of Trade and Industry held a media conference to fully inform the media of the working of the programme.

Innovation support for electronic products was instituted on the recommendation of the Working Group for the Advancement of the Electronics Industry, because it is a positive and active approach to counter the negative trade balance of electronic products of almost R3 billion.

The ISE programme is modelled on programmes in Britain and France. Grants are not repaid in terms of the British programme, but are repayable without interest charge, if the project is successful, in the case of the French programme.

Grants such as those of the ISE programme, are the most common manner of support in countries of the Organisation of Economic Co-operation and Development—up to 50 per cent of project cost—according to its 1990 report on industrial policy. Support amounts to about 38 per cent in the case of the ISE programme, and it is taxable. Development support in the past often took the form of tax concessions, but it is considered undesirable because of intransparency. Tax concessions are "secret" in any case.

The General Agreement on Tariffs and Trade (GATT) limits support for basic research to 50 per cent, and for applied reesearch to 25 per cent in developed countries. Support from the ISE programme is only about 20 per cent effectively.

The programme in its current form has the administrative advantage that expenditure is subject to budgetary control and is confined because it is start-up support. It is not a subsidy that will make the beneficiary dependent on support, but is a stimulus for renewal and growth.

Progress of projects is inspected regularly by officials of the Industrial Development Corporation (IDC) and the Department of Trade and Industry. Projects are not finalized without inspection.

An entrepreneur develops new products to obtain a competitive advantage in the market. He therefore does not reveal his development plans. A programme aimed at stimulating development likewise cannot make public information pertaining to the development. The Department of Trade and Industry and IDC undertook to publicize all projects which are completed or terminated.

Amounts which are allocated to projects vary between approximately R30 000 and R2 million and if the grants are converted to loans, it will create a substantial administrative burden.

189D

(a) Allocations were made to 113 projects submitted by 71 firms in the period to 31 March 1992.

(b) In the period to 31 March 1992, 23 projects have been finalized, as shown in the table below. Further names and projects will be publicized as projects are completed (or terminated) because early publication may deprive the developer of his competitive advantage.

(c) The table below shows amounts received, which are always limited to the amount originally allocated, but which may be less.

(d) The identity, directors/members, shareholding and address of each firm can be obtained from either the Registrar of Close Corporations and of Companies, or from the registered office of the company.

(e) The table below shows names of developed products. These products were exhibited at the Department of Trade and Industry on 11 to 13 May 1992. Brochures and other technical information are available from the relevant firms. Approximately 300 concerns and firms of the electronic industry were invited to the exhibition, amongst whom the press also.

(f) The information is for the duration of the ISE programme, being from October 1989 to 31 March 1992. In the first 18 months only 3 projects were completed and one terminated, whilst in the following periods of 6 months each, 3 and 15 projects respectively were completed, and another one was terminated. There is thus a significant increase in projects completed, and this trend continues.

cont →

TABLE: PROJECTS FINALIZED TO 31 MARCH 1992

Firm	Project	R Total Payments	Date Approved	Date Completed
QED	Graphics Plotter	188 671	15.03.90	08.90
Createk Stelsels	Optic Fibre Multiplexer	14 400	01.03.90	12.90
Ansys	PC based Logic Analyzer	32 400	01.03.90	02.91
Microtone	Tone Encoder/Decoder	27 250	15.03.90	05.91
Electromatic	Traffic Controller	103 966	01.03.90	07.91
Impro Technologies	Trinary Encoder IC	165 642	29.11.90	09.91
Tekpro Projects	Tagging Sensor	239 321	28.02.91	10.91
Grinaker Electronics	Fleet Integrated Management System	230 477	29.09.90	10.91
Grinaker Electronics	Signal Distribution System	291 960	07.11.90	10.91
Grinaker Electronics	Automatic Antenna Tuner	184 100	28.06.90	10.91
Grinaker Electronics	Digital Radio	535 800	28.06.90	11.91
Kavi Comm	Trunked Mobile Radio	575 303	01.08.90	11.91
Q&D	Synthesised VHF Radio	217 013	23.04.91	11.91
Centralised Electronics	Fire Panels	212 847	01.08.90	11.91
Fibretek Developments	Optoscan Scanner	44 144	01.08.90	11.91
Nanoteq	Robben Data Security Card	214 400	07.11.90	12.91
Ansys Integrated Systems	Anrec Solid State Data Recorder	98 580	29.09.90	12.91
Analog Circuit Technology	Power Supply System	34 500	28.06.90	02.92
Grinaker System Technologies	S90 Synthesizer	140 954	07.11.90	02.92
Linkdata	PAM Electronic Funds Transfer System	1 224 310	31.01.91	03.92
Fibretek Developments	Optoscan Scanner—Computer Reader Link	9 350	13.09.91	03.92
SUB-TOTAL: PROJECTS SUCCESSFULLY COMPLETED		4 785 388		
Concurrent Technology[a]	Transputer	259 984	29.09.91	Cancelled
Procyon[b]	AC Modems	67 122	01.08.91	Cancelled
SUB-TOTAL: CANCELLED PROJECTS		327 106		
TOTAL AMOUNT PAID		5 112 494		

Notes on cancelled projects 1891

a. Cancelled due to the project being overtaken by technological developments and therefore losing its competitive advantage in the market.

b. Cancelled due to the loss of a key employee and the withdrawal of investment.

(2) As was previously mentioned, the products were exhibited on 11 to 13 May 1992 at the Department of Trade and Industry in Pretoria, and the media were invited to visit the exhibition. Information about the products is also available from the various firms.

Repayable grants to firms

267. Mr B B GOODALL asked the Minister of Trade and Industry:

(1) (a) What total amount does the Government intend to provide to firms in the form of repayable grants in terms of the Programme of Innovation Support for Electronics and (b) how are the recipient firms chosen;

(2) whether the programme has a defined duration; if so, what is the duration;

(3) whether the programme is to be extended beyond the electronics industry; if so, (a) to which industries and (b) when;

(4) whether any advertisements have been placed in the media to inform the public of the existence of this programme; if not, why not; if so, to what extent?

B648E

The MINISTER OF TRADE AND INDUSTRY:

(1) (a) In the reply that follows, it is assumed that the question refers to non-repayable grants.

Government voted R40 million per annum for 5 years, for innovation support for electronics.

(b) The support is available to any enterprise in the private sector that proposes a meritorious project, and that complies to the conditions and rules of the programme, as set out in the Guide for Applicants which is available at the Department of Trade and Industry. The rules are applicable to everyone.

(2) The programme has a duration of 5 years (1989 to 1993).

(3) No decision in regard of a possible extension of the programme beyond the electronics industry has been taken.

(a) Falls away.

(b) Falls away.

(4) At the launch of the programme in October 1989, and since, the ISE programme has received good coverage in the media. All the technical magazines were invited to the launch of the programme.

A press conference was held on 7 April 1992, to explain all the aspects of the ISE programme, and to answer questions.

The media are always invited to publicize information after progress reports have been released, as was the case on 11 May 1992. It has therefore not yet been necessary to place advertisements. Should it become apparent that the industry is not aware of the programme, or if specific information is to be made known, advertisements in the media will be considered.

Govt rethink on scrapped tariffs

GOVERNMENT could be rethinking its decision to scrap all duties on a broad range of electronic components, including many which are locally manufactured.

At the Electronic Industries Federation's (EIF) first birthday function last week, Altron's Bill Venter's speech (which was delivered by EIF president Dirk Desmet because Venter was ill) said the February 7 decision to scrap duties contravened the IDC's report on tariff structure changes which was approved by the Economic Advisory Council.

"This required government to consult with industry before announcing changes, and that eventual changes would be gradual to prevent destabilising affected sectors of the industry.

"It is estimated that about 3 000 skilled workers could lose their jobs — something our economy can ill afford." BDay 4/6/92.

Venter said the EIF had more than justified its existence because of "the Minister's recent announcements that duties and tariffs will be gradually abolished so that affected sectors of industry can take corrective action".

In an interview, Desmet said the EIF would meet government next week to discuss the issue.

"We're motivating for a system which will encourage local manufacture and export, while also phasing out duties. This could involve tax incentives, for example."

Trade Department's Hennie Smith said at the function the average growth rate for the electronics industry in the Western world was 11,8% a year between 1987 and 1990.

However SA, which held the dubious distincton of being the eighth largest electronics product importer in the West, experienced negative growth of 0,8%.

"In 1990, SA's negative balance of trade in this industry amounted to R2,9bn."

To break out of this trend government could restrict imports or raise the costs of imports through tariff protection, he said.

"This makes local manufacturing possible, but products would not be competitive internationally. It also increases cost levels of the rest of the economy.

"There's a trend to globalisation, and a country limited to its internal market is bound to become increasingly uncompetitive.

"The major challenge facing business, labour and government in breaking out of its inward orientation is to improve the basic competitiveness of its manufacturing industry."

One scheme aimed at helping local industry was he Innovation Support for Electronics, where government provided a minimum of R40m for product development over a five-year period.

Smith said the industry — in its third year now — had been allocated R61,3m through the ISE programme, of which R18,3m had been paid out. Twenty-one projects were complete, and could be seen as technically successful. Two projects were abandoned because of competition and lost expertise.

*Government was aware of the neg*ative effects of over-protection.

Three national programmes to stimulate innovation in the industry *were being explored:*

- Partial support for projects developing new products and processes;
- Using Government's broad purchasing power to stimulate new product development; and
- Technology programmes to prepare the base for future competitiveness on a longer-term basis.

COMP

Comex gold futures trade at 13-year low — Sunter

BDay 5/6/92

MATTHEW CURTIN

WHAT little investor interest there is in gold is confined mostly to the Far East, and the amount of gold futures traded on New York's Commodity Exchange (Comex) in the past year is the lowest since 1979, says Anglo American gold and uranium division chairman Clem Sunter.

However, Sunter said yesterday, gold prices had withstood the dearth of investor interest and large sales of Soviet reserves between 1989 and 1991 relatively well.

In his annual review of Freegold's operations in the year-ended March 1992, he said 200 tons of Soviet gold, deposited on swap with Western banks, were a real danger for gold prices. The disposal of such swaps during the attempted Soviet coup knocked prices to about $340 from $370 an ounce in September last year.

"Under these circumstances the physical market has held up well", he said, noting steady jewellery consumption in 1991 and so far this year.

"Now more than ever producers are dependent on a healthy gold market to ensure their long-term survival. The effective and regular promotion of gold, and of gold jewellery in particular, is vital and deserves the support of all gold producers."

Sunter said good jewellery demand had played a key role in the steady buying of bullion, which had supported prices in the past year.

He said Freegold had enjoyed a period of constructive industrial relations, blighted only by the outbreak of violence at the President Steyn mine last November, in which 86 people died and 403 were injured.

In spite of the completion of five-year long discussions with the NUM over a code of conduct, which dealt with many of the recommendations made by the Goldstone Commission investigating the violence at the mine, an agreement on the code had not been signed.

"It is in the interests of all concerned that the code be signed and formally implemented as soon as possible", Sunter said.

It was vital the realism and creativity which typified 1991 wage negotiations prevailed in the current wage talks. Productivity and gold price related bonuses remained an essential part of the year's wage settlement.

Sunter said the decision not to abolish ring-fencing in the 1991 Budget was "a major disappointment". He hoped undisclosed recommendations made by the Tax Advisory Committee would encourage the authorities to abolish "this artificial restriction", which would make it easier for gold mines to invest in new mining ventures once gold prices improved.

In the year under review, Freegold increased its earnings to R280m from R167m, as forward sales lifted the gold price it received by 4% and more than offset a marginal drop in gold production to 19,8 tons (21,3 tons).

Prepaid meter market soaring

BDay 5/6/92

DUMA GQUBULE (1891)

THE market for prepaid electricity meters is growing rapidly and SA electronics companies are gearing themselves to supply the large quantities needed when Eskom's "electricity for all" programme gets off the ground.

Purchases from Eskom, local authorities and the homelands have already reached an estimated 200 000 units, with Eskom taking more than half of those.

But Conlog, Plessey Tellumat and Spescom — the companies who pioneered the technology — are expecting demand soon to reach hundreds of thousands every year. Eskom plans to eliminate the backlog of 3-million households needing electricity by 1996, and bring electricity to 90% of the population by the decade's end.

Conlog, which has the largest installed base in the country, is already producing 800 units a day (nearly 200 000 a year). Plessey MD John Temple says his company is expecting production to reach "the hundreds of thousands" in the near future.

At nearly R400 a unit, the potential financial rewards are great and other companies in the industry, including electronics giant Altech, are getting involved. Export potential is immense, industry sources say.

Sage Life premium income has grown 22% to R350m

BDay 5/6/92

DUMA GQUBULE

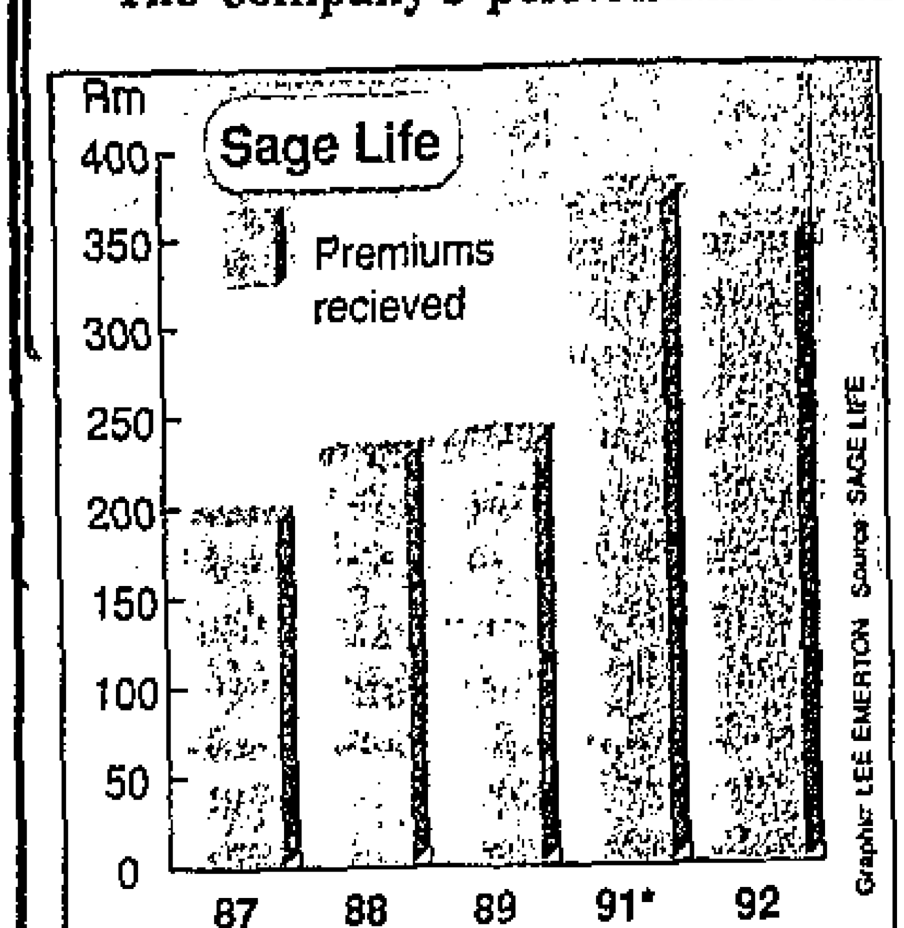
SAGE LIFE has maintained its good growth record, boosting premiums received by 22% to nearly R350m in the year to end-March 1992.

The results are compared with estimated figures for the previous 12 months, as the results to March 1991 covered a 15-month period following a change in Sage Life's financial year-end.

Executive chairman Louis Shill said the company had made excellent progress on all fronts.

It had expanded the scope of its activities and achieved accelerated new business growth, reaching two milestones — total assets exceeded R2bn and total income passed R500m for the first time.

The company's performance had further entrenched Sage Life's position as the largest single contributor to the earnings of the diversified Sage Financial Services (SFS) group.



Annualised new business premiums rose 27% to R173,2m, while total premiums received increased 21,7% to R348,6m.

Shill and MD B M Ilsley said the increases could be regarded as satisfactory because the economy was in recession, unemployment was rising and stubbornly high inflation was restricting savings potential.

The growth in business compared favourably with an increase in expenses of only 14,2%.

Other salient features included a 20,2% increase in profits attributable to shareholders.

The company significantly increased its internal reserves in spite of substantial technical strains resulting from the high level of new business.

Total income showed an 18,7% increase in income to R504,1m. Total assets rose 22% to R2,2m (R1,8m).

Sage Life's total assets had shown an annual compound growth rate of 21,4% during the past five years.

Shill and Ilsley said the expansion reflected Sage Life's continuing position as one of SA's top 10 life assurers.

Fintech earnings progress

B/Day 11/6/92

DUMA GQUBULE (189D)

ALTRON subsidiary Fintech expects earnings to continue progress "towards a level in keeping with the growing stature of the group". The dividend was doubled to 40c last year.

In the group's 1992 annual report, executive chairman David Redshaw said Fintech's dividend cover would be progressively reduced to the Altron level of around 3,5 times (from the current 4,3 times) as gearing fell to below 20%. In the year to end-February, Fintech doubled its earnings to 172c a share.

Its holding in NCR distributor National Data Systems was increased to 100%.

FM 12/6/92 (189D)

FM 12/6/92 (189D)

CENTRAL AFRICAN CABLES

FM 12/6/92

Pity you can't buy

(189D)

Activities: *Makes electric cables.*
Control: *BICC Plc (75,4%).*
Chairman: *J M Magowan; MD: W R Galbraith.*
Capital structure: *30,6m ords. Market capitalisation: R42,8m.*
Share market: *Price: 140c. Yields: 5,4% on dividend; 2,4% on earnings; p:e ratio, 4,1; cover, 4,0. 12-month high, 165c; low, 75c. Trading volume last quarter, nil.*

Year to Dec 31	'88*	'89	'90	'91
ST debt (Z $m)	6,5	0,7	4,1	6,0
LT debt (Z $m)	—	—	—	0,8
Debt:equity ratio	0,3	n/a	n/a	n/a
Shareholders' interest	0,59	0,65	0,61	0,61
Int & leasing cover	16,4	14,6	93,8	60,9
Return on cap (%)	22,6	25,1	32,7	34,7
Turnover (Z $m)	54,6	69,0	93,0	121,4
Pre-int profit (Z $m)	5,9	16,8	24,5	31,1
Pre-int margin (%)	11	24	26	26
Earnings (Zc)	14,5	24,8	43,0	63,0
Dividends (Zc)	3,5	6,2	10,7	15,7
Net worth (Zc)	64	99	132	179

* 18 months.

Harare-based Central African Cables (Cafca) caused a ripple of excitement late last year when investors realised it was one of the JSE's best performing shares. Over the second half of 1991, the price climbed 230% to a high of 165c, largely due to a five-for-one share split-cum-cap issue.

It's steady around 140c this year, as it hardly trades in SA. Most shares are tied up by BICC and minorities are, understandably, not selling, though financial manager Alastair Macfarlane says there has been more trade in Zimbabwe since the split. It's still rated favourably, with a yield in line with biggest local producer Aberdare Cables.

The difference is that while leading SA cable makers have seen lower turnover, Cafca boosted turnover by 30% and reported record profits for the fifth year in succession.

Cafca realised the importance of beneficiation and exports years ahead of its SA rivals. Chairman John Magowan says it identified the need to switch to value-added exports five years ago, a strategy he says is now paying off under Zimbabwe's Economic Structural Adjustment Programme.

After nearly doubling the previous year, the contribution from exports dropped about 10% last year to Z$13,9m, about 9% of turnover. Generally declining economic conditions in African markets and recession in SA significantly affected orders. Macfarlane won't say what percentage of exports SA represents, but it must be substantial.

With pressure on exports, Cafca is now looking out of Africa. Macfarlane says a Z$1m order to Europe has just been clinched, which has the potential to double in value if there's a repeat.

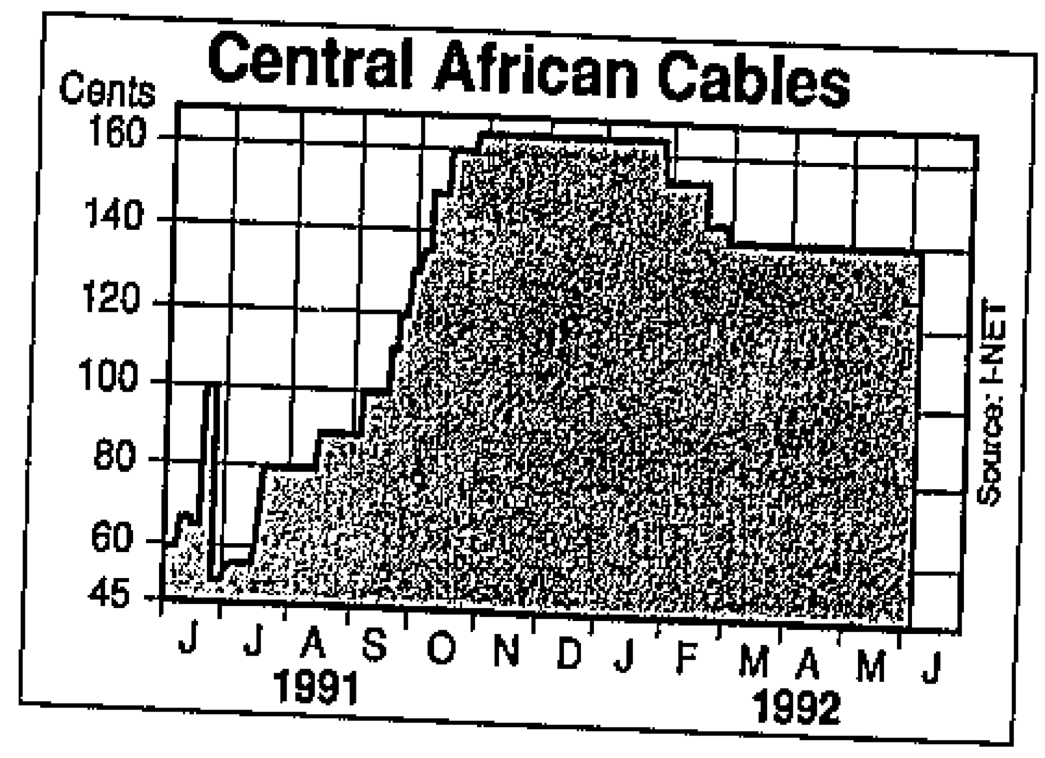
Despite a difficult year, Cafca has managed to advance earnings and dividends by about 47%, in line with average performance over the past four years. With an order book of Z$62m, prospects don't seem bad.

The balance sheet is also strong. Cash of Z$8,8m cancels out interest-bearing debt. The share price has halved on the Zimbabwe Stock Exchange to Z260c, in line with the Industrial index. High interest rates and the depreciating Zimbabwe dollar are also hurting, doubling the price of copper since 1991 to a current Z$11 800/t.

But Cafca would still be worth following if it could be bought. Despite the 20% nonresident tax, the few SA shareholders must be happy with the dividends they receive and recent gains in price.

Shaun Harris

FM 12/6/92 (189D)



Telemetrix a star performer on JSE

B/Day 12/6/92 (189)

DUMA GQUBULE

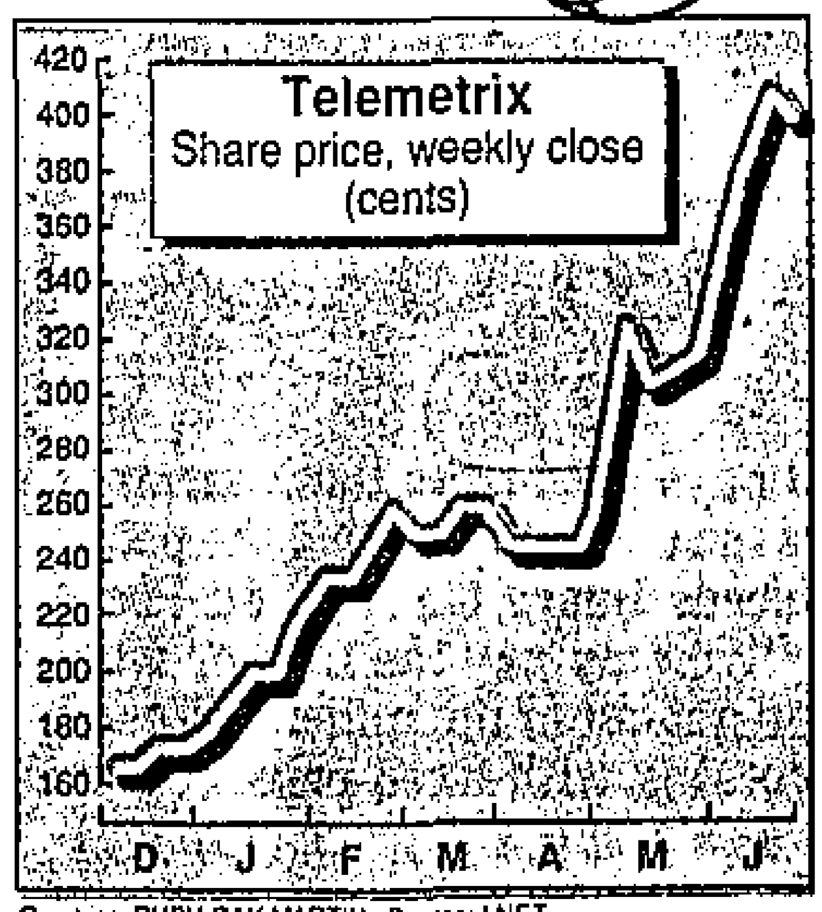
THE shares of UK electronics group Telemetrix had become one of the best performers on the JSE since they were listed in November.

The shares of the little-known company, once Altron's offshore arm, were listed with little fanfare when Altron reduced its holding to 7,2% from 67%.

Altron and Ventron shareholders were given the opportunity to buy the shares at 140c. They opened at 165c and soared to a high of 410c this week, before easing to 400c yesterday.

The shares, on a price of 43 times historic earnings and a dividend yield of 1,4%, are the most highly rated on the JSE's electronics sector.

After the listing, SA shareholders held 16% of the company, while shareholders on the London Stock Exchange held 35%. Altron and its executive chairman Bill Venter held the remaining 49%.



Graphics: RUBY-GAY MARTIN Source: I-NET

The Telemetrix share price has mainly been driven by the performance of listed US company GTI Corp, in which Telemetrix has a 65% stake. GTI, which is involved in the growing local area network (LAN) market, reported an 83% increase in earnings for the year to end-December. First quarter 1992 results showed a 114% increase in earnings.

Altron deputy chairman and Telemetrix director Charles Stride said the market was now recognising the value of Telemetrix and GTI's investment in the company. GTI shares traded at a low of 1,7/8c on Wall Street during 1990 and have since risen to 16,3/4c.

Telemetrix's investment in GTI was always worth more than the market value of Telemetrix itself, but UK investors never gave Telemetrix a high rating because few were satisfied with its management's performance.

That came to an end in October when Stride, who sits on the Telemetrix board with fellow Altron directors Bill Venter and Don Snedden, spearheaded a major restructuring of the company.

The investment profile was altered when Altron reduced its stake and the entire board and management were restructured. The UK operations were trimmed and more discipline and cost-control enforced.

COMPANIES

Altech seeks African solutions

B/Day DUMA GQUBULE 15/6/92

ALTRON subsidiary Altech is gearing itself for a major export drive into sub-Saharan Africa.

In the group's 1992 annual report, executive chairman Don Snedden said Altech's location, commitment to the continent and experience of African conditions, would give it the edge in finding "African solutions for Africa".

While the group would take advantage of every opportunity in the developed world, the main thrust would be in Africa.

The group was negotiating significant joint-venture agreements with a number of adminstrations. The successful conclusion of these negotiations would combine local and Altech expertise.

In the year to end-February Altech reported a 7% increase in earnings a share to 880c on a higher turnover of R930m. A total dividend of 297c (268c) was declared.

Reviewing the results, Snedden said late deferrals of government expenditure had held sales at the previous year's levels. But considerable progress had been made on diversification programmes, offsetting reductions in government expenditure with contributions to turnover which promised to be more significant in future.

The annual report disclosed that Altech's telecommunications and systems division, Altech Electronic Systems Group, showed a 10% decrease in turnover to R565m, or 68% of group turnover. Altech Electronic Distribution Group increased turnover by 34% to R235m, or 19% of group turnover. Altech Industrial Electronics group's turnover rose by 5,7% to R130m, or 13% of group turnover.

The technology development budget came to R111,6m, or 12% of group turnover. The development of a number of new products had reached fruition. These included Rurtel, a telecommunications suitable for rural areas, a computer-based vehicle tracking system and a new electronic detonator for the mining industry.

New product development scheme pays off at Spescom

BDay 16/6/92 (189D)

EDWARD WEST

SPESCOM Electronics has more than doubled earnings in the year to April 1992 on the back of a 40% improvement in sales.

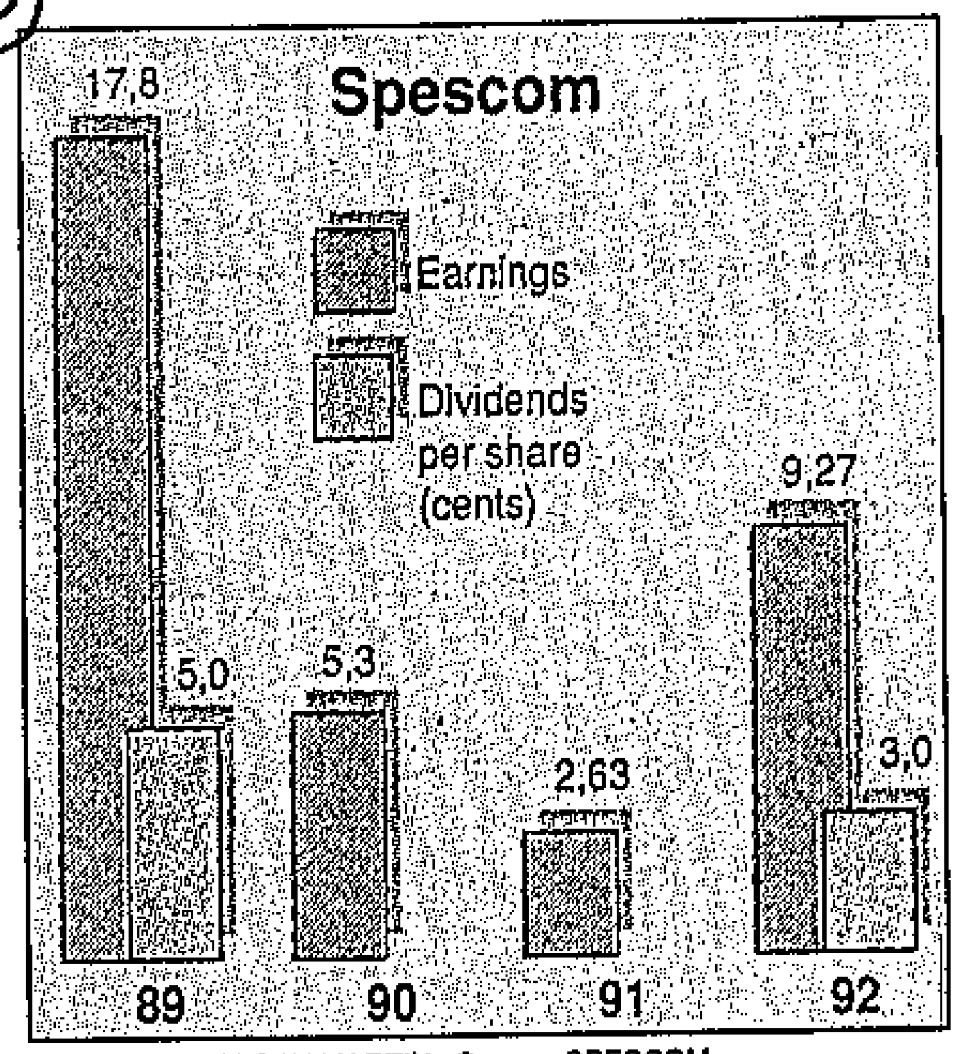
Earnings amounted to 9,27c (2,63c) a share. A final dividend of 3c a share was declared. Sales rose to R45,9m (R32,9m). Operating income increased 39% to R3,4m (R2,4m).

Spescom executive chairman Tony Farah attributed the increased profits to organic growth, with improved sales emanating virtually entirely from in-house developed and manufactured products.

"No acquisitions were made and the improvement is the result of a long-term development strategy and change in product mix. Previously, in-house developed products accounted for about 30% of turnover, now we sell 70% of our own offerings," he said.

The company also substantially increased manufacturing capacity and invested in a revamp of its information technology systems, he said.

Spescom was encumbered with a relatively high interest bill of R1,8m (R2,2m). Farah said the objective was to reduce total borrowings of R10,3m. However, the economic climate was still not conducive to conversion of short-term to long-term capital, he said.



Graphics: RUBY-GAY MARTIN Source: SPESCOM

Taxation rose sharply to R218 000 from R6 000 because of a reversal of deferred tax. An extraordinary loss of R388 000 represented the premium paid for the acquisition of a subsidiary company.

Industry trading conditions were expected to remain poor but further asset management improvements, new export markets with negotiations at an advanced stage and several outstanding orders should see Spescom's earnings and sales growth continue, said Farah.

Plessey Tellumat bags export order

B Day 16/6/92. (189D)

LINDA ENSOR

CAPE TOWN — Sankorp's unlisted electronics arm Plessey Tellumat SA has won its first export order, worth R1,3m, from the Netherlands for a telecommunications system.

This marks a breakthrough in its drive to export PABX systems to Europe. The company hopes to earn R10m annually from PABX exports in future.

Group MD John Temple said that in addition Plessey Tellumat had supplied a North Sea oil rig with data communication links.

"While these orders are not significant in rand terms, they are a breakthrough into new markets, which we hope will provide further sales. We regard exports as vital to our future and as a means to lifting turnover," Temple said.

Plessey Tellumat's sales in the year to end-March increased 6,1%, while operating profit — after an adjustment for the sale of its 50% stake in Telephone Manufacturers of SA — rose 2% to R30,8m (R30,3m).

A higher interest bill and tax rate resulted in a 10% drop in earnings to R16,4m (R18,2m).

Temple said R & D expenditure last year represented 11% of sales, compared with 2% in 1985, an investment reflected in the change of the sales mix.

Of last year's sales, 65% came from activities not engaged in in 1989, and 46% from local technology.

Products developed locally with success included pre-payment electricity meters, FM transmitters, data links and mine hoist monitors. The focus of research in future would be on international co-operation and the development of telecommunications, microwave and other products.

Last year telecommunications products represented 49% of sales, electronic systems 30%, and components and services 21%.

Social investment expenditure increased to R2,4m (R1,7m), being spent mainly on training, education and housing.

B/Day 18/6/92

Conlog wins Eskom contract

CONLOG has won an Eskom contract for 200 pole-mounted electricity reticulation monitoring control units. The systems will pinpoint faults and speed up power supply restoration in rural areas, says Conlog industrial products manager, Charles Roberts.

The system uses radio links from each unit to monitor and control strategic breakers on the lines, reporting back to an operator station in the control centre. "The system alerts the operator to remote line faults in a few seconds, whereas previously this could take many hours," Roberts said.

(250) (1891)

Producers defend board

GERALD REILLY

PRETORIA — Milk producers in the northern Transvaal have come to the defence of the Dairy Board in the row over levies paid by distributors.

Northern Milk Producers' Association chairman Willie Fourie said losses through milk dumping could have been far greater without the intervention of the Dairy Board.

In a weekend statement, he said it was untrue that millions of litres of milk had been thrown away. Milk had been dumped in isolated cases because of its perishability.

Milk had been dumped even before the Dairy Board was set up.

Deregulation in the industry also did not help to alleviate the problem. It was the orderly dispensation created by the board that had minimised losses.

Fourie said the industry was being damaged by the current dispute. Non-payment of levies could mean an interruption in the industry's services.

Lift for Otis Elevators

BDay 22/6/92

DUMA GQUBULE

OTIS Elevators has reported a 31% increase in earnings for the half year to end-May, the first set of results to include those of newly acquired lift company Melcorp.

At the weekend the company said earnings had increased to 24,4c (18,6c) on additional shares in issue. The interim dividend was increased by a third to 12c a share from 9c.

Turnover figures are not given, but operating profit was 61% up at R11m (R6,9m). After receiving interest in the previous year, Otis paid R476 000 in interest at the interim stage.

This resulted in a 50% rise in pre-tax income to R10,6m from R7m. Attributable income was 58% higher at R5m. (1898)

Melcorp, the local agent for Mitsubishi lifts, was bought from a UK subsidiary of Otis' US parent United Technologies for R16,3m. A R7m rights offer helped to finance the deal.

The company said it expected to maintain the performance to the year end, despite the difficult economic conditions.

Crisis for Truloc employees

BDay 22/6/92

DUMA GQUBULE

DOZENS of employees of Truloc SA, the SA associate of London Stock Exchange-listed freight company Lep group, have been left to foot huge medical bills incurred over the two months prior to the company's liquidation last month.

Former Truloc chairman Noel Marsh said the company's 250 employees, who were retrenched last month, were never told that payments to the company's non-contributory medical fund had been discontinued at the end of February. One former employee had reported the matter to the police, he said.

Marsh, who was suspended when Lep appointed a new management team to run its SA associate two months ago, said Truloc's problems had started when Lep ran out of money last year as a result of property speculation in the US.

Lep, the largest freight company in the UK, then said it could no longer advance additional cash facilities to Truloc.

After Lep unsuccessfully tried to find a buyer for the company, Truloc was liquidated.

TODAY'S WEATHER

PWV and eastern Highveld: mild.
Western, southwestern Transvaal: mild to warm.
Northwestern, northern and central Transvaal: warm to hot.
Eastern Escarpment, Lowveld and Venda: warm to hot.
Free State: mild.
Cape Province north of Orange River: cool to

Firm wins R7m order for prepaid meters

BIDay 23/6/92

(189)

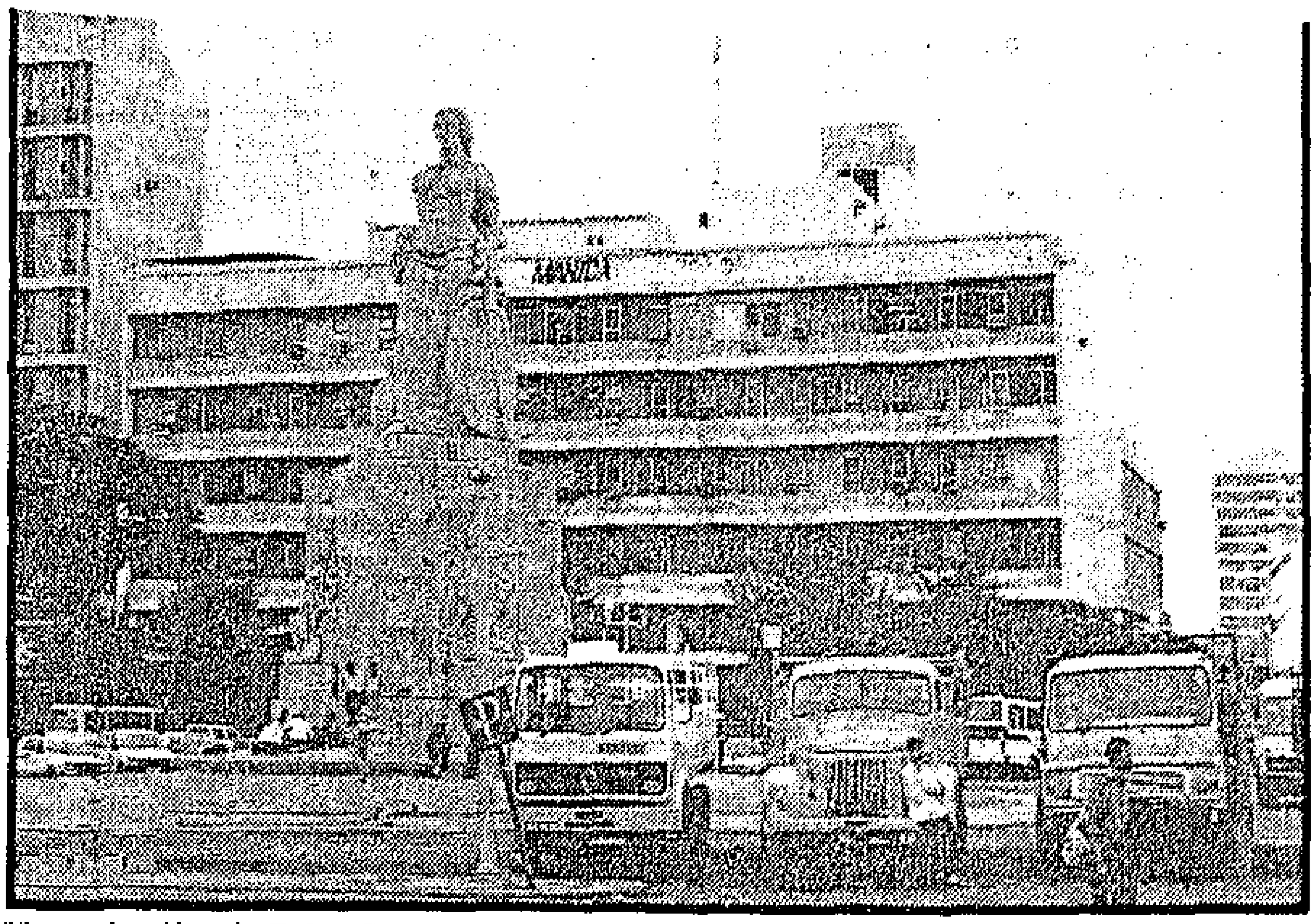
DUMA GQUBULE

ASH Electronics Industries, a recently-formed joint venture between Ash Brothers and Andronics, has received a R7m order from Eskom for 21 000 prepayment electricity meters for the power utility's electrification programme.

Ash marketing director Bob Schmidt said conservative estimates of SA's total potential market for prepayment meters were between 1-million and 3-million units, with a value of R1bn or more.

"Several companies in SA, in close co-operation with Eskom, municipalities and regional services councils, are doing pioneering work in this field."

Schmidt said he believed the company could achieve export sales of more than R26m within two years.



Manica's office in Beira. Renfreight and Manica are now openly publicising their relationship.

Major World Bank contract expected to go Altech's way

18 9 D

ALTECH expects to be advised within the next few days of the award of a major contract in central Africa, one of a few offers submitted against World Bank regional development projects.

Altech, the largest locally controlled electronics and telecommunications company in southern Africa, with a turnover in excess of R900m, has initially targeted sub-Saharan Africa as part of its comprehensive export drive, says market development executive Keith Crosby.

Altech believes the prime requirement of the region is a strong and effective telecommunications infrastructure. For this reason the group has already focused its skills and facilities on a number of countries.

Crosby says SA companies have a wealth of experience in infrastructural development, which is sorely needed in Africa.

He says Altech wants to strengthen relationships by becoming involved in operating, maintaining and developing telecommunications newtorks to meet the needs of the customer, not simply supply products.

BIDay 23/6/92

Advanced

Negotiations about setting up joint venture companies have reached an advanced stage in two countries, he says, but declines to elaborate further.

Through the successful completion of large projects in neighbouring states, Altech has gained wide experience of African conditions and needs, says Crosby.

It is able to supply total solutions to telecommunications problems from the planning and design stages through to installation and commission, maintenance and operation of the entire network.

When it comes to World Bank tenders in sub-Saharan Africa, Altech is up against the world's multinationals.

Altech's southern African experience gives it a distinct competitive edge but a lack of finance is its downfall. Crosby says finance is a major problem confronting the company's southern african activities.

Its overseas competitors have, in some cases, access to soft loans from their governments, while SA currently feels it has not got the money to spare on such loans.

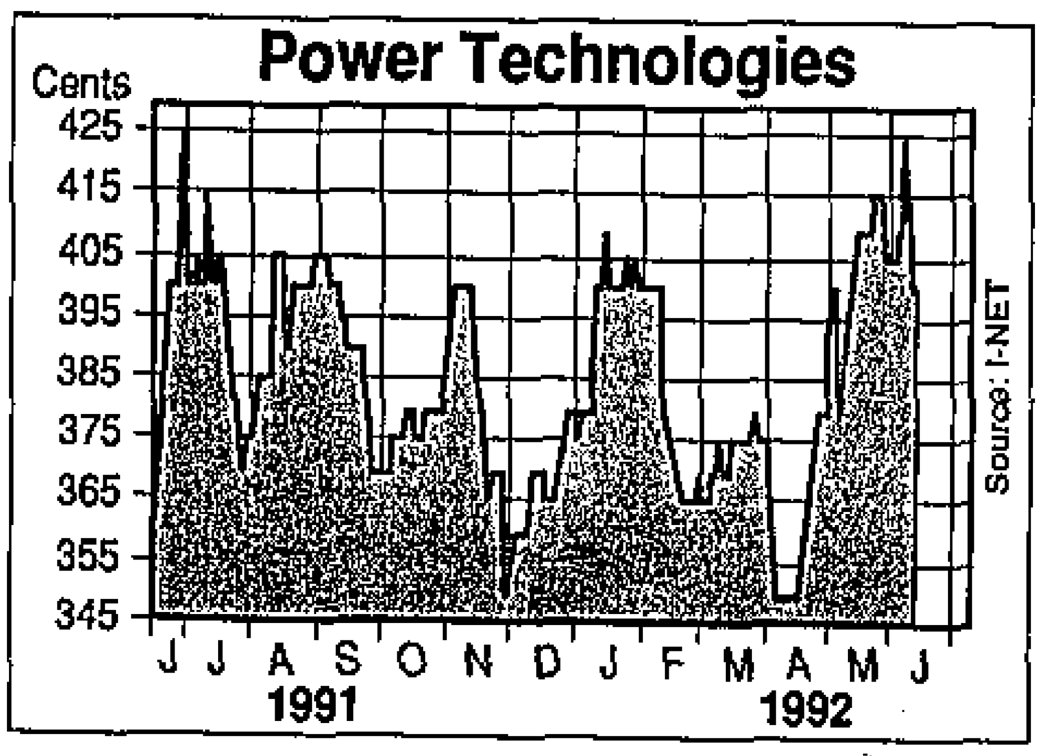
POWERTECH (189D) FM 26/6/92

Firmer foreign links

Activities: *Makes electrical and communication cables, energy management systems, batteries, lighting and power equipment.*
Control: *Altron 63,3%.*
Chairman: *P A Watt.*
Capital structure: *134,9m ords. Market capitalisation: R540m.*
Share market: *Price: 400c. Yields: 2,4% on dividend; 8,1% on earnings; p:e ratio, 12,4; cover, 3,3. 12-month high, 425c; low, 340c. Trading volume last quarter, 660 000 shares.*

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	48,6	37,3	2,3	3,6
LT debt (Rm)	8,0	10,1	10,3	8,6
Debt:equity ratio	0,21	0,07	n/a	n/a
Shareholders' interest	0,45	0,50	0,53	0,59
Int & leasing cover	8,0	7,6	29,8	n/a
Return on cap (%)	13,2	20,5	21,3	18,7
Turnover (Rm)	854	1 157	1 204	1 152
Pre-int profit (Rm)	70	117	131	118
Pre-int margin (%)	82	10,0	10,7	9,8
Earnings (c)	21,4	27,8	30,8	32,3
Dividends (c)	6,5	8,4	9,3	9,7
Net worth (c)	124	140	161	183

The restructuring of Powertech's Brown Boveri Technologies (BBT) subsidiary, effective from the beginning of this financial year, is expected to strengthen the group's position



Cont

Powertech's Watt ... *difficult trading all round*

as a major force in the local power electrical engineering industry and extend export opportunities.

BBT, in which Powertech and Asea Brown Boveri (ABB) of Switzerland each owns 50%, has transferred its industrial project business to a wholly owned SA subsidiary of the Swiss group. BBT, now known as ABB Powertech, gains access to ABB's full range of high-voltage products as well as the Swiss group's extensive distribution infrastructure in sub-Saharan Africa.

The retreat of sanctions has enabled ABB, the world's largest electrical engineering group, to provide ABB Powertech with greater access to technology support, new products and R&D. Powertech retains management control.

Increased backing from ABB should enable ABB Powertech to enlarge its share of the electrical power generation and transmission markets in southern Africa and expand its fast-growing air pollution control group. Shedding the industrial project operations, previously handled on ABB's behalf on a marginal commission basis, should improve focus and profitability.

The deal will knock about R130m off Powertech's turnover in the year to end-February 1993. Negligible effect on EPS and NAV is expected. Longer-term benefits could be considerable, says management. Electrical power engineering operations last year accounted for more than a third of Powertech's turnover.

In the past few years, Powertech has been forced to seek growth by increasing domestic market share through acquisitions, improving efficiencies and developing export opportunities. Recession, deferment of long-awaited mass-housing and township electrification projects by government and capital expenditure cuts by major customers in the mining and public sectors — including Eskom, Telkom and Transnet — have hampered domestic revenue growth. Powertech executive chairman Peter Watt says all the main activities had difficult trading.

After impressive growth in the last half of the Eighties, operating income last year dropped nearly 13%, to R113m, on turnover only slightly down — pushing operating margins below 10% for the first time since financial 1989. Returns on equity and capital declined significantly. Working capital as a proportion of turnover rose slightly.

However, Powertech's resilient balance sheet — cash holdings at year-end were down R9m but net reserves were still a healthy R37m — helped to ensure a positive, if modest, earnings contribution. EPS climbed nearly 5%.

Though the cash holdings generated interest income of nearly R5m — compared with an outflow of almost R4,5m in financial 1991 — management is keen to use some of the cash for acquisitions. Before the recent restructure, BBT acquired former rival Yelland (now delisted), while 55%-held Aberdare Cables bought cable accessories firm Systol and was thwarted in a bid for the cable business of Usko. The acquisitions cost around R12m.

About R30m has been earmarked to upgrade plant and equipment ahead of an upswing and to enhance export competitiveness. Exports — predominantly cables, lighting equipment and batteries to Europe, South America, the Far East and Africa — accounted for around 5% of turnover and are expected to grow in niche markets.

The consolidation of domestic operations, further efficiencies and improved exports should bolster earnings in the next few years, but the group's fortunes are likely to remain tied to the domestic economy. Earnings will begin to take off only once there is a recovery in investment in major capital projects. Several such projects are planned.

But capacity for high earnings growth, given the correct economic conditions, is reflected in the share price. Whispers of closer ties with ABB triggered a rise in April and it gained 75c in two months to hit a 12-month peak of 425c. At 400c, the share offers an earnings multiple of 12,4 — matched in the electronics sector only by fellow Altron companies and rival Delta. On a dividend yield of 2,4%, the share looks pricey. *Simon Cashmore*

Chubb lowers dividend after drop in turnover and earnings

BLDay 26/6/92 (189D)

EDWARD WEST

LEADING security group Chubb Holdings' earnings dropped 9,4% to 124,9c a share (137,9c) in the year to March 1992.

A final dividend of 16c a share (17c) was declared bringing total dividends for the year to 25c (28c). Turnover was down 3,3% to R167,2m (R172,8m), today's published results showed.

Chairman Dirk Ackerman said in his annual review most financial, commercial and retail orgainsations had rationalised their operations and, with a less active building industry, particularly in mass housing, new business opportunities were limited during the year.

Trading profit fell 17,4% to R13,6m (R16,5m) dragging profit margins down to 8,2% (9,6%).

However, directors reported that margins improved in the second half of the financial year to 12% compared with 4,8% in the first half as a result of cost control measures and a reduction in the workforce.

Asset management and relatively low capital expenditure saw the gearing ratio fall to 47,4% (63,3%).

As a result finance costs fell 19,9% to R3,9m (R4,9m).

Pre-tax profits fell 16,4% to R9,7m (R11,7m). Tax charges of R2,8m (R4m) accounted for 29,1% of pre-tax profits which together with the finance costs, brought attributable earnings 9,4% lower to R6,9m.

Turnover in the physical and electronic security divisions dropped while sales in the fire division increased marginally.

The physical division's trading profit fell 76,7% to R1,4m (R6,1m), the electronic divisions increased 26% to R9,8m (R7,8m) while fire division trading profits fell 7,8% to R2,4m (R2,6m).

Chubb Lock and Safe MD Gary Friedericksen said products were continually enhanced and upgraded.

Opportunities to increase volumes in the year ahead were limited, but improved productivity, asset management and cost control were expected to improve profit margins.

SA companies move in on SE Asia trade

S[Times (BUSS) 28/6/92.

By TERRY BETTY

MURRAY & Roberts is countering South Africa's construction recession by tendering for contracts in thriving South-East Asia.

M&R tendered to provide expertise to build a 2km pier in Thailand. "It was the lowest tender," says M&R Suppliers & Services chief executive Andre van der Colff.

M&R has operated in Hong Kong for about 10 years. But Mr Van der Colff says Singapore is now the key area.

M&R is one of many SA companies taking advantage of the boom in South-East Asia since sanctions were relaxed. Corobrik is exporting bricks to Singapore and Sasol is gearing up for petrochemical trade in the Pacific.

Sasolchem division manager Karl Pretorius says his operation exports more than 200 000 tons of petrochemicals a year, more than half of which goes to the Far East.

"We see Thailand, Malaysia, Indonesia and the Philippines as the high growth areas," says Mr Pretorius.

SA has a competitive advantage in this area over Europe and the US because of shorter shipping distances.

Mr Pretorius says Sasolchem intends to export to Singapore, the trading hub of South-East Asia.

Safto Far East manager Graham Limerick says: "Hong Kong citizens want to move their companies and have gone to Singapore. This will keep them close to the source of cheap labour."

Mr Limerick says high-tech companies, such as Hewlett-Packard, Phillips and Siemens, are based in Singapore because of its tight anti-piracy legislation.

Webber Wentzel trade partner Leora Blumberg says few South Africans realise how vibrant South-East Asia is.

"In 1991 while the rest of the world was battling with a recession, Thailand's growth rate in gross domestic product was 10%. Singapore's GDP grew an average 8%, Malaysia 6,8%, Indonesia 6,4% and the Philippines 4,6%."

The region's average is twice that of the European Community and far higher than SA's -0,6% for 1991.

Mr Limerick says the region has maintained this pace for 10 to 15 years. It has been even higher, but was trimmed by world recession.

The standard of living in most of these countries is still better than in SA.

Miss Blumberg says that even though SA has been exporting to these countries through third parties, the amounts involved have been small.

"South Africans have few contacts and know little of the region.

"Companies automatically think of Western countries when they want to export."

The potential for trade in South-East Asia is vast.

Even though it is the smallest country in South-East Asia, Singapore is the gateway to the region.

It has geared itself to trade because it has a cheap, efficient harbour and excellent communication. Miss Blumberg says Electronic Data Interchange (EDI), which facilitates trade, is based in Singapore.

Merit

Singapore and Thailand have dropped all sanctions against SA.

Malaysia has kept trade sanctions. But Mr Limerick says SA delegations have still had a superb reception from the Malaysians because they want to start trading as soon as an interim government is in place in SA.

Having lost its Russian ally, Vietnam is forced to trade with the West and is willing to do business with SA.

The Philippines has dropped people-to-people sanctions, but will consider trade offers on merit.

Indonesia, the largest potential market with a population of 180-million, remains anti-SA.

Construction lifeline

S[Times (BUSS) 28/6/92.

CIVIL engineering group CA Brand has won contracts worth more than R45-million in the past month in spite of the depressed construction industry.

CA Brand chairman Peter Bayly says the company is lucky in obtaining these contracts and warns that unless there is a dramatic improvement soon, many construction companies will go to the wall.

Largest contract is for the construction of a 160-room City Lodge in Morningside. In the heart of Pretoria the company will rehabilitate and widen Skinner Road between Princess Park Drive and Andries Street at a cost of R14-million.

MBSA, Samcor head for clash

S[Times (BUSS) 28/6/92

By DON ROBERTSON

A DISPUTE is possible between Mercedes-Benz SA (MBSA) and Samcor, both of which could soon be producing Mitsubishi vehicles in South Africa.

Since 1985, when Sigma merged with Ford, Samcor has made Mitsubishi commercial vehicles. Production of passenger vehicles stopped shortly after Samcor's formation.

Samcor still builds the Mitsubishi Canter nine-ton truck, the Star Wagon and Express minibuses as well as a light commercial vehicle.

It is believed that MBSA is now eager to make a one-ton Mitsubishi pick-up at its East London factory.

MBSA chairman Christoph Köpke recently returned from Japan where it is believed he had discussions with Mitsubishi Corporation about a one-ton bakkie for SA production.

Sense

Mr Kopke refuses to comment on whether negotiations took place.

First indications of a possible link between MBSA and Mitsubishi were announced by Business Times in January.

Samcor managing director Robert Herbertson says he has been "appraised" of this possibility, but it is not a "make-or-break situation".

Mr Herberston says that if Mitsubishi planned to introduce a one-ton pick-up to SA, it would have to compete against the Mazda B series and Ford Courier bakkies produced by Samcor.

"It would not make sense for them to allocate funds to compete against these two vehicles."

The introduction of a one-ton pick-up would make sense for MBSA.

Prospects of mediation in metal pay talks slim

(189)

S[Times (BUSS) 28/6/92

By ADRIAN HERSCH

EMPLOYERS in the metal industry say that chances are slim that mediation will be used to resolve the pay dispute this year.

Mediation settled last year's row after strike and lock-out ballots were held.

Seifsa is balloting on a lock-out and Numsa, the largest union at the current talks, appears set to hold a strike ballot early in July.

Numsa has declared disputes in the metal, auto-assembly, motor and tyre industries.

Simultaneous lawful industrial action could occur in the metal and auto-assembly sectors in late July — or even mid-August to coincide with a possible political stayaway.

Highest

But no lawful strike can occur in the motor industry — affecting 180 000 workers mostly at garages and in motor retail — until September because the agreement expires at the end of August.

Even if a strike ballot is held in the tyre industry, action appears unlikely because the retrenchment moratorium is to be extended for another year and the pay offer is 12% — the highest of all the sectors in which Numsa is involved.

The demand for a 12-month retrenchment moratorium is a major stumbling block in the metal and auto-assembly industries. The parties are also far apart on wages.

The metal talks affect about 330 000 workers and the auto-assembly negotiations about 35 000.

Seifsa executive director Brian Angus says a retrenchment moratorium will have the opposite effect to what is intended.

Mr Angus says: "The industry comprises about 9 000 companies, many of them small. Where there is no option of retrenchment, small business will have to close.

"Companies would also be cautious about taking on workers, knowing they cannot retrench when economic forces dictate they should."

Numsa negotiator Les Kettledas says workers have made sacrifices to avoid retrenchments over the years by working short time. Further job losses could be avoided "if managers were also prepared to make sacrifices by working short time".

Seifsa proposes that each worker pay 50c a month — to be matched by the employer — into a fund for training retrenched employees.

Mr Angus says this would realise about R330 000 a month, a large amount for a small contribution.

Mr Kettledas says Numsa rejects the plan because it deals with a problem after jobs have been lost instead of saving existing ones.

Seifa's 8% pay offer would bring rates to R5,08 and R11,28 an hour for labourers and artisans respectively.

Mr Angus says conditions are so tough in the industry that prospects of using mediation to resolve the dispute are minimal.

"Employers don't have the same leeway for flexibility as they had last year."

Metal employers are likely to vote in favour of a lock-out ballot. Should Numsa hold a strike ballot it is expected to get a yes response, given the high level of worker militancy.

Whether a strike will occur is difficult to predict because job security is an important factor and the possibility of a lock-out will be looming.

Clouding the outlook is the political climate.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Toco	153,6	+17	18,0	+27	19,4	+3	7,75	+3
LTA	1876,0	0	54,5	+31	114,0	+30	32,5	+30
Plate Glass	1981,3	−14	216,5	−20	308,6	−25	150,0	−32
CMSA▲	44,6	N/A	3,9	N/A	7,3	N/A	3,0	N/A
Argus	2011,5	+85	187,5	+15	213,0	+20	55,0	+10
GDM	—	—	11,5	−4	38,0	+13	15,5	+15
Chubb	167,1	−3	9,7	−16	124,9	−9	25,0	−11
Richemont (£)	—	—	620,1	+4	£343,60	+11	£56,25	+11
ODM	N/A	—	N/A	—	−0,1	N/A	0	—
Gypsum #	—	—	19,3	+10	120,5	−8	45,0	+125

▲ 13 months. (£) Sterling, earning/unit. # 9 months.

INTERIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Otis	—	—	10,6	+50	24,4	+31	12,0	+33
Hudaco	280,0	+53	27,0	+30	51,0	+9	23,0	+10
Adonis	—	—	0,4	−76	6,2	−29	0	N/A
Pointer	6,1	−19	0,4	N/A	−5,2	N/A	—	—
Plastall	24,0	−27	−0,6	N/A	−5,5	N/A	—	—
Inmins	76,6	−7	−0,5	N/A	−2,1	N/A	—	—
Winhold	102,8	−10	−1,1	N/A	−2,0	N/A	—	—
Winbel	102,8	−10	−1,1	N/A	−1,4	N/A	—	—

VW cuts prices

SA power price rises outstripping the rest

S | Times (Buss) 28/6/92. (189D)

By ZILLA EFRAT

SOUTH Africa's electricity price increases are outstripping those of its major trading partners.

It may soon be unable to boast that its power tariffs are among the world's lowest.

A National Utility Services (NUS) survey found SA paid the least for its electricity in the year to March 1992.

But its price rise is the highest of 14 countries surveyed.

The findings have been the same in NUS's last three annual international surveys.

NUS, which specialises in energy tariff analysis, now predicts a possible 60% rise in SA's industrial and commercial electricity prices in the next five years.

Ladder

Although Eskom has committed itself to reducing electricity costs "in real terms" in the next five years, NUS national sales manager Rob Mackenzie says this does not mean that tariffs will drop.

Increases may be kept below the inflation rate, but they could average between 9% and 10%.

Mr Mackenzie says: "While we will still enjoy inexpensive electricity by 1998 compared with many other countries, we are likely to have moved up the price league ladder. We could find our electricity more expensive than many of our trading partners.

"This would place SA commerce and industry at a further disadvantage and ultimately contribute to reducing our international competitiveness."

Eskom large customer tariffs manager Ken Campbell attributes SA's rising prices mainly to its high inflation rate and resulting higher operational costs.

The deteriorating rand-dollar exchange rate also has an impact on the compilation of the survey, says Mr Campbell.

NUS says that SA, with the highest inflation rate of the countries surveyed, also had the largest jump — 9,28% — in its average electricity tariff in the year to March 1992.

Britain's 8,63% increase was the second highest, followed by Italy's 5,69%. But prices in Germany, the Netherlands and Norway fell.

SA's tariff of 11,26c a kilo-Watt-hour (kWh) compares favourably with Italy's 30,37c, which was the highest of the countries surveyed.

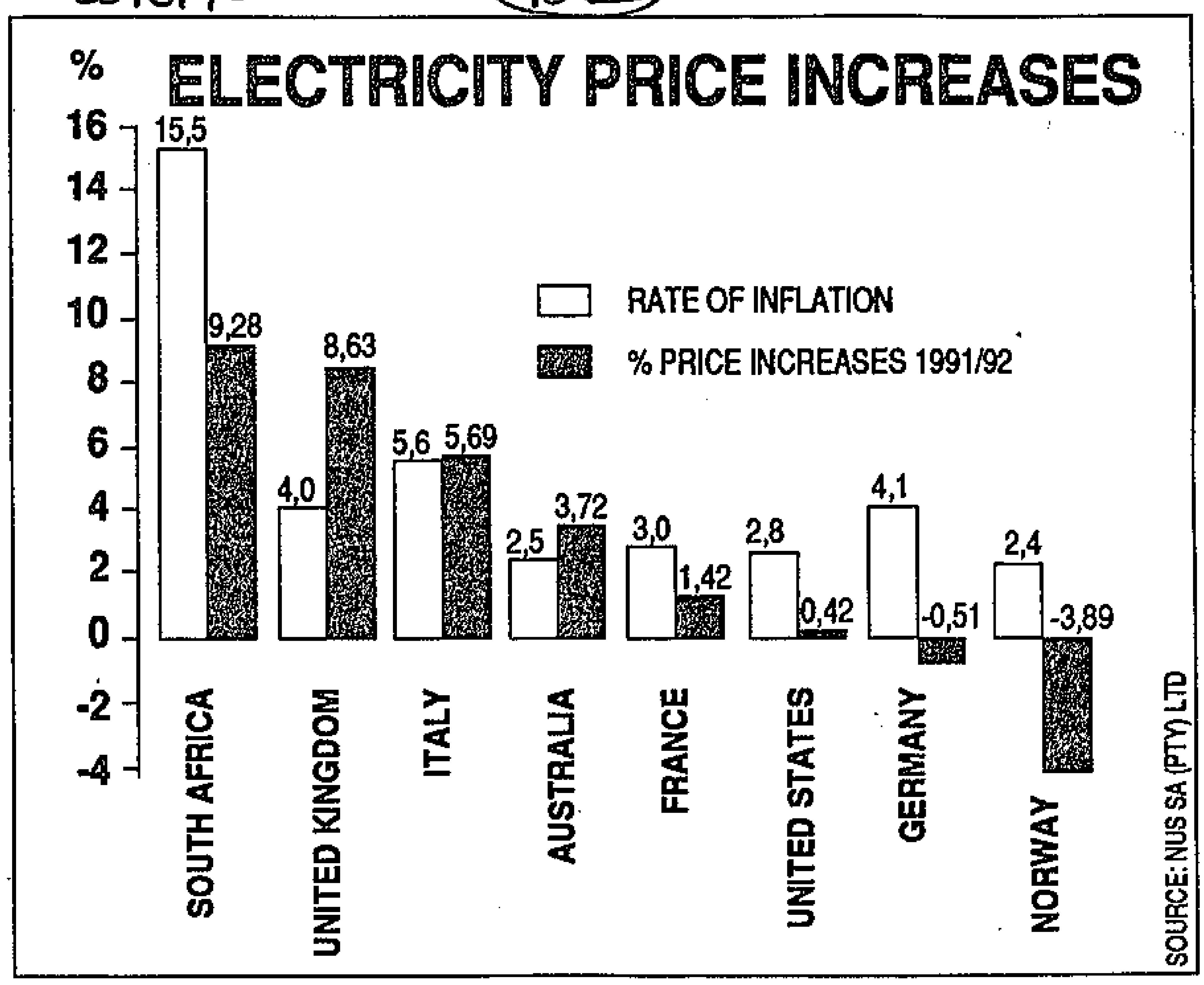
But if SA maintains its rate of price increases, its electricity could soon be more expensive than that of Canada (13,65c/kWh) and Australia (14,66c/kWh).

Italy had an electricity price percentage rise almost in line with its inflation rate.

Britain, Finland and Australia had price increases above their inflation rates. Those in Sweden, France, Canada, the United States and Belgium were below inflation.

Durban has overtaken Johannesburg as the most expensive supplier in SA. However, both cities kept their tariff rises below Eskom's 9,02%.

Pretoria's price rise of 12,7% was the largest and Johannesburg's 4,99% the lowest.



High tech brings in food for Africa

(189D)

S Times (BUS) 28/6/92.

By KEVIN DAVIE

SATELLITE technology and sophisticated software systems used in post-war Kuwait are being employed in one of the most daunting logistical operations yet mounted in South Africa.

The operation is to bring 5,4-million tons of grain to SA and another 4,5-million tons to 10 similar drought-affected countries in Southern Africa. About 8,5-million tons will be imported through SA ports.

The scale of the operation is vast. About 300 shiploads of an average 30 000 tons each w'll have to cffload at four SA ports in a 360-day working spell.

Spoornet has taken 3 000 railway wagons out of mothballs to provide sufficient rolling stock. It expects 6 000 trainloads to be used in the year-long operation. Combined these trains would be 3 000 kilometres long.

A 20-man team, with the aid of computers linked by satellite to a mainframe in the US, monitors on a 24-hour basis the movement of every ship from the time it leaves port, mainly in the Americas, until it arrives in SA or other harbours involved in the operation.

The same applies to every trainload and truckload until the shipment reaches its destination. In the cases of countries such as Malawi this can be up to three months from the arrival of the ship.

The numbers may be large, but have to be managed on a carefully staggered basis because bottlenecks can easily occur if too much maize arrives at any one point at the same time.

There are several reasons for this, chiefly that SA is usually a cereal exporter. It has the facilities to load products from silos on ships, but offloading takes place relatively slowly by mechanical grabs operated from cranes.

Bags

But up to five of these grabs working at two berths each at Cape Town, Port Elizabeth and East London and four at Durban have managed to offload up to 30 000 tons a day. This is enough to meet the target to offoad the 300 shiploads on target by next April.

When the maize has been offloaded, much of it has to be put in bags. This is because countries such as Malawi rely on road transport for the final leg of the journey from Harare.

Spoornet estimates that it will put maize into 16-million bags at a loading rate of 44 000 a day.

The bagging also improves carrying capacity. Rail wagons can carry about 25 tons each of bulk maize. Add bags on top and the carrying capacity jumps to 39 tons a truck.

Spoornet has freed 15 500 trucks for the operation, 8 500 for SA use and 7 000 for carrying maize to Malawi, Zambia and Zimbabwe. It expects to carry 10-million tons of grain in total compared with annual freight of about 180-million tons.

The operation, which is coordinated by Portnet and Spoornet, is SA's first truly multilateral project. The United Nations World Food Programme (WFP), Botswana and Zimbabwe have representatives who help the operations room staff at Spoornet's headquarters.

Malawian and Zambian representatives will soon join the team, which includes members of the Maize Board.

Peak

Portnet's Simon Swanich says 1,2-million tons of cereals (mainly maize) have been landed since the operation began in early April.

He says 80 000 tons is destined for SA, the remainder going to Zimbabwe and to a lesser extent, Zambia.

"There are now 21 ships on the water," says Mr Swanich, "including a barge from the US which is being pulled by a tug."

Portnet is also trans-shipping a consignment in Durban harbour which is destined for Dar es Salaam. The 80 000-ton vessel is too big for the harbour, so its load is being put into two smaller vessels.

The operation is working well, but has not yet reached the peak tempo expected later this year.

Portnet and Spoornet executives are cautiously optimistic that the operation will succeed.

"We believe the food will reach the people in time," says Spoornet's Willem Burger. But he warns that bad weather, possible labour unrest and port and border post bottlenecks could cause delays.

"We believe the operation will work. But it did not start one moment too soon."

Abacus restructures for recovery

3/Day 29/6/92

EDWARD WEST

ABACUS Industrial Holdings made substantial losses in the 13 months to March, but was expected to begin recovering in the current year as a result of restructuring, chairman Trevor Coulson said.

Abacus, controlled by IGI Insurance, reported a R22,5m net loss before extraordinary items compared with a R6,6m net loss the previous year.

The loss per ordinary share, based on a reduced number of shares in issue, was 32,6c (4,1c). Dividends were not declared. (89D)

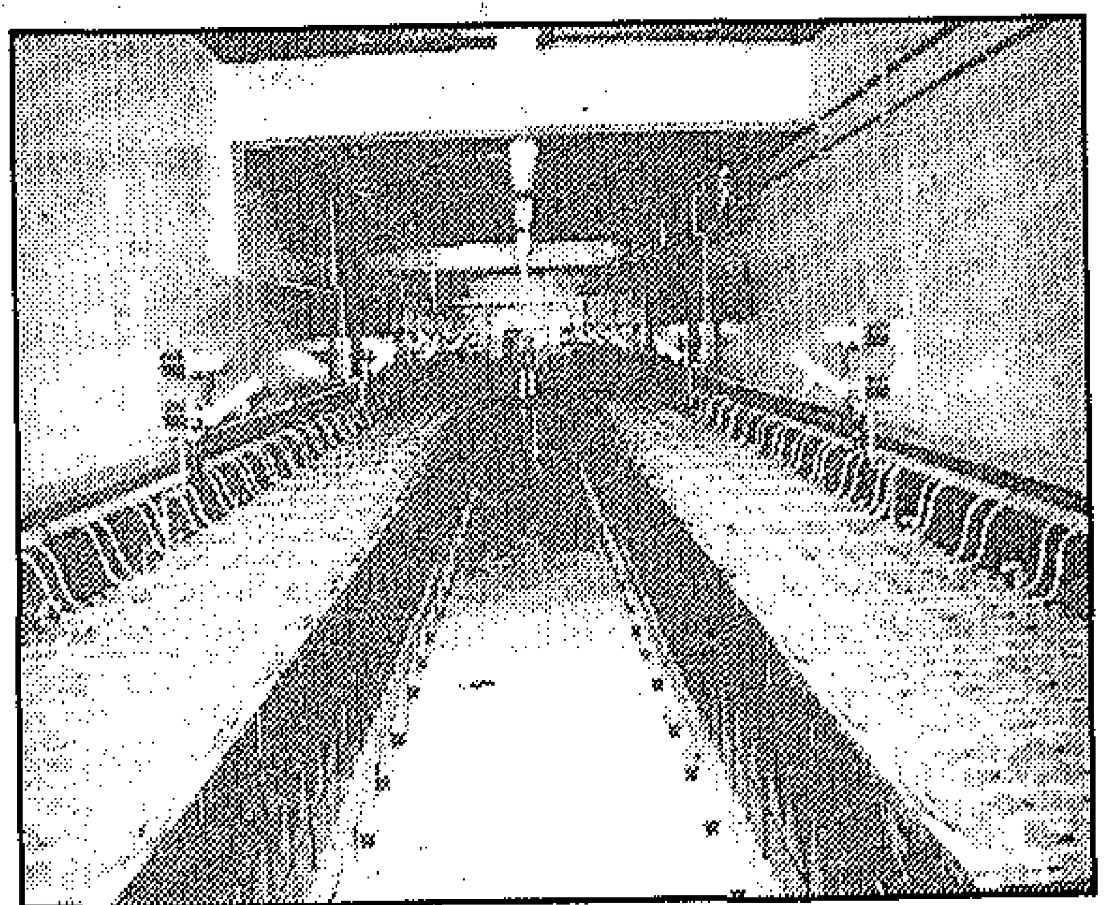
Turnover dropped to R199,7m (R204,6m), but a R19m operating loss was reported compared with R238 000 operating profit the previous year.

Coulson said massive rationalisation involving considerable non-recurring costs was undertaken to contain operations and return to profitability.

These included the appointment of new CEs for the audio and doors divisions, closing non-profitable operations, disposing of non-contributing assets and a substantial reduction in staff and stock.

Door manufacturing operations were consolidated into one factory. Surplus industrial properties and two small businesses were sold.

"We've arrested the operating losses and, depending on whether or not the economy improves, we are strongly poised for recovery," Coulson said.



Impressive . . . a large load-levelling battery manufactured by First National Batteries.

The battery giant that really cares

(1841)

STAR 25/6/92.

CARING is not a word usually associated with large companies. However, First National Battery is turning caring into a philosophy which is proving to be the key to its success.

The company is South Africa's largest battery manufacturer in terms of turnover.

First National Battery director Tom Cross says there is a tendency to regard larger companies as uncaring and autocratic. He adds: "This is certainly not true of our company. The battery industry is dominated by a few large players. If we stopped caring for our employees, customers, suppliers and shareholders, we would soon lose our position at the top.

"The product must be good but that is only a part of the answer. A new product development does not remain new for long. The competition soon adapts to the new technology. If you are competing simply on product, you lose your advantage overnight.

"Our vision of the company is one of several small, interlinking teams — including the managing director."

First National Battery operates on the principle that every person in the company, from the sales engineer to the operator in the factory, has a customer. If the operator treats the next person in the production line as a customer, he will be making sure he is supplying the quality and quantity that person requires. It is a customer chain right through to the end user.

On the factory floor there is a visual register of the employees showing the tasks they have been trained to perform and those for which they still need training. This means employees develop a range of skills and become more versatile. Another vital part of running any organisation is ensuring people receive recognition.

"We have displays in the factories showing information such as scrap produced versus the target required and the actual production achieved. The more you share with people the more their talents come to the fore. We don't wish to see employees arriving at the factory and parking their brains at the door. We want to have the use of all an employee's skills."

First National Battery has a flat management [illegible]

management should spend time on the floor or in the field rather than isolated in an office.

The company's approach to improving standards is based on the Japanese principle of *Kaizen*. Instead of making dramatic changes, First National Battery believes in doing it right the first time and then making a never-ending series of gradual, but constant, improvements.

This is not the only Japanese approach which First National Battery has adopted.

Says Mr Cross: "There are two basic methods of scheduling production in a factory. One method is a push mode where goods are produced to meet sales expectations.

"We would rather operate on a pull system — Just In Time — where production is supplied to the customer as it is needed."

The company's continual striving for a closer relationship with suppliers, customers and employees produces often unexpected benefits. The computer-aided design system used by First National Battery will work with the CAD system at one of its plastic product suppliers. This enables the company to supply drawings and specifications on a computer disk, saving time and costs.

The company forms part of a Just In Time manufacturing chain. First National Battery's suppliers make daily de- [illegible]

factories and, in turn, First National Battery makes daily deliveries to its customers.

First National Battery manufactures about 1,4 million batteries each year, ranging in size from one kilogram up to around 200 tons.

The battery market is very diverse and the company is supplying a wide range of different market segments:

- Batteries for new cars that are manufactured in South Africa;
- Replacement batteries for vehicles in use. (These two markets are different in their needs and the demands they make. The new car manufacturer needs a particular size and capacity of battery to fit a new model, and reliability is a must. The motor spares supplier is looking for availability, and this means having batteries available throughout the country.)
- The mining industry has been hit by falling prices and its needs tend to be high service and low operating costs.
- The materials handling sector, where batteries are used to power equipment such as fork lifts, are still price sensitive, but batteries offer cleaner power and there are cost justifications.

Says Mr Cross: "Our competitor in providing batteries for motive power in vehicles such as forklift trucks, is the internal combustion engine. In materials hand- [illegible]

50 percent of forklift trucks are powered by battery. This compares with only 10 percent to 15 percent in SA. The extensive use of battery power in this market overseas is based on financial considerations and there are the additional benefits of less noise and pollution."

- Another market for batteries is for use in providing standby power in the event of a failure of the main electricity supply. Every large main circuit breaker must be supplied with power, and batteries find their way into everywhere from large computer installations to shopping centres. Batteries can also be used to stabilise power usage.

"All these markets are entirely different so we have structured the marketing department to provide specialists, who operate only in their particular market segment," says Mr Cross.

"This means they are knowledgeable about the needs of the market and are dependent on that market to supply sales.

"We have established technology transfer links with one of the world's best battery technology developers, Hagen Batterie in Germany. We adapt the technology to meet South African conditions."

Mr Cross says it is vital to have a customer feedback loop, otherwise the only person you are learning from is yourself. In fact, formal proof of customer feedback from the field is required to comply, as First National Battery does, with South African Bureau of Standards (ISO 9004).

First National Battery has its roots in 1932 when it was formed in East London. In 1969 this company merged with Raylite Batteries. Raylite began in 1947 and the merged interests continued under the Raylite banner. In 1938 Chloride South Africa began manufacturing batteries in South Africa and in 1976 it merged with Oldham South Africa.

Raylite Batteries and Chloride merged in 1990.

Currently First National Battery operates two factories, one in East London and the other in Benoni.

The company employs over 1 000 people and has an annual turnover approaching R200 million [illegible]

UK company buys two crane firms in SA

B/Day 2/7/92

EDWARD WEST

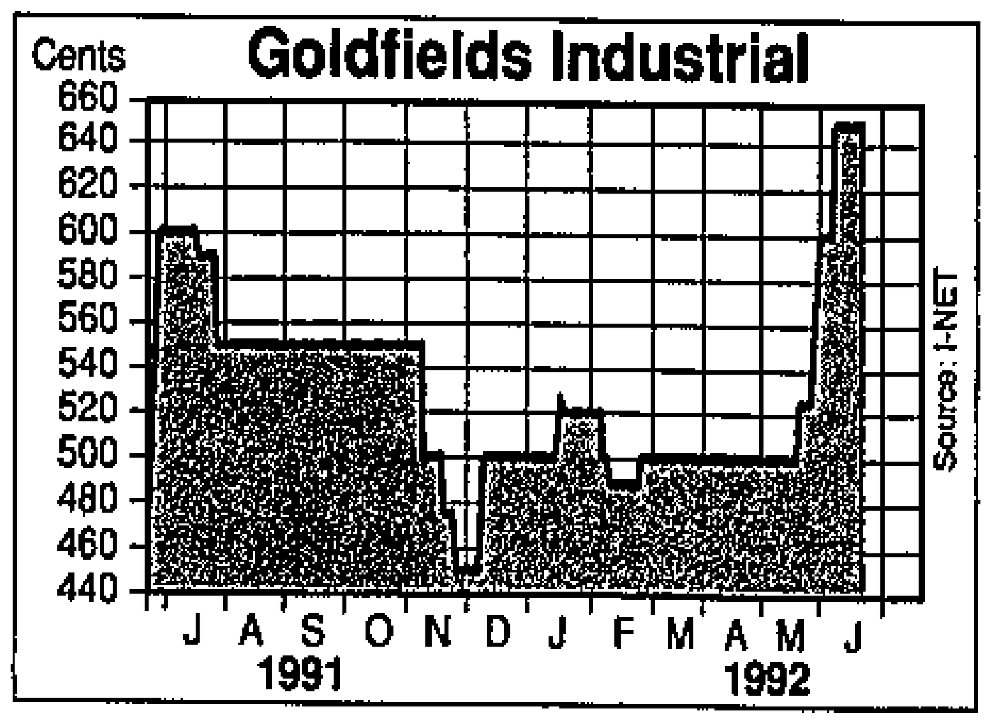
TRAFALGAR House, the UK-based international construction, engineering and property group and owner of the QE2, has acquired two SA operations, crane manufacturer Morris Cranes and lifting equipment servicing company Crane Aid.

Morris Cranes GM John MacDonald said in a statement yesterday the two companies were bought by Trafalgar House from the Davy Morris group, also based in the UK.

While acquisition costs were not disclosed, MacDonald said the deal would create the biggest one-stop facility for crane manufacture, design, consulting, repairs and servicing in SA with a combined annual turnover of R40m.

189E

Morris Mechanical Handling international operations director Bruce Norridge said he was confident of expanding exports into the African continent now that SA was no longer shunned as a trading partner by most African countries.



GOLDFIELDS INDUSTRIAL FM 3|7|92

On the market (189E)

Activities: *Supplies flat-rolled steel strip.*
Control: *B Elliott Plc 62%.*
Chairman: *M J E Frye; MD: A P Crawley.*
Capital structure: *4,081m ords. Market capitalisation: R28,6m.*
Share market: *Price: 700c. Yields: 7,9% on dividend; 14,1% on earnings; p:e ratio, 7,1; cover, 1,8. 12-month high, 600c; low, 400c. Trading volume last quarter, 16 000 shares.*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	3,0	4,4	5,5	7,4
LT debt (Rm)	1,0	2,7	2,1	1,6
Debt:equity ratio	0,20	n/a	n/a	n/a
Shareholders' interest	0,54	0,44	0,44	0,45
Int & leasing cover	4,9	6,2	6,3	7,4
Return on cap (%)	19,4	16,7	15,9	15,6
Turnover (Rm)	68,0	76,2	74,1	72,3
Pre-int profit (Rm)	6,4	7,7	8,0	8,3
Pre-int margin (%)	9,4	10,1	10,8	11,5
Earnings (c)	70	92	90	99
Dividends (c)	40	50	50	55
Net worth (c)	457	496	535	580

What a rare pleasure it was to read this company's 1992 annual report. A few statistics outline the rosy picture: turnover fell a shade; despite this EPS rose 10%, to 99c, on the back of an increase in the trading margin, which showed a further gain to 11,5% — the fourth successive year management has achieved this.

Chairman Michael Frye, in his annual statement, attributes the sparkling results to "continuing improvements in efficiencies, productivity and processes." MD Andrew Crawley says the company has concentrated this year on those of its lines which have better margins — the higher added-value contracts — and this resulted in a spin-off in other sectors. One major side effect was that overheads were reduced significantly.

Crawley says the company introduced a total quality programme two years ago, which embraced all aspects of the company's production divisions. The result has been, he says, a general improvement across the whole business, and the results certainly bear out his views.

Sadly, there is a catch to all this. GIC has been a subsidiary of UK company B Elliott Plc since 1967 — almost exactly 25 years. In his chairman's statement, accompanied at the time of the release of the annual report by a cautionary announcement, Frye says Elliott has decided to seek "a purchaser for its controlling interest in the company." Asked if the reasons for the UK company's decision to disinvest was motivated by political factors, Frye said "No, it was definitely nothing to do with the political circumstances of SA."

Why, then, would anyone in his right mind want to withdraw from a company that has done so well? Frye says the UK and other European economies are going through torrid times and Elliott is noticing it particularly in its own areas of machine tools and capital goods. "Trading conditions have been unbelievably tough," says Frye, "and we need to inject cash into our own business." He refuses to be drawn further other than to confirm that a long process of negotiation was under way.

Crawley confirms that the holding company's decision to disinvest has created some uncertainty and discomfort in GIC. "This has become an unsettling time for everyone," he says.

Unlike previous years, GIC had few supply problems in 1992. However, it is heavily exposed to the automotive component manufacturing industry, and lower demand was at least partly to blame for GIC's fall in turnover. Some exports were undertaken to Europe of precision rerolled steel for certain specific applications, but Crawley says SA's local steel price is so high as to make exports on a large scale very unlikely.

The company's cash position, at R9,4m, gives it a cushion with which to weather any further downturns. Crawley says no new capital projects are being planned — management is awaiting news of the new owners.

He declines to be drawn on prospects for 1993. "We supply to a wide spectrum of customers, all of whom are reporting lower demand. With the economy in the state it's in, anything I predict will be wrong."

Given its very good performance, it isn't surprising the share has marked up a new 12-month high. However, tradeability is limited and, in any event, willing investors are probably better advised to await the outcome of Elliott's efforts to sell its controlling stake before taking the plunge.

David Gleason

[Engineering : Sector - see McGregors]

FM 3/7/92 (189E)

"Our commitment to free market principles should not be in doubt. But it is naive in the extreme to expect us to play by these principles when the realities of the market we are operating in clearly do not exhibit them. Indeed, it is precisely because of our strategic aim to become more price competitive in a freer market that we have requested the additional tariff protection. It will enable us to reduce our unit costs by going for increased volumes — while at the same time boosting our exports."

So, local consumers are being asked to make Haggie more profitable while it works on its long-term plan. Murray doesn't disagree.

"Haggie Rand is well on its way to becoming one of the most technologically advanced and price-competitive rope manufacturers in the world. It has the capacity and means to be a significant worldwide player in the industry. The use of properly targeted tariffs will get the company there quicker. Surrendering in the face of artificially cheap imports will not."

Haggie's application may be one of Trade & Industry Minister Derek Keys's first tariff decisions and in his six months on the job, his comments have shown great sympathy for industries that crave protection and higher profits and little sympathy for the consumers who must pay the inflated prices and for the unemployed workers who can't find jobs because protection has made the economy uncompetitive. Last week, he reiterated that "industrial development could not be sacrificed for the lower cost of products which reducing trade tariffs might bring."

If Keys's protectionist leanings are carried out in practice, a flood of applications for higher tariffs may come pouring in.

As Bosomworth notes: "Haggie's application is the thin end of the wedge, with further applications to follow if it's successful. Increased duties will render important downstream manufacturers internationally uncompetitive, while primary producers continue to distort the economy, using exports as justification for their actions." ■

[Sector: Engineering see McGregors]

IMPORT TARIFFS FM 3/7/92

189E

Haggie's wire trap

Haggie Rand's application for a fivefold jump in tariffs on a range of imported steel and iron products is meeting with an increasing amount of flak.

Haggie wants tariffs to go from 5% to 25% on non-insulated stranded wire, wire ropes and cables, which are used in the mining industry. It wants the same tariff hike on "wire of iron and non-alloy steel," used extensively in beds and mattresses.

Bill Emmett, the chairman of the Chamber of Mines' purchasing subcommittee, says the higher tariffs would increase mining costs by more than R20m a year.

"Steel wire rope is extensively used by the mining industry. We are extremely concerned over this application because it would counteract all industry efforts to contain costs."

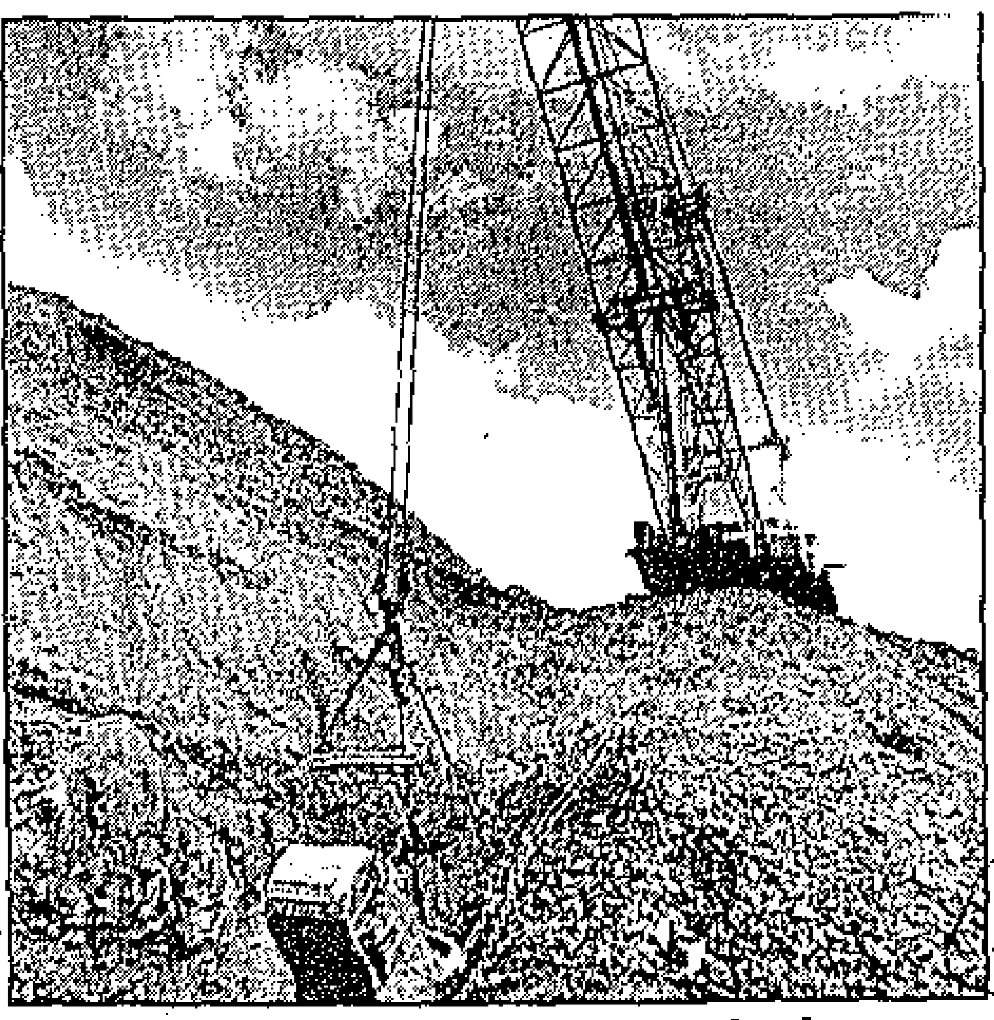
Genmin, for one, buys R42m worth of stranded wire ropes a year, with about 5% imported. An Anglo American spokesman says that to keep the escalation of unit costs down to "as close to zero as possible," it has asked suppliers to keep their price increases modest. "It is as much in their long-term interest to do so as ours," he adds.

In its application to the Board on Tariffs & Trade, gazetted on April 24, Haggie asked that the higher, 25% tariffs be retained for five years to allow it time "to improve efficiencies and effectiveness." It adds: "The company requires support in the form of increased duties for a limited period of nine years (which includes a 5 percentage point a year reduction over four years) to be able to achieve its objectives."

Hogwash, says Robin Bosomworth of the Independent Wire Converters' Association, which wouldn't be directly affected by the higher tariffs but feels that if the application is approved, it would enable Haggie to move eventually into its markets. "Our association rejects Haggie Rand's application for increased duties as an exercise in increasing profits and harassing potential competitors. Haggie is a neo-monopoly in high carbon wires, ropes, strand and cables and wants higher domestic prices for its product."

He also points out that as a large exporter and a world leader in the manufacture of many mining items, Haggie makes a poor candidate for protection.

As with most tariff applications, Haggie's request has the insidious effect of shutting down most of the imports in question because importers are reluctant to sign import contracts with the possibility that tariffs could be raised at any time. "This enables Haggie to achieve higher prices even while the application is under consideration; therefore, the application will be a worthwhile exercise," Bosomworth says.



Haggie Rand ... *mining higher protection for profits*

189E

FM 3/7/92

MD Chris Murray says Haggie, the dominant supplier of wire rope to the local industry, has to compete with local rivals and overseas suppliers. And he says Haggie has no intention of hiking its prices to local customers, even if tariffs are increased.

"The landed costs of these imports (mainly from Europe and the Far East), now running at about R100m, are far from free and fair, and benefit from both government support and price cutting due to chronic overcapacity in the world wire rope industry, while cross-subsidisation also takes place within major European manufacturers."

And, he adds, local steel prices are formula-rated, "meaning we have to pay far more for it than if we had direct access to world prices." Sales volumes have also shrunk in the current recession, putting "severe strain on margins and profits."

Bosomworth responds that "Haggie became a conglomerate in the halcyon days of permit protection and apparently greed knows no end. It enjoys huge comparative advantages such as natural geographic protection of 15%-20%, an import surcharge of 5%, existing duties of 5% and a 10% convenience factor."

He adds: "Whatever increase the board awards Haggie will be reflected in domestic prices proportionately (import price parity). It is not for government to award Haggie fat and comfortable prices and profits at the expense of industry and the economy, or to encourage it to sit back and become inefficient when it should be concentrating on the more competitive export market."

And, he adds, the two-tier pricing that exists across the entire range of Haggie products means that its domestic prices are already, on average, 40%-50% higher than its export prices. "Why distort prices further — two-tier pricing does not even exist in Europe because of the level of internal EC competition."

But Murray remains adamant that Haggie's intentions are noble.

BDay 7/7/92

Techserve wins sweet deal

MEREDITH JENSEN

THE Sucoma sugar factory in Malawi has granted a R100m expansion contract to Durban-based engineering company Techserve.

The work at the factory includes construction of a new plant, Techserve MD Jeff Walsh said yesterday.

Most of the funding for the project will come from the Industrial Development Corporation (IDC), which has agreed to grant Techserve an export credit loan worth R71m. The additional R29m needed for the expansion has been financed by the Lonrho-controlled Sugar Corporation of Malawi. Lonrho has a managerial contract, as well as a majority interest in the Sugar Corporation.

The project will increase Sucoma's capacity by more than 50%, up to 300 tons of cane an hour.

FM 10/7/92

(189E)

Myburgh

Le Roux

FM 10/7/92

Le Roux is the quiet man of the pack. He joined Sats in 1963 and busied himself with engineering matters until he moved into his current position in January 1990. ■

ENGINEERING FM 10/7/92

Turn of the screw (189E)

Three years of recession have cut thousands of engineering jobs and forced hundreds of metal companies to go under. And a looming general strike has industry officials braced for more bad news.

Increasing exports are helping some companies survive, but the world economy is weak and not enough is being exported to boost the sector, which is why "we're still falling and can't see the bottom," says Michael McDonald, chief economist of the Steel & Engineering Industries' Federation of SA (Seifsa).

Seifsa says metal industries — it does not differentiate between heavy and light engineering — can expect to turn over R55bn this year, up 10% from last year. But production will be down in volume terms.

Says McDonald: "In the year to date, 700 of the 10 000 metal industries' companies went bankrupt. In the first five months of this year, 14 000 workers were retrenched. These are the worst figures since the recession started in 1989, when the industry retrenched only 5 500 in the first five months. It retrenched only 8 500 in the first five months of 1990 and 11 000 in the first five months of last year. There has been no letup; 2 500 to 3 000 workers are still being laid off every month."

Adds Dorbyl group CE Dawid Mostert: "The industry has only 1 200 first-year apprentices, 2 600 second-year apprentices and 3 400 third-year apprentices. These figures show we took on more than twice as many last year and nearly three times as many in 1990. The industry will run into skilled manpower problems when the recession ends."

Most heavy engineering companies are suffering because construction of Mossgas, SA's controversial fuel-from-gas project, is ending and the go-ahead has not yet been given for two other huge projects, the R4,5bn Alusaf smelter and the R4bn Columbus stainless steel mill.

McDonald sees foreign trade delegations troop through Seifsa's offices regularly and make "the right noises about investing in SA," but they have been waiting for local investors to get the ball rolling.

He estimates that the metal industries now employ 330 000 to 350 000 workers and predicts that, in good times, at peak production, employment will stabilise at about 380 000. "It won't go above that because of better methods and rationalisation. The industry employed 80 000 fewer people at the end of 1988 than it did in 1981, when 454 000 workers were employed, though production was just as high."

As times get rougher, industry executives are taking a closer look at labour costs. "Labour is now expensive and the industry is much more critical of the size of its labour force," McDonald says. "There has been an increased use of robotics, particularly in the automotive field, where it isn't being used merely because robots don't go on strike, but also to meet international quality standards." But he also sees a return to politics by the trade unions as an important factor. "There is a swing to technology rather than labour because of the increased militancy of the work force."

cont'd

FM 10/7/92 (189E)

Like McDonald, Mostert finds little to enthuse over for the immediate future. Fixed investment is only a fraction of what it was a decade ago. Consequently, heavy engineering, in which Dorbyl leads the field, is suffering. Eskom has excess generating capacity, so it isn't building any new power stations. Gold mining is in a cost squeeze, so it has cut orders for new winders from 15 a year, the norm a decade ago, to perhaps one. The platinum mining industry also has cut back.

"In fact, the only bright spot in mining is that the coal mining industry has ordered some new walking draglines," Mostert says. "Railway rolling stock is also heavy engineering, but Spoornet has reduced its orders for new goods wagons from about 5 000 a year 10 to 12 years ago to a few hundred a year now."

Mostert says Dorbyl, which has been exporting for 30 years, has stepped up that side of the business to reduce its dependence on heavy engineering until times improve. Now, about 15% of its sales come from exports. "Tosa, our tube-making plant, is, for the first time, exporting more than it sells into the local market."

Light engineering — tube making and automotive component manufacture, for instance — is not suffering as much as heavy engineering, Mostert says. But he has no illusions about the serious effect a Cosatu-inspired general strike in August will have on industry. "If Toyota cannot build cars it will impact on component manufacturers, but as with other industries, Dorbyl has a contingency plan. There is no question about it involving no work, no pay. There is no other way to run a democratic country." ■

Uncertainty hits JSE engineering index

BDAY 15/7/92

189E

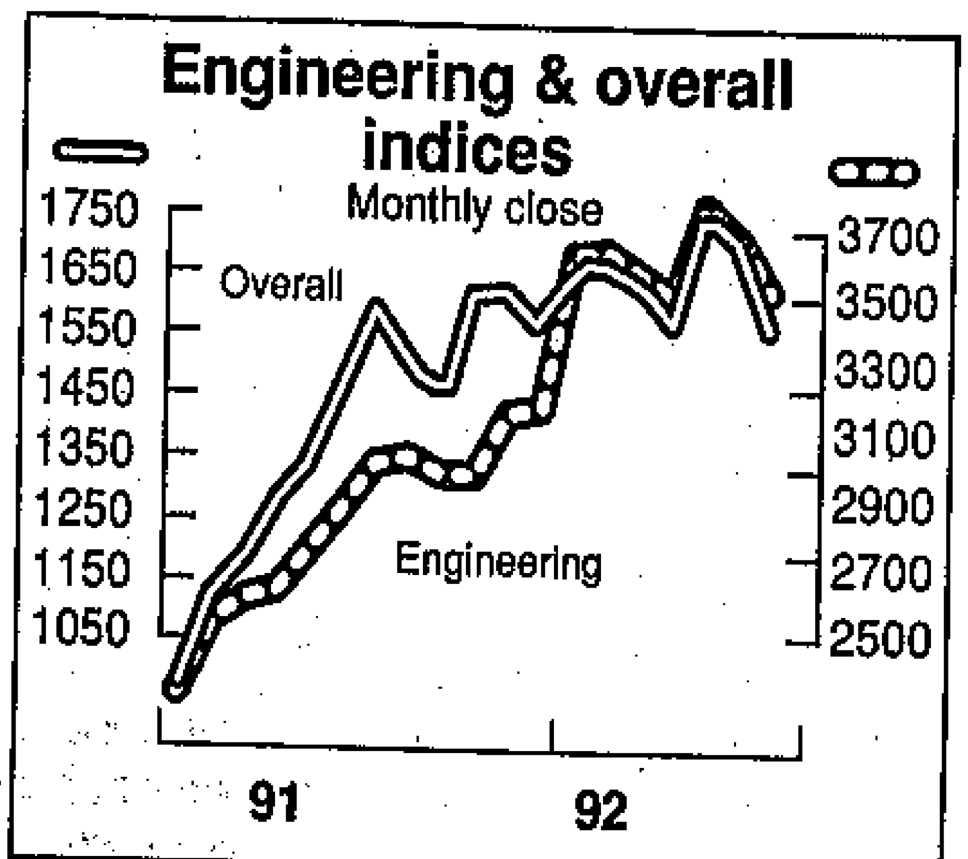
EDWARD WEST

GLOOMY sentiment on the JSE's engineering board was the result of a decade-long decline in local fixed investment, coupled with political and economic uncertainty, stockmarket analysts said yesterday.

The recent performance of the engineering index, which has declined from 1 767 points in May to yesterday's 1 626, reflects the disinterest in engineering stocks. The leading shares are tightly held but trading volumes in the rest have been low.

From July 1991 to June 1992 shares worth R245,6m were traded averaging out at R20,5m a month. Although the average improved to R29,3m this month, it compared with a monthly average of R35,5m in the paper and packaging sector. The average trade in the beverages, hotels and leisure sector was R69,6m.

In terms of market capitalisation, the bright star in the sector was the gas group Afrox which, with its R2,82bn capitalisation, accounted for 52% of the sector. Correspondingly Afrox's monthly trading average was R6,3m compared with, for instance, Haggie, which only averaged R970 000 a month.



Graphic: LEE EMERTON Source: I-NET

Unlike the other groups on the board, Afrox's income was not soley derived from engineering but also from other industries such as health care. Its 13% interim earnings increase to March 1992 was significantly lower than the 22% seven-year annual compound growth. But consistent growth in the past testified to its ability to weather recession better than most.

With gross fixed investment in the construction, mining and capital intensive industries showing negligible growth over the past decade, prospects for engineering groups serving them were gloomy.

Industrial groups were operating well below production capacity with most opting for replacement or refurbishment of existing plant rather than investment in new productive capacity, the analysts said.

If, for instance, the economy improved slightly before the end of 1992, gross domestic fixed investment (GDFI), which traditionally lagged behind GDP by nine to 12 months, would only begin to translate into real earnings growth by 1994.

However, the analysts believed the start of the Columbus stainless steel and Alusaf aluminium smelter projects could stimulate demand as would the growing trend towards exports. Groups on the board successfully opting for the latter route were Dorbyl, Haggie and Standard Engineering.

Dorbyl, which had the second highest capitalisation in the sector at 15,8%, exported 15% or R200m of its turnover in the interim period to March 1992. However, because of reliance on fixed investment levels, lower earnings were forecast.

Steel wire, wire rope and copper-base products manufacturer Haggie, with a capitalisation of 10,8%, exported about 20% of its total sales of R1,18bn to over 60 countries in the year to December 1991.

Dorbyl wraps up big deal on containers

DORBYL Heavy Engineering has concluded a licence agreement with Containeering of Paris, a world leader in the field, to make chemical containers. (189E)

MD Thinus Gouws said yesterday the deal would have an initial sales potential of R6m a year. B|DAY 20|7|92.

Dorbyl, already a major manufacturer of stationary pressure vessels in SA, initially expected to produce 100 gas and specialised containers a year for the SA, European and US markets, Gouws said. Production could be trebled eventually.

EDWARD WEST

Dorbyl planned to produce four types of container: a 20-foot gas container, a container for aggressive powders, a container for the transport of bitumen or similar high viscosity hazardous cargos, and a container for the transport of chocolate, complete with heater and agitator.

Dorbyl's fabrication and machining division has also won a R5m contract from the UK-based Bronx for downstream equipment from Tosa's expanded seamless tubing plant.

Sukhulu gets control of KNJ in reverse take-over

By Leigh Hassall (189E) STAR 20/7/92

In a reverse take-over deal the controlling interest of industrial holding group KNJ has been acquired by unlisted Sukhulu Holdings. The Israeli-based Eisenberg group has a significant minority stake in Sukhulu.

The management of the group has changed to Sukhulu's Louis Ichikowitz, who has been elected chairman and chief executive in place of KNJ founder Keith Jenkins.

Mr Jenkins will remain on the board as a non-executive director, while former chief executive Des Jamieson will continue as an executive director.

KNJ owns a number of industrial engineering companies and controls the listed Midmacor Industries, which holds the local franchise for Honda motorcycles and products.

In terms of the deal, which was announced on Friday, KNJ will acquire part of the Sukhulu business, with a net asset value of R30 million. The payment will be settled through the issue of 75 million KNJ shares at 40c each to Sukhulu.

The Eisenberg group is guaranteeing all KNJ shareholders a purchase price of 85c a share for ten percent of their holdings.

Multi-national Eisenberg is a trading and joint venture conglomerate which invested in Sukhulu in 1990. Sukhulu expect the relationship to yield significant trading and sourcing benefits.

Eisenberg recently targeted Africa as the next global area of economic growth and views SA as the key distribution point for the area.

Sukhula will add a number of business to KNJ activities, including the Suzuki franchise, Witbank brickworks, Astra TV and fridge manufacturers, a sporting goods and toys distributor and a portfolio of investment properties.

The new businesses blend well with KNJ's existing industrial holdings and the new management predicts strong earnings growth in financial 1993, through rationalisations and synergies.

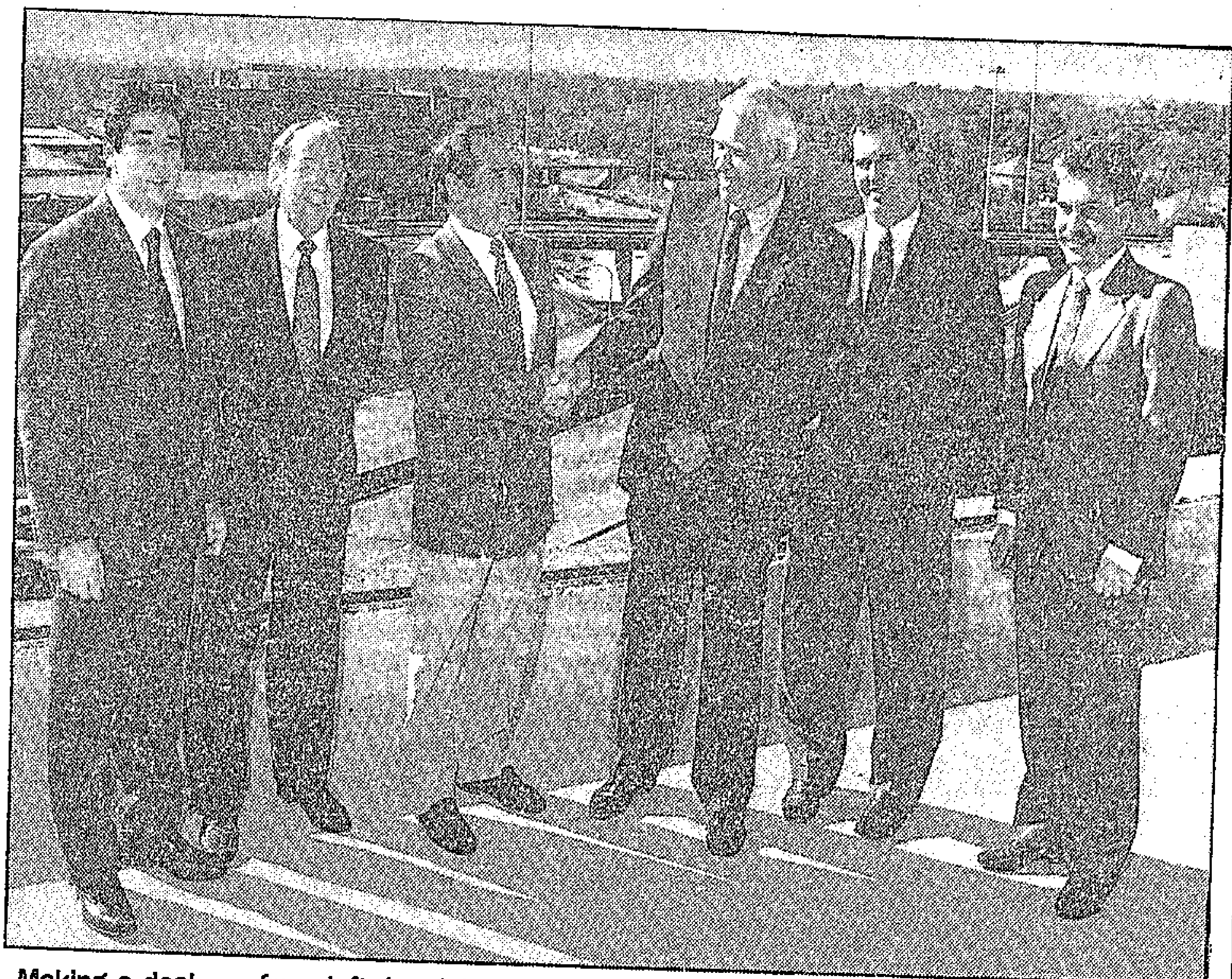
While no detailed financial statements were provided, turnover of the Sukhulu businesses injected into KNJ was put at R120 million last year. In 1987 these businesses turned over R27 million.

The companies in the KNJ stable have not fared well over the past two financial years. In the year to end June 1991, KNJ posted a net attributable loss of over R4 million.

At the interim stage in December last year the company reported a further loss of R3 million and analysts do not expect an improvement for the full 1991/2 financial year results, which are due to be released shortly.

KNJ last week traded at 45c, a 10c move on the week but still well below its annual high of 60c. At the end of June last year its net asset value was 183c a share.

Shareholders should receive more detailed figures within the next few weeks. The 85c a share offer by Eisenberg should only be considered once the circular has been assessed.



Making a deal . . . from left: Ivor Ichikowitz, Des Jamieson, Louis Ichikowitz, Keith Jenkins, Gal Gaye and Stan Magid.

Steel contractors join forces

BIDAY 23/7/92

189E

EDWARD WEST

FIVE of SA's largest steel fabrication contractors had pooled resources to establish a sales arm to tackle the potentially lucrative market in Africa, Johan de Wet of the SA Rolled Steel Producers' Co-ordinating Council said yesterday.

Although De Wet declined to name the five companies, he said they and their customers would benefit from the new pool of skills. He believed SA steel contractors could contribute positively to infrastructural development in southern Africa.

SA Institute of Steel Construction consultant John Duncan said foreign buyers would previously play one SA steel contractor's prices off against another.The new deal would improve contractors' global competitiveness, he said.

SA's biggest fabrication contractors include Girder Naco, Genrec Steel Structures and Dorbyl Structural Engineering.

Duncan said the SA construction market was dead and many steel contractors relied on exports for survival.

SA structural steel work was currently being done in Israel, China, Mauritius and South America, he said.

The Northern Transvaal Chamber of Industries said in a statement although the project was still in its early stages, SA's steel contracting industry was "poised to enter the international construction steel market".

SA Rolled Steel Producers Co-ordinating Council chairman Willem van Wyk said the council would assist by supporting steel prices for the export move.

SA Federation of Civil Engineering Contractors economist Henk Langenhoven said Africa represented vast potential. About R2bn of foreign aid was spent annually on civil engineering work in African countries, he said.

SA contractors were often precluded from contracts for political reasons, the need to co-finance projects, and the fact that many contracts required materials sourced from aid donor countries.

At least once or twice a month this year, large foreign contractors had established operations in SA.

OZZ FM 24/7/92

Consistent winner

(189E)

The Wizard of Ozz has wrought his magic again — for the fourth successive year. It is the consistency of performance as much as the good results which make this company so noticeable.

Turnover rose nearly 9% to R125m, the loans position was cleverly managed and there was a 21% increase in attributable earnings; shareholders were rewarded with a 26% dividend increase.

Three years ago, Lucem Holdings became a wholly owned subsidiary of Ozz in a series of transactions which left Ozz holding borrowings of R34m and which valued Lucem at R64m. Considering Lucem's uninspiring track record, the acquisition must have left shareholders wondering what management had got them into.

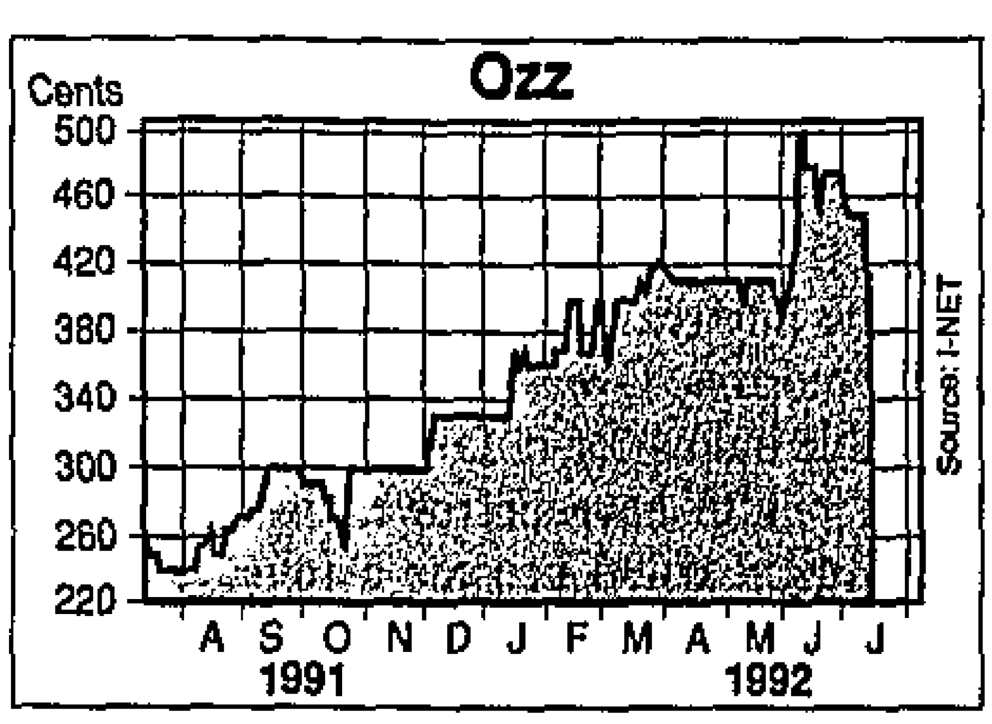
Activities: *Investment holding company with core activities in foundries and specialised engineering works, and in construction, development and fixed property. Other activities: production and distribution of gas, manufacture of bricks.*
Control: *Directors 42,5%.*
Chairman: *G Zulberg.*
Capital structure: *13,277m ords. Market capitalisation: R60m.*
Share market: *Price: 450c. Yields: 4,8% on dividend; 12,4% on earnings; p:e ratio, 8; cover, 2,6. 12-month high, 500c; low, 230c. Trading volume last quarter, 57 400 shares.*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	3,5	3,8	0,39	nil
LT debt (Rm)	25,3	25,3	16,9	7,5
Debt:equity ratio	0,69	0,71	0,39	0,23
Shareholders' interest	0,60	0,40	0,49	0,56
Int & leasing cover	1,9	29,5	4,0	6,5
Return on cap (%)	3,7	10,3	19,8	16,8
Turnover (Rm)	9	86	114	125
Pre-int profit (Rm)	0,5	9,8	18,0	18,8
Pre-int margin (%)	6,1	11,4	15,8	15,1
Earnings (c)	8,2	38,1	46,1	56
Dividends (c)	2,5	3,4	17,0	21,5
Net worth (c)	23,3	281	310	420

In what must be considered a remarkable achievement, Ozz has progressively reduced its debt, which now stands at R7,5m. Chairman Gary Zulberg says most of that will be redeemed this financial year.

That should leave Ozz cash-strapped. But the company closed the last financial year with R6,7m cash and the pile is growing.

Ozz's corporate structure is divided between core and non-core businesses. The core businesses — concentrated in engineering, property development and construction — contributed 93% or R17,4m of the operating income for 1992.



Most of that came from the engineering companies, which focus in particular on supplying the mining industry. For this sector, Zulberg says the last year was one of the most difficult he can remember: "We were caught between labour's demands for substantial wage increases and the mining groups' insistence that we make every effort to forgo price increases."

He attributes the success of the engineering companies to careful husbandry and a substantial improvement in productivity. "But there are no areas left for trimming in 1993," he warns.

Zulberg is especially pleased with the company's most important property venture, Bruma Lake. "It has been a real winner," he says. Its success has led the company to consider a similar project, the Randburg Waterfront. With the proposed development still in the concept design stage, Zulberg says early estimates indicate a cost of around R250m. It will offer about 30 000 m² of "lettable leisure space," with a 15 000 m² office block. He adds that much depends on his ability to secure institutional support.

Of the non-core businesses, the most important is Capegas. Zulberg describes it as a good cash generator. His only concern is that it is far from Ozz's core operations.

Zulberg declines to commit himself on prospects for the next year, saying that the country is in such an uncertain state that predictions are difficult to make. He believes Ozz will produce bottom-line results that at least match inflation.

The share price has moved from 300c a year ago to 450c. The p:e is 8 against the sector average of 13,6; based on this and considering Ozz's outstanding performance record, it probably has some way to go.

A further comment is merited: far from being an MBA whizz-kid, co-founder Zulberg's sole qualification is a standard eight school-leaving certificate. "But I can read a balance sheet," he says. Indeed he can and at a time when many other, substantially larger companies are struggling to keep their corporate heads above water, Ozz's achievements should give investors something to think about.

David Gleason

Dorbyl to buy Metkor units

EDWARD WEST (189E)

DORBYL will acquire Metkor's Ring Rollers of SA and Metpro divisions for R15m.

Springs-based Ring Rollers makes seamless rolled rings, locomotive tyres and pipe flanges in carbon, alloy and stainless steels. More than 20% of its R30m turnover is exported.

BDAY 28/7/92

Rosslyn-based Metpro turns over R10m a year making composition brake blocks for rolling stock, based on its own technology.

Dorbyl CE Dawid Mostert said yesterday both acquisitions would marry well with Dorbyl's existing operations. Dorbyl Transport Products already manufactured rolling stock.

Bearing Man still digesting its merger

(189E)

STAR 30/7/92

By Stephen Cranston

Bearing Man, which has the largest market share in the South African ball bearing market since it merged with Steelmetals last November, has announced earnings per share of 91c for the 16 months to June, down four percent from the year to February 1991.

The final dividend has been maintained at 15c.

Although net income was up 45 percent to R6,8 million, this was more than offset by a 51 percent increase in the average number of shares in issue.

Bearing Man changed its year-end to June to fall in with its new controlling shareholder, Anglovaal Industries.

After the merger, Bearing Man secured its supply position by acquiring the Southern African franchise for the Japanese NSK range of bearings.

Disruption

NSK is the second-largest ball-bearing manufacturer in the world after the Swedish SKF.

Chairman David Royston says that given the degree of disruption associated with such a large merger, the earnings are considered satisfactory.

Mr Royston says that there was reduced demand, an overstocked industry position and high interest rates which adversely affected sales.

Margins were depressed. While turnover rose by 65 percent to R158 million, operating income increased by 14 percent to R18,5 million.

Finance costs were down nine percent to R6,1 million.

Since the merger, which doubled shareholders' equity to R42,8 million, gearing has fallen from 123 percent to 50 percent.

Net asset value per share has risen from 442c to 458c.

Continuing difficult trading conditions will be exacerbated by the unsettled socio-economic and political conditions in the country, says Mr Royston.

While refusing to predict earnings for the current year, he says it will be extremely difficult to increase them.

COMPANIES

Bearman's net income up 45%

EDWARD WEST

ALTHOUGH Bearing Man's (Bearman's) net income improved by 45%, earnings a share were diluted by an increased number of shares in issue, falling to 91c from 95c a share in the 16 months to June 1992.

A final dividend of 15c a share was declared. The weighted average of shares in issue increased to 7,43-million from 4,91-million at the end of 12 months to February 1991, today's published results showed.

The new shares in issue would make an increase in earnings above the 91c a share achieved for the 16-month period difficult, directors said. (189E)

Last year Anglovaal's Steelmetals acquired a 51% stake in the ball and roller bearing distributor through the issue of 4,6-million shares at 450c a share.

Turnover was 65% higher at R158,2m (R96m), operating income rose by 14% to R18,5m (16,2m), finance costs fell 9% to R6,1m (R6,8m) and after taxation of R5,6m (R4,8m), net income was 45% higher at R6,8m (R4,7m). BDAY 30/7/92

An extraordinary item of R1,7m related to merger costs, including a restraint of trade payment and the purchase premiums arising from all acquisitions, including Chain and Conveyer Components and AR & G Bearing and Industrial Supplies.

Directors reported that reduced demand, overstocking and high interest rates affected sales and margins. Benefits would arise from the merger.

TITACO FM 3/7/92

Cutting the cloth (189E)

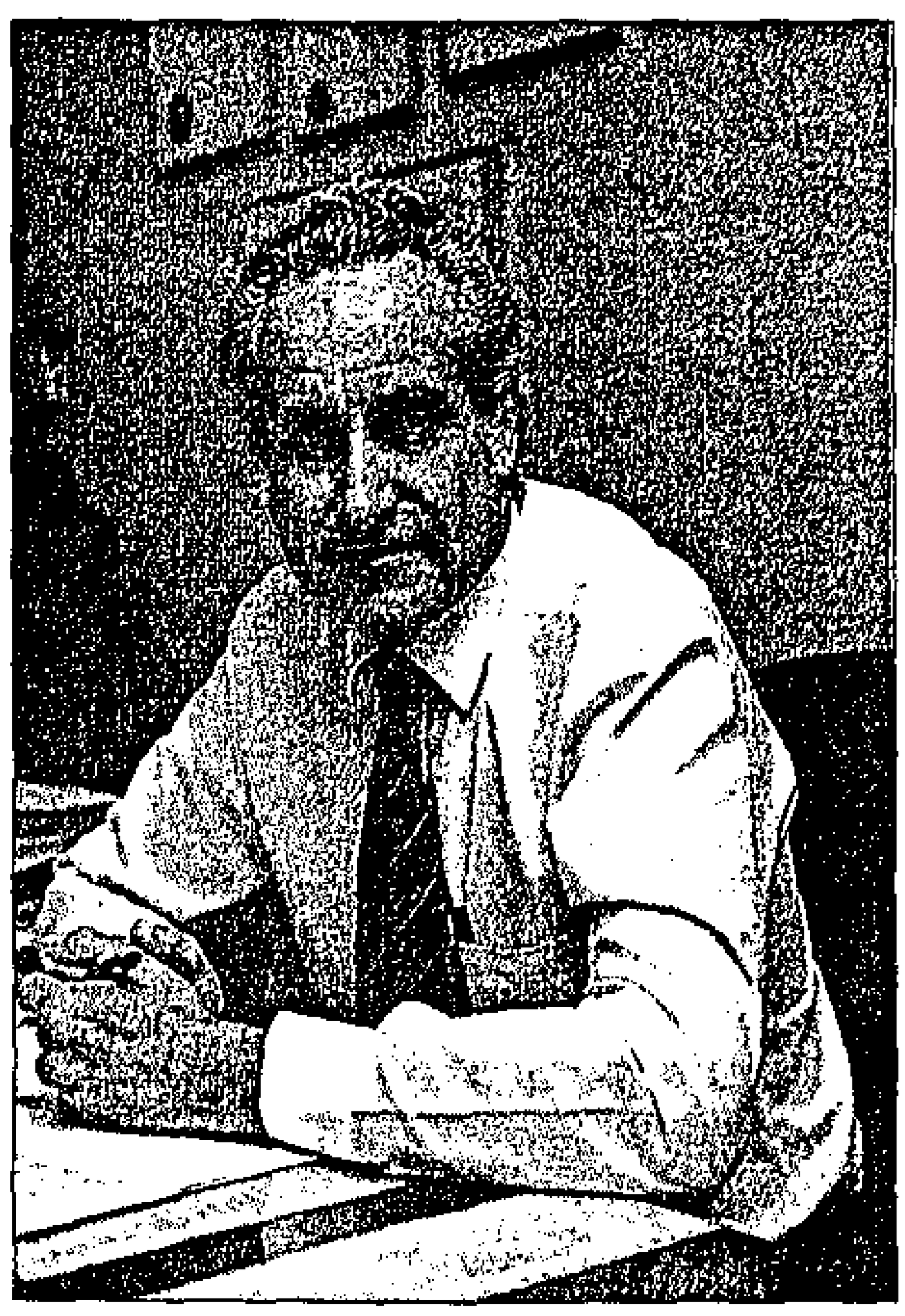
Insufficient contracts materialised through much of the year for engineering group Titaco. Turnover almost halved and earnings collapsed.

A write-back of deferred tax turned a R1,1m pre-tax loss into a profit and EPS barely remained in the black, at 3,3c. The dividend was passed. A provision created for losses of a subsidiary was no longer required and was stated as an extraordinary item of R721 000.

Activities: *Holding company of engineering group.*
Control: *Directors 63%.*
Chairman: *R P Meyjes; MD: B G Smidt.*
Capital structure: *6m ords. Market capitalisation: R3m.*
Share market: *Price: 50c. Yields: 6%; p:e ratio, 16,6. 12-month high, 75c; low, 50c. Trading volume last quarter, nil shares.*

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	4,8	0,5	3,9	3,2
LT debt (Rm)	0,1	0,3	0,01	—
Debt:equity ratio	0,82	0,06	0,52	0,41
Shareholders' interest	0,15	0,19	0,28	0,32
Int & leasing cover	3,2	1,8	2,2	—
Return on cap (%)	7,5	4,7	16,1	—
Turnover (Rm)	54	89	73	39
Pre-int profit (Rm)	2,5	1,8	3,8	(0,4)
Pre-int margin (%)	4,6	2,1	2,9	—
Earnings (c)	20,4	10,6	29,9	3,0
Dividends (c)	6	—	4,5	—
Net worth (c)	82	124	118	101

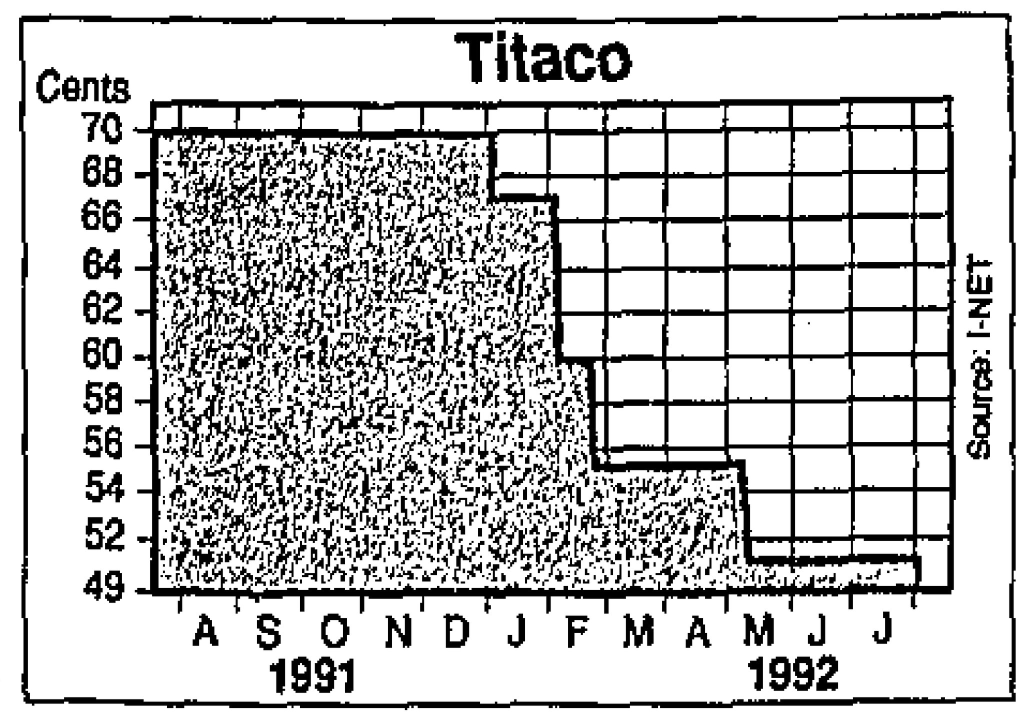
The company's resources were held in line with management's unduly high expectations, but these resources became underutilised when projects tendered for were postponed or cancelled. Financial director Steven Linton says turnover is now at a level appropriate to financial and contracting capacity. He says turnover grew rapidly about three years ago, when the operations became too broad and were difficult to manage.



Titaco's Meyjes ... *substantial orders*

Exports made up a quarter of turnover, falling just short of the goal set a year ago. Hopes are that exports will run at about 30% of turnover for some time. After exporting to Chilé during the year and developing a potential market in China, management is considering markets in Africa. However, local markets, particularly mining houses, are interested in Titaco's knowledge of minerals processing technology and engineering.

Last October, the group acquired the 50% it did not already own in Fives-Cail Titaco.



The financial structure and liquidity withstood the steep turnover decline well. Gearing improved and interest and finance charges were more than halved, at R702 000.

But there will have to be a solid recovery in trading profit if a further slide in earnings is to be avoided. Chairman Renier Meyjes does say the group has substantial orders, spread reasonably well over the coming year. But there is little prospect of a dividend this year. The share, at a 12-month low of 50c, has not traded in the past three months and buying interest is unlikely until profitability improves.

Kate Rushton

Management 'must change'

EDWARD WEST

PRIVATE enterprise in SA needed to undergo a revolution in management thinking and practice if it were to meet challenges of being a global competitor, CSIR president Brian Clark said. BDAY 4/8/92

Clark told the annual conference of the SA Institute of Industrial Engineers yesterday the management revolution should begin by placing a greater value on SA's engineers who comprised less than 6% of SA's student population.

Industry should also formulate outward industrialisation strategies such as getting to grips with product and process design required by an export-orientated competitor.

Clark said the workforce needed to be reconstituted and social value systems should enjoy higher priority. SA was headed toward higher productivity with higher unemployment. In a hostile trade union and labour cost environment, automation, mechanisation and computerisation of production, manufacturing and engineering processes would be used to decrease reliance on labour.

Industry should contribute to reversing three trends perpetuating SA's lack of skilled manpower. Adult illiteracy was of staggering proportions, the student population was racially skewed and there was a mismatch between the needs of the economy and the type of education being pursued by young people, he said.

Firms should also assign a higher priority to the technical details of technology procurement, development, application and management.

Exports to aid of Haggie

STAR 6/8/92 (189E)

By Stephen Cranston

Despite depressed volumes on the local market, the operating profit of engineering group Haggie for the half-year to June was up four percent to R64,4 million.

Earnings per share increased by 4,7 percent to 169,7c, and the interim dividend has been maintained at 47c.

Exports increased by 26 percent to R115 million.

These were mainly of high-technology ropes for the deep mining industry and oil rigs.

Group exports, which compete in the overtraded steel wire and rope markets, have shown compound annual growth of 30 percent for seven years.

Exports accounted for all of the growth in turnover, which increased by four percent to R606 million.

Locally, demand from the mining industry picked up as the mines were forced to replenish their rope supplies.

Demand from the agricultural sector and the civil engineering and construction businesses was depressed.

Haggie has kept a tight lid on production costs.

Unit costs in the main Jupiter rope factory increased by just 3,4 percent.

Consolidated Wire Industries is undergoing a major rationalisation programme with its Pretoria facilities moving to Vanderbijlpark.

The operating margin increased from 8,8 percent to 10,6 percent.

Managing director Chris Murray says the group needs to achieve a minimum margin of 12,5 percent if it is to achieve acceptable returns.

Without such a margin, cash resources will be swallowed up by inflated stocks and debtors, he says.

Gearing was increased from 23 percent to 26 percent, but it could increase to 35 percent or more because of the group's major capital expenditure plans.

Haggie has committed R137 million to capital expenditure.

Of this sum, R98 million will be spent on the Steel cord plant, which will supply the local tyre industry's wire requirements.

Mr Murray says all cord for tyres is currently imported.

Haggie will be building an internationally competitive plant with annual production of at least 6 000 tons, which it hopes to increase to 12 000 tons by the late '90s.

"We have decent quality steel, cheap labour and the right technology. I am sure we can be competitive."

Haggie has applied for an increase in the tariff on imported wire and rope from five percent to 25 percent.

Low-cost rope is being imported from the Far East and low-cost wire from South America.

Haggie needs a breathing space to help it return to full profitability.

Exports a slight fillip for Haggie

B/DAY 6/8/92 (189E)

EDWARD WEST

ENGINEERING group Haggie targeted exports to compensate for sluggish local demand and increased sales to more than 60 foreign countries by 26% to R157,7m in the six months to June 1992, MD Chris Murray said yesterday.

However, weak local demand for Haggie's wire rope, copper and industrial products took its toll, and while exports as a percentage of sales rose to 19% (14%), the first half's turnover rose by only 3,9% to R606,5m (1991 interim: R583,5m).

Murray has revised his previously optimistic trading and profit estimate and believed that growth in the second half would simply match that of the first.

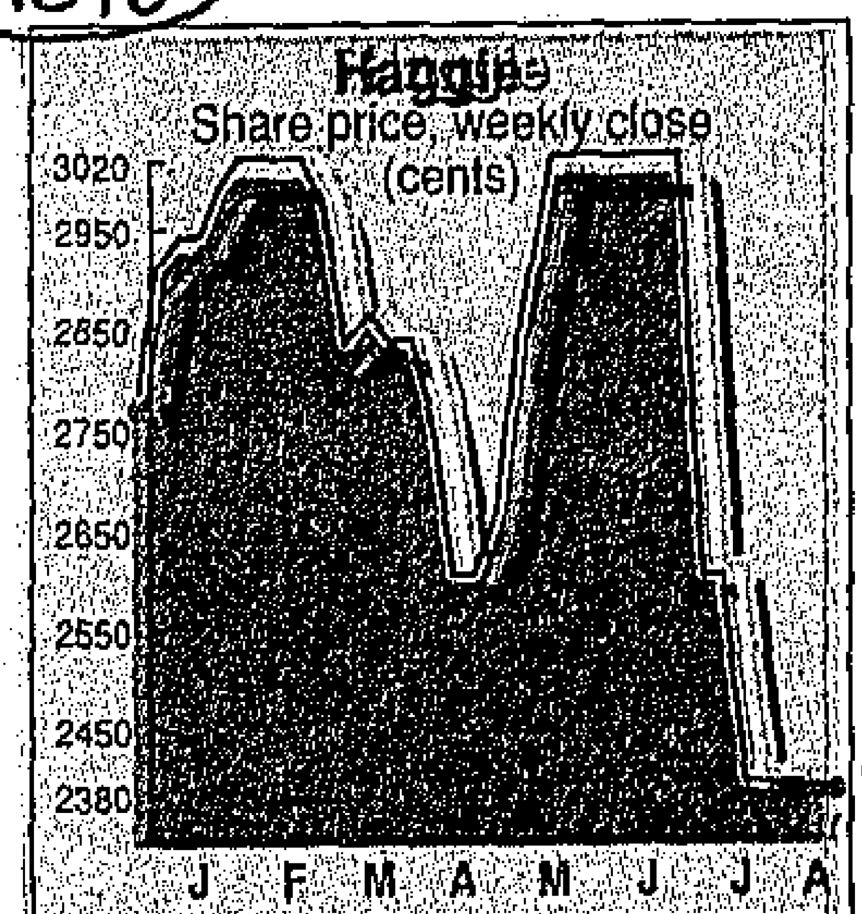
He said the operating margin improved to 10,6% in the first half from last year's overall 8,9%.

Operating margins have been seasonally higher in the first half for some years. In the first half of 1991 the margin on sales was also 10,6%. The first half's operating income rose 4% to R64,4m (R62m).

Tough trading conditions were indicated by the fact that, on an annualised basis, sales were 140% of assets in the first half of 1992 against 150% in the comparable period of 1991 while the annualised return on assets was 14,9% against 15,9%.

Borrowings increased to R136,9m (R107,7m) and would be used to fund working capital requirements.

Gearing was up to 26% from 23%.



Graphic: RUBY-GAY MARTIN Source: I-NET

Some short-term loans were converted to medium-term loans to secure more favourable interest rates.

Capital expenditure fell to R15,7m (R23,3m). The spending rate was slated to increase shortly as approved capital expenditure increased substantially to R137m from R22,8m. Most of this had been contracted for the new R98m steel cord tyre plant and for rationalisation of the Consolidated Wire Industries division.

The interim pre-tax profit was R54,4m against last year's interim R52,2m and R86m for 1991 as a whole. The first half's taxed profit attributable to ordinary shareholders was R33m against R31,5m.

Attributable profit totalled R57,5m for the entire 1991 year.

The first half's earnings rose to 169,7c a share from 162,1c and the interim dividend was unchanged at 47c. In 1991 a total dividend of 157c was declared from earnings of 295,5c a share.

FM 14/8/92 (189E)

HAGGIE FM 14/8/92 (189E)

Spending to grow

Intent on lessening its dependence on the mining industry, Haggie has diversified from its steel wire and rope activities successfully. But its parentage makes further opportunities limited, as they are largely covered by Amic's activities. Amic and Malbak each hold 36% of Haggie.

In its efforts to diversify, Haggie has acquired the minorities in non-wholly owned subsidiaries, while moving into the tool and tyre chord industries. The R98m tyre investment involves making steel cord for the tyre industry. Another new venture is a R10m aluminium tube maker. It will largely replace Haggie's copper tube operations, as its products will offer advantages such as lighter weight and non-corrosive attributes.

As R50m is to be incurred on replacement capex, total expenditure in fiscal 1992 will be about R160m, reflecting Haggie's ambitious approach. But Haggie MD Chris Murray does acknowledge that Haggie's parentage narrows diversification opportunities. The capex programme means gearing will jump from 27% now to around 40% in early 1994.

Haggie's half-year results are creditable as margins have been maintained, at 10,6%. At a time when analysts are predicting steep EPS declines across the board, Haggie increased EPS 5%, admittedly off a low base; EPS have fallen since 1989.

The interim figures compare favourably with those of parent Amic, whose EPS fell 16% over the period. Rationalisation and growing exports were largely behind Haggie's results. Murray confirms this, adding the full benefits of rationalisation are difficult to ascertain from the figures, as volumes are down, diminishing economies of scale.

Rationalisation is taking place at Consolidated Wire Industries, a maker of steel wire and wire products from mild steel rod, where two factories are being merged. A bronze business at Denver is being merged into the copper and brass operations at Wadeville. Haggie is in its eighth month of a two-year programme.

Rationalisation has reduced employment to about 9 000, from around 9 500 in the past year, and Murray believes a further 500 jobs should be cut in the coming 12 months. Cuts have mostly taken place through attrition and early retirements. Benefits can be seen partially in the maintained margin.

Of the three divisions, steel wire and rope continue to dominate activity, accounting for 54% of sales, with copper-based products and engineering consumables accounting for 37% and 9%.

Export revenues, which grew 26% to R115m, and now represent 19% of group sales, more than offset the 10% drop in local physical demand. But Murray believes exports are not a panacea substitute for local activity, as exports are at lower margins.

As Haggie's fortunes are closely aligned to the economy, little fire can be expected near term. Murray predicts the interim earnings growth should be maintained for the full year. Rationalisation and rising export sales place the group in a strong position longer term, suggesting a possible upward rerating given the 7,9 p:e and 6,5% yield.

McGregors – Engineering *William Gilfillan*

EXPORT BOOST

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	584	598	607
Operating inc (Rm)	61,9	43,1	64,4
Attributable (Rm) ..	31,5	26,0	33
Earnings (c)	162	133	170
Dividends (c)	47	110	47

Haggle over eight per cent increase

Sowetan 17/8/92

(189E)

THE National Union of Metalworkers of South Africa yesterday said more than 100 000 workers from 834 factories in the engineering industry were now on strike, and more were expected to join.

Numsa said in a statement balloting for strike action in the Transkei and Ciskei metal industries had been completed and counting had begun.

At an informal meeting with the Steel and Engineering Industries Federation

■ Numsa fuming over private documents allegedly leaked to Seifsa:

of South Africa last Tuesday, Numsa dropped its wage claim to 16 percent.

However, Seifsa, representing more than 3 200 companies, had stood by its final offer of 8,6 percent.

Numsa said Seifsa had meanwhile refused to reveal how it had obtained internal Numsa documents.

"Seifsa's first Press release stating than Numsa had announced its strike action was issued before Numsa had announced anything. Subsequently, Seifsa included in their application to the Supreme Court certain Numsa internal reports faxed to Numsa's regional offices overnight on July 30.

"Numsa will continue to demand disclosures (on this) from Seifsa. - *Sapa*.

We'll intensify our strike, Numsa says

Sowetan 18/8/92 (189E)

STRIKE BACK Transkei, Ciskei union members to join two-week-old action:

THE TWO-WEEK STRIKE in the engineering industry will be intensified after employers rejected union proposals for a settlement, the National Union of Metalworkers of SA (Numsa) warned yesterday.

The decision to step up industrial action over wages, job security and union rights followed a weekend meeting by the Numsa national executive committee.

Union members in Transkei and Ciskei would join an estimated 10 000 striking co-workers tomorrow after balloting for industrial action, according to a statement from Numsa head office.

Meanwhile, the auto industry confirmed that talks with Numsa last Friday failed to finalise an agreement on job security, and another meeting would be held this Friday.

Numsa repeated its appeal to the Steel and Engineering Industries' Federation of SA (Seifsa) to comment on the "murder of numerous shop stewards and members in the run-up to strike", which started on August 3.

It also demanded that Seifsa state how it obtained internal Numsa reports about the strike before the union itself announced the industrial action.

The union reported that workers at 720 metal and engineering plants were on strike.

Numsa's NEC met at the weekend after Seifsa rejected a four percent drop in the union's pay demand to 16 percent.

Seifsa, which represents over 3 200 companies in the metal and engineering sectors, stuck to its final offer of 8,6 percent.

The union said its renewed drive for a strike settlement would include marches and pickets in industrial areas. - *Sapa.*

World's engineers in bid to boost prosperity

STAR 18/8/92

By Anita Allen
Science Writer

189E

Strategies to improve the quality of life and generate prosperity will be the main focus of the biggest electrical engineering conference yet held in Africa.

More than 200 papers from around the world, many of them from Africa, will be presented at Africon '92, which will also host more than 25 state-of-the art technology exhibitions.

The conference — at the Royal Swazi Sun, Swaziland, from September 22 to 24 — follows previous Africon conferences in Nairobi and Abidjan.

Main themes will be electrical energy technology and communication systems in Africa, as well as engineering and technical education and training.

Co-sponsors are Region 8 and the SA Section of the Institute of Electrical and Electronics Engineers, the Foundation for Research Development and the SA Institute of Electrical Engineers.

For more information contact Rosemary Hewitt on telephone (012) 841-3807/2422.

Engineering sector hard hit

SHARON SOROUR
Labour Reporter

THE Western Cape engineering sector has been hard hit by the two-week nationwide strike by tens of thousands of workers, with strategically important companies being crippled by the industrial action.

According to National Union of Metalworkers of SA (Numsa) regional secretary Mr Adrian Sayers, about 2 000 regional workers have downed tools.

He said it was the first time the Western Cape engineering sector had been severely affected by a strike.

Mr Sayers said the last strike, in 1988, had barely had an effect, but this year companies in the docks were involved, as well as other "strategic engineering firms". Artisans were also on strike.

Workers were set to march to Seifsa's Foreshore offices this afternoon following a deadlock in talks with the employer body.

Seifsa spokesman Mr Hendrik van der Heever said the meeting had ended in deadlock.

Numsa was not prepared to withdraw its key demand for a moratorium on retrenchments, he added.

Seifsa would appeal against a Pretoria Supreme Court dismissal of its application for an interdict declaring the strike illegal.

ARG 19/8/92

Dispute over fired workers

ARG 19/8/92

Labour Reporter

CLOTHING union Sactwu has launched a campaign to secure the reinstatement of about 100 dismissed workers who were fired for joining a city centre protest march in June.

According to SA Clothing and Textile Workers' Union regional organiser Mr Ronald Bernickow, six Western Cape employers had refused to reinstate workers.

The companies, SA Cap, Teeny Tages, Alpa-Rose Manufacturing Co, Maxmore, HK Manufacturers and Shareen Knitwear, had also refused to enter into talks, he said.

Workers demonstrated outside the factories yesterday and handed a memorandum to the Cape Clothing Manufacturers' Association (CCMA).

● CCMA executive director Mr Peter Cragg was not available for comment.

Walmer Estate decision soon

Municipal Reporter

ARG 19/8/92

A CABINET decision on selling the seven ministerial residences in Walmer Estate is expected soon, a Department of Public Works spokesman said.

There had been a lot of interest from corporate potential buyers.

The department had drawn up a memorandum asking the Cabinet for guidelines for disposing of the property.

Responding to a proposal by the Woodstock/Walmer Estate/Salt River management committee that the houses be sold to the Saudi Arabian government, the director-general of public works said the future use of the houses had not been determined.

Professor's plea to keep transplant ops

ARG 19/8/92

ANDREA WEISS, Health Reporter

PROFESSOR John Odell, outgoing head of heart surgery at Groote Schuur Hospital, has made an impassioned plea for the survival of transplant surgery under a new dispensation.

Professor Odell was responding to ANC health secretary Dr Ralph Mgija's view that heart transplant surgery may well be scrapped to make way for broader health needs in the future.

Professor Odell

Speaking at a mayoral function to launch Organ Donor Week, Professor Odell said the ANC view was "rather shortsighted".

He said transplantation and organ donation had no racial barriers.

If transplantation was stopped it would set a precedent which would have a negative ripple effect on other related disciplines.

Transplantation was cost effective because the results were excellent and patients returned to active life.

It could also not be offered only in private practice because if only the affluent were to benefit from transplantation it would be impossible to approach the families of brain dead people to ask for their organs.

He said if transplantation was stopped, there would be impassioned pleas to raise money for transplants abroad. The money would leave the country and everybody would be reminded of the standard of medicine the country once practised.

Dr Mgija said the ANC's position was that basic health-care should be available to all. Once this had been budgeted for, the remaining money could be allocated to things like "heart transplants and other exotic operations".

Dr Mgija added that, given this background, it was highly likely that heart transplants would be scrapped.

Registration fees for doctors to be increased

ARG 19/8/92

The Argus Correspondent

JOHANNESBURG. — Registration fees for doctors will increase from R258,50 to R281 (including VAT) next year, according to the latest South African Medical Journal.

Meanwhile, doctors have called on the Medical Association of South Africa (Masa) to investigate the structure of the South African Medical and Dental Council (SAMDC) and look at alternative ways of funding for the organisation.

The SAMJ said the fees were payable to the SAMDC by all registered practitions on or before January 1 next year. Practitioners who failed to pay their fees might find themselves removed from the register.

"Although the percentage increase for 1993 is well below the inflation rate, the fact that these fees have risen steadily over the past few years has resulted in widespread criticism from among the ranks of the profession," said the journal. The fees have risen from R100 in 1987 to R235 plus VAT this year.

Striking metalworkers plan pickets, marches

189E

By Philip Zoio STAR 19/8/92

The National Union of Metalworkers of SA (Numsa) is to intensify strike action in the engineering industry, where an estimated 100 000 workers have stopped working since August 3.

The union planned to picket the head offices of a number of companies, including Anglo American, Gencor, Dorbyl and Barlow Rand, Numsa said in a statement yesterday.

It also planned to picket the Johannesburg Stock Exchange today. On the East Rand, it planned a march from Actonville Circle to Benoni's Willow Park Stadium where a rally would be held.

This followed the unwillingness of the Steel and Engineering Industry Federation of SA (Seifsa) to discuss Numsa's proposals aimed at examining possibilities for a settlement, Numsa national secretary Dr Bernie Fanaroff said in a separate interview yesterday.

Dr Fanaroff said three marches — in Vereeniging and the western Cape today and in Johannesburg tomorrow — would be held this week in support of the strike, which has affected 720 plants countrywide.

A merger with the Nactu-aligned Metal and Electrical Workers' Union of SA, also locked in dispute with Seifsa, had also been discussed.

Dr Fanaroff said Seifsa had made no concession on Numsa's initial demand for a 20 percent wage increase. The union had offered to accept 16 percent but Seifsa had stuck to its original offer of 8,6 percent, he said.

On Monday, Seifsa executive director Brian Angus said the strike might result in the increasing use of dismissals by employers threatened with intensified union action.

Numsa's other major grievance is Seifsa's failure to offer workers security against retrenchment, Dr Fanaroff said.

T & N earnings static despite profit boost

(189E)

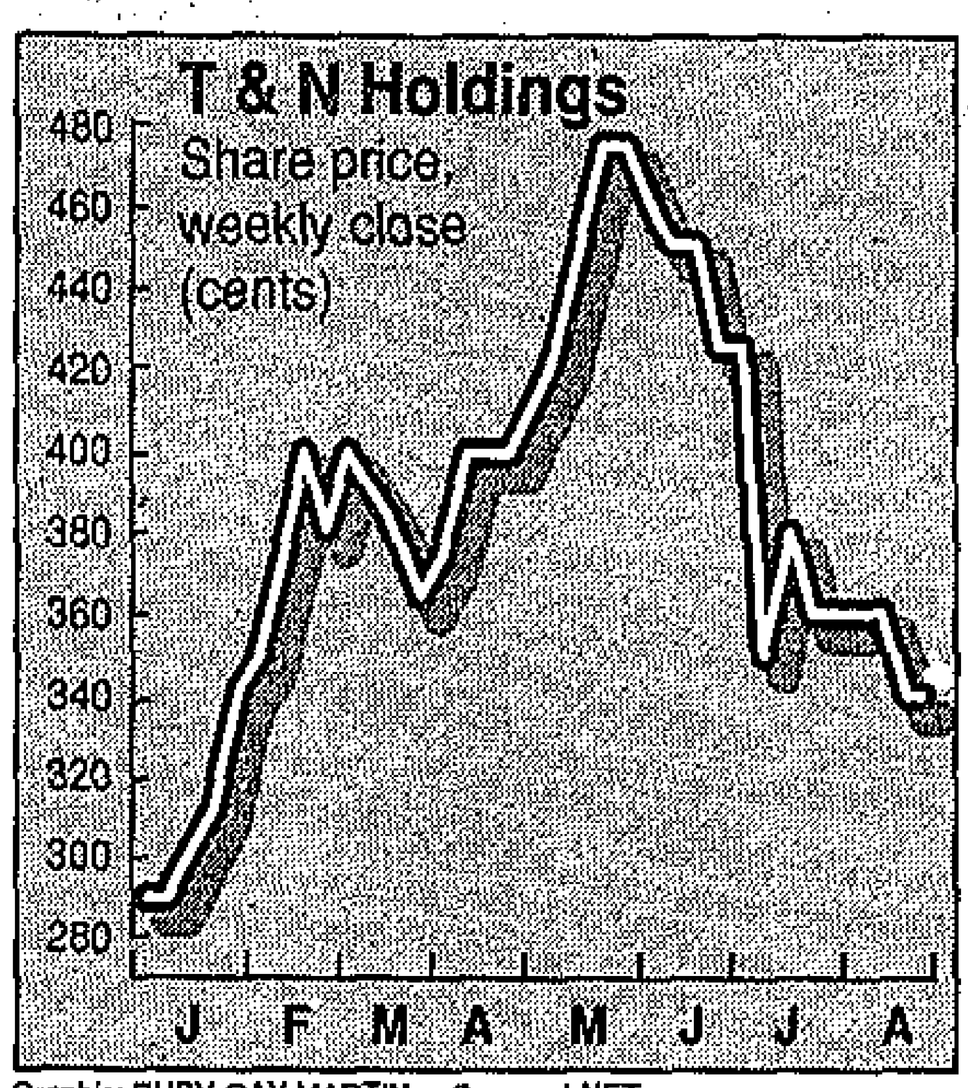
BDAY 25/8/92.

EDWARD WEST

INDUSTRIAL holding company T & N's operating profit improved by more than a third in the six months to end-June 1992, but this was eroded by interest, tax and once-off expenses in the comparable period last year which left attributable profit unchanged.

Sales in the first half of 1992 improved slightly to R216,5m from R206,4m in the first half of 1991, but operating profit increased to R20,7m from R15m.

Deputy-chairman Mathys Pretorius said sales volumes were down over last year, but operating profit benefited from higher margins in certain markets and efficiency programmes implemented earlier.



Graphic: RUBY-GAY MARTIN Source: I-NET

Exports, at 10,3% of turnover, improved over last year, while there was reduced dependence on sales to new vehicle manufacturers. Exports would continue to grow as a result of the integration into the group's worldwide international supply network, said Pretorius. UK-based T & N plc had a 51% stake in T & N.

Finance charges were slightly higher at R10,8m (interim 1991: R10,3m) while tax increased substantially to R3m (R1,9m). Taxed profits at R6,9m was a third more than the R5,2m achieved in the first half of 1991. Attributable profit at R6,5m translated into unchanged earnings a share of 28,1c, although the interim dividend was increased to 11c (7,5c).

Pretorius said earnings were maintained in spite of a pension holiday of a R2,4m and R2,1m dividend payout from the disposal of Distro Dee included in the first half's results of 1991.

Friction material manufacturer Ferodo's profitability increased significantly, but the Beral Swaziland factory still operated below capacity. FHE Automotive Technologies and Silverton Engineering sales volumes were below 1991 levels.

Asseng Automotive's results improved, particularly at AE Pistons and AE Liners.

Numsa members may defy court

BIDAY 27/8/92

DIRK HARTFORD

THERE were indications of strong resistance at Numsa's regional and local levels to the Pretoria Supreme Court interdict outlawing the union's engineering industry strike, Numsa sources said yesterday. 189E

During most initial report-backs on the outcome of the court case, union members had opted to remain on strike. But it was too soon to draw a final conclusion as the ruling was still being relayed to members, who would decide what to do, the sources said.

Meanwhile, another war of words has broken out between Seifsa and Numsa over the implications of Tuesday's Supreme Court judgment.

Numsa said the future of collective bargaining in the industry was in danger if mass dismissals or plant level settlements resulted from the decision.

It accused Anglo American, in particular, of taking a hard line that contradicted its "progressive face" in Saccola negotiations with Cosatu.

"Anglo American is still trying to maintain its control over the SA economy (which) a future political dispensation will have to urgently address."

Seifsa said Numsa had failed its mem-

☐ To Page 2

Numsa

BlDAY 27/8/92

☐ From Page 1

bers by not keeping the necessary membership records and misleading workers into an "undemocratic and illegal strike".

The strike, which has cost workers more than R90m in lost wages and the industry about R750m, is in its fourth week.

While Seifsa said the strike had been declared illegal, Numsa said the court had not found the strike illegal but had interdicted the union to prevent it calling for or taking part in the strike.

Seifsa said the interdict was granted because of serious ballot irregularities and because Numsa had failed to prove the strike had had the support of the majority of its members. Among the irregularities, Seifsa said, were allowing non-Numsa members to vote, no voting secrecy, no controls over issuing of ballot papers and a refusal to release the results of the ballot to Seifsa.

Numsa accused Seifsa of refusing to negotiate proper facilities for balloting and of having irregularities in its own ballot for a lockout. Numsa would refuse to allow employers to observe its ballots in future.

● Comment: Page 8

Numsa calls off engineering strike

(189E) BDay 28/8/92

THE biggest strike in the country's engineering industry was called off yesterday after 24 days, Numsa official Bernie Fanaroff said.

As many as 100 000 workers on strike at more than 700 plants were advised to report for work on Monday.

The decision was taken at a Numsa national strike committee meeting in Johannesburg following a Supreme Court interdict ordering a return to work.

"The committee decided to recommend to Numsa members an orderly return to work on Monday, August 31, and this will be discussed by members in meetings tomorrow and over the weekend. The members will make the decision.

"The recommendation ... was made because of the threat of mass dismissals."

The union has confirmed widespread rank and file resistance to calling off the strike over pay and job security, as well as workers' rejection of Tuesday's Supreme Court judgment against the action.

Numsa said Seifsa had been told of the national strike committee's recommendation, and asked to ensure that there would be no more dismissals and that all dismissed workers would be reinstated.

According to Numsa estimates, about 1 500 members were dismissed, many by Anglo American subsidiaries. Fanaroff said more than 200 companies had sent Numsa ultimatums yesterday, threatening workers with dismissal unless they returned to work. — Sapa.

Unihold boost offset by sagging elsewhere

(189E)

BDAY 28/8/92

EDWARD WEST

THE boost to Unihold's turnover by acquisitions was offset by sagging demand and output at its other operations, which whittled away profit margins. This resulted in earnings plummeting by more than two thirds in the six months to end-June 1992.

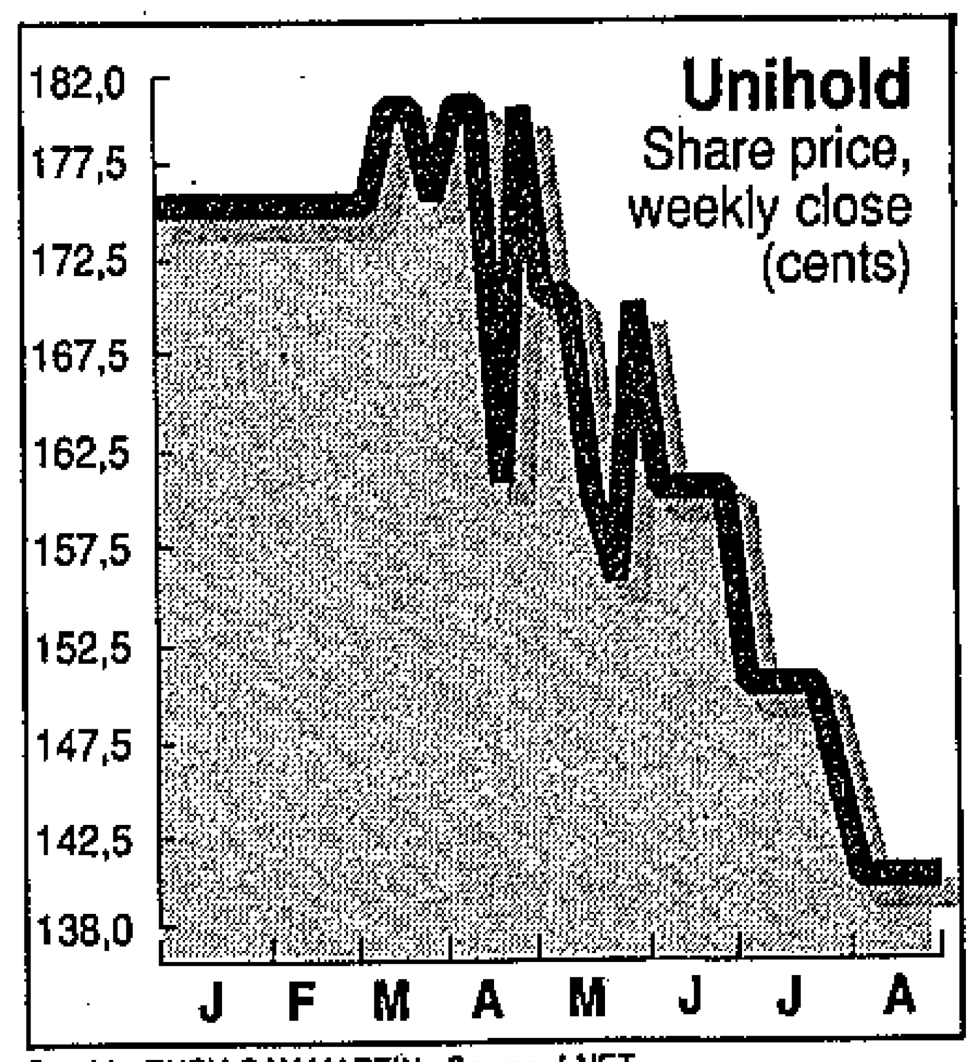
Sales of the manufacturer of industrial products for the automotive, engineering, lighting and mining industries were boosted by the acquisition of the Thorn Luminaire division, Dimbaza Foundry, and Uniplate — formerly Buffcor — said MD John Butler. As a result sales in the first half increased by nearly a third to R140,4m from R105,1m in the same period last year.

However, the impact of sagging demand in domestic and international markets resulted in operating income falling 38,5% to R6,8m (interim 1991: R11m).

Butler said delays from relocating the Industrial Iron foundry division, and technical problems experienced during the commissioning of improved production facilities, resulted in losses.

Operating income was affected by disruptions because of the integration of manufacturing facilities of the group's lighting operations after recent acquisitions. However, production was now back to normal, he said.

Interest increased to R5,1m (R3,1m), while tax was substantially lower at R239 000 (R3,2m). Taxed profit dropped to R1,5m (R4,7m). Attributable profit was lower by more than half to R2m (R4,5m).



Graphic: RUBY-GAY MARTIN Source: I-NET

Gearing fell to 73,3% compared with 74,8% at the interim stage last year, but increased when compared with 68% at the year to end-December 1991.

The number of shares increased by just over half to 58,9-million (39,1-million), and this eroded earnings further to 3,4c (11,5c) a share.

Butler said gearing reflected the completion of a capital expenditure programme over the past few years.

This, and the uncertain economic and political environment, prompted Unihold's board to defer dividend distribution until after the end of the year, and no interim dividend was declared.

Engineering workers fired on return to work

TENS of thousands of workers in the engineering industry returned to work yesterday — and a number found themselves without jobs.

Numsa said there had been firings at 25 work places, but Seifsa was aware of only three companies which had dismissed workers, a total of 1 500.

BDAY 1/9/92

The month-long strike had cost the strikers about R110m in lost wages and won them nothing, industry sources said. They estimated Numsa members had lost more money during the strike than they would have gained in a year if Seifsa's final offer of an 8,6% wage increase had been accepted.

Seifsa said the strike had cost the industry R880m in lost production.

Worker demands that led to the strike — the second largest industrial strike in SA history — were still on the table, Numsa said. The union was hoping to meet Seifsa this week to continue negotiations.

The union wants a 16% wage increase, a moratorium on retrenchments and various worker rights.

Seifsa's council is meeting today to assess the situation. But Seifsa executive director Brian Angus said yesterday the organisation believed Numsa should accept the final offer as the industry had been without an agreement for two months.

DIRK HARTFORD

(189E)

Numsa and Seifsa sources said yesterday more than 90% of workers were back at work.

Angus slammed Numsa allegations that Anglo American was behind dismissals during the strike. "Where dismissals occurred, these had been undertaken as a last resort to protect business operations," he said.

Numsa said workers were being asked to sign new contracts at many companies and many workers on temporary contracts had been dismissed. No figures were available.

The union said the dismissals and new contracts were unfair labour practices.

The Confederation of Employers of SA (Cofesa) said last week's Supreme Court ruling against Numsa would "further weaken Numsa and could conceivably lead to its ultimate demise". Cofesa director Hein van der Walt said the union had already lost thousands of members before the strike and "large numbers" had been dismissed during the strike.

Employers who engaged temporary workers during the strike had achieved high productivity and were not willing to take back strikers, Van der Walt said.

"Employers have had enough and any further concessions are unlikely. If labour legislation is watered down any more to pander to certain trade unions, then business confidence will be destroyed," he said.

Numsa's Bernie Fanroff said the future of the industry was in doubt — not the union's.

Numsa sources conceded the way the strike ended had "badly affected" morale in the union. But they said the union had picked up membership during the strike and the experience had given workers self-confidence.

Meanwhile Sapa reports about 4 500 members of the Metal and Electrical Workers' Union of SA continued a two-and-a-half-week pay strike yesterday, Mewusa general secretary Zithulele Cindi said.

The union would meet Seifsa today to discuss a revised 12% wage demand, he said.

R28m turnaround takes NEI Africa deep into red

189E

3/9/92

EDWARD WEST

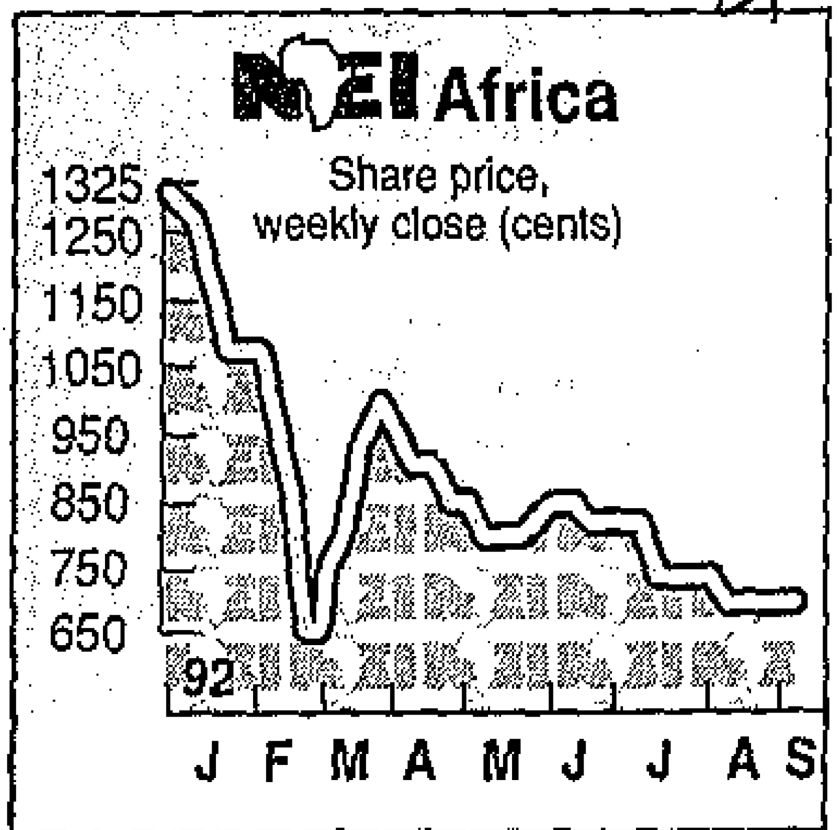
ENGINEERING group NEI Africa's attributable profit plunged deeper into the red in the six months to end-June 1992, but management forecasts a slight improvement in the second half.

NEI Africa, which deals in diesel engines, automotive equipment, boiler manufacture, switchgear, transformers and other electrical equipment, reported a R27m loss in the first half of 1992 compared with R1m profit in the first half of 1991.

Turnover fell by a fifth to R291m (interim 1991: R360m) as major contracts came to an end. Operating profit plummeted to a R11m loss compared with a R18,7m profit in the first half of 1991.

Finance costs increased to R15,7m (R13,6m), but MD Lawrence Hyslop said the group had implemented an asset reduction programme to reduce borrowings. At the end of financial 1991 borrowings were R173m, which had been reduced to R150m.

Hyslop said borrowings would be reduced further during the current year. The drop in sales was attributed to lower activity as long-term contracts came to an end, to the stagnant economy and the continuing postponement of capital projects.



Graphic: LEE EMERTON Source: I-NET

Hyslop said that as turnover had fallen, current assets were driven down and capital expenditure was tightly controlled. Claims outstanding in favour of the group had not yet been finalised.

Pre-tax losses amounted to R27m compared with a R5m profit at the interim stage last year. Hyslop said pre-tax losses arose from restructuring, down-sizing, losses on contracts and high financing costs on excessive borrowings which stemmed from problems experienced previously.

Losses a share amounted to 429,4c compared with earnings of 16,8c a share for the first six months of 1991. At year-end to December 1991, NEI's losses amounted to 29,9c a share. No interim dividend was declared.

NEI's overseas principle, Northern Engineering Industries, had been supportive during the tough trading conditions. While NEI had the capacity and products to benefit from an improvement in the economy, it had been hard hit by the relative absence of fixed investment in SA, he said.

The asset reduction programme, reduced finance costs and the elimination of contract losses already taken into account would result in a small improvement in second-half results, with the trend continuing into 1993, Hyslop forecast.

NEI Africa Holdings, whose only investment is 53,3% of NEI Africa's issued share capital, lost 241,6c a share in the six-month period, compared with earnings of 8,4c in 1991. No dividend was declared.

Sasol spends more

SASOL's board has given the go-ahead for three projects, together costing R300-million and aimed at improving efficiency and lowering operating costs at its Secunda plants.

Sasol is also considering other projects costing billions of rands — over and above the R3-billion work now under way. S/Times (BUSS) 6/9/92.

Of the capex approved this week, R200-million is for an extra oxygen plant at Sasol Three at Secunda. It will come on stream by June 1994.

Another R58-million has been allocated for the installation of additional wash towers and propylene chillers in the Rectisol gas purification plants at Secunda.

The remaining R42-million will be spent on a project to facilitate continuous catalyst addition to some of the Sasol Synthol recators at Secunda.

Damp squib

A BRIEF spurt in instalment credit business, in April and May has fizzled out and stagnation has set in, says Nedfin in its analysis of the banks' business in the second quarter.

Nedfin manager William Wolke says general banks are doing less business if activity in the second quarter is compared with the usual seasonal trends.

There has also been a shift from instalment sale and leasing to mortgage finance. S/Times (BUSS)

Although total credit business written by banks in the second quarter increased by R395,2-million on the first quarter to R32,7-billion, activity late in the quarter was miniscule. 6/9/92.

Dorbyl in oil

S/Times (BUSS) 6/9/92

ENGINEERING group Dorbyl is edging its way into the West African offshore oil industry through a venture with a North Sea technology partner. Chief executive Dawid Mostert says Dorbyl group lifted its profit to more than R400-million in 1992 from R80-million five years ago. Capital spending on modernisation will top R130-million this year. (1992)

Revenue up

EXCHEQUER revenue collections increased by 4,9% in the first four months of the 1992-93 fiscal year over the same time in the previous year. The budgeted increase is 13,2% for the year. S/Times (BUSS)

A Central Statistical Service report shows consolidated fuel levies saved the day with a 49,7% increase. VAT collections fared worst, falling 17,8%. Income tax, excluding gold mining, rose 4% 6/9/92

Directory deal

AC BRABY and Top Centre Novosti of Moscow have signed an agreement to publish a trade directory promoting South African goods in states that once formed the Soviet Union.

Novosti is one of Russia's leading information agencies and has now gone private. Top Centre is a consultancy and publication group with a trade promotion arm.

AC Braby, part of the Kohler Packaging group, will market the directory in SA.

Tax break

THE Government is considering removing the export requirement for companies claiming accelerated tax write-offs under Section 37E of the Income Tax Act.

This would in theory allow capital projects aimed at the domestic market to claim the tax benefit as soon as money is spent rather than when the business starts earning.

Somalia aid

THE SA Navy is to transport more than 200 tons of medicine, sugar, mealie meal, milk powder, oil and beans donated by the SA Muslim community to Somalia in mid-September. The first shipment of aid for Somalia left yesterday on board an SA Air Force Hercules. S/Times (BUSS)

Finalists

SIX businesses have been nominated finalists for the 1992 Sandton Community Investment Awards.

They are Justine Cosmetics, Nissan, Pick 'n Pay, Natalie Knight Galleries, Eskom, The Sandown Chronicle and Sandown Motors.

Tougher margins put squeeze on FA profit

BI DAY 8/9/92 (189E)

EDWARD WEST

DIVERSIFIED materials handling group Fraser Alexander's (FA's) sales improved by half in the 12 months to end-June 1992 over the previous year but earnings a share were diluted by an increase in the number of shares.

Sales jumped 50% to R350,3m in the 1992 fiscal year from R234m in 1991. Chairman Peter Flack said the Wastetech acquisition boosted sales to about R80m. Inclusion of the coal trading operations to the UK for the first time — albeit at low margins — also boosted sales, he said.

Profit margins took a hammering and pre-tax income was barely a tenth higher at R26,3m (R24,4m). Flack blamed mining industry cut-backs, increased competition and low margins achieved by UK coal sales, compounded by exchange rates, for the poor operating profit margins.

Tax was lower at R8,2m (R8,9m). Attributable income was nearly a fifth higher at R18,2m (R15,6m). An extraordinary item of R1,8m (R3,3m) related to a non-recurring loss.

The number of shares in issue increased by more than a quarter to 15,7-million from 12,5-million as a result of the equity funded acquisition of Waste-tech, which diluted earnings.

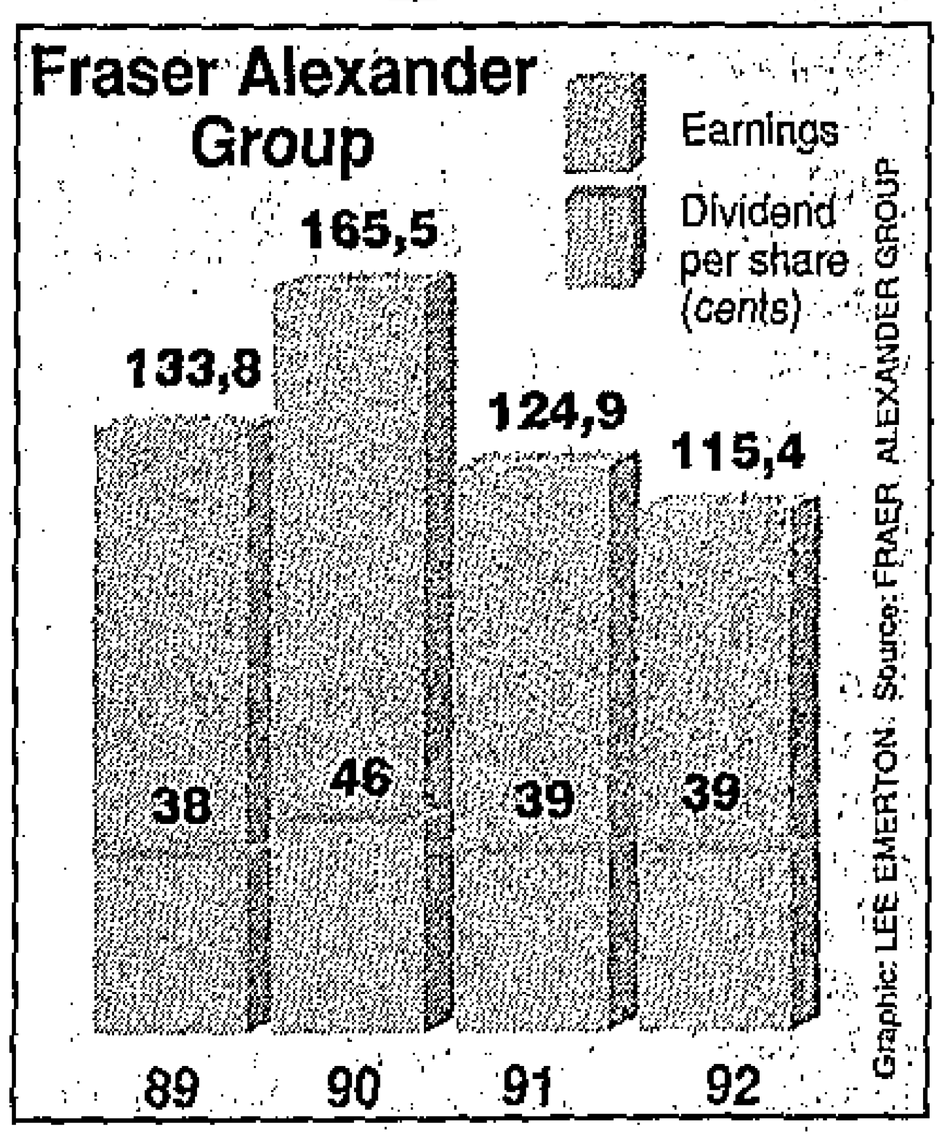
As a result earnings a share fell by nearly a tenth to 115,4c (124,9c) a share. The final dividend was lowered to 27c (28c) bringing the total dividend in line with the previous year at 39c a share.

As a result of increased shares and prudent balance sheet management, gearing fell to 45% from 51% at the interim stage and 72% at the previous year-end.

Flack said the impact of recession and social unrest on group results had been aggravated by the three-month temporary shutdown in the ferrochrome industry, the warm European winter which affected coal sales, drought and non-recurring losses amounting to R6,3m in its mining division. All divisions other than mining met or exceeded targets, he said.

He said the group's board was cautiously optimistic about achieving a modest earnings improvement in the year to June 1993 in spite of the uncertainty in SA and the fact that trading conditions were unlikely to improve.

Pyramid Fralex reported small drop in earnings a share to 65,5c (67,1c). A final dividend of 15,5c a share was declared bringing the total for the year to 22,5c (18,5c) a share. This increase was the reintroduction of Fralex's policy of distributing all dividends received to shareholders, the directors said.



Alexander makes up for mistakes

STAR 8/9/92.

1897E

By Stephen Cranston

Despite what chairman Peter Flack calls more mistakes in the past year than in the previous five, the mining services and waste handling group Fraser Alexander increased attributable earnings by 17 percent to R18,15 million in the year to June.

But because of a 26 percent increase in the number of shares in issue to fund the acquisition of Waste-tech, earnings per share fell by 8 percent to 115,4c.

The dividend is unchanged at 39c, resulting in a reduction of dividend cover from 3,2 to 3.

Mr Flack says R5 million was lost in the British coal trading operation because Fraser Alexander chose to build up its infrastructure from scratch.

The group also lost R3 million as a result of fraud in the underground mining division.

It made an avoidable loss at Venetia, where it tendered for the tailings contract at cost and then lost a further R800 000.

Mr Flack says the R2,5 million the group spent on research and development could have been spent more efficiently.

Fraser Alexander was hit by the three-month shutdown in the ferrochrome inudstry, one of the group's major customers, the warm European winter, which affected its coal sales in the UK, and the severe South African drought.

But he says that management has been working hard on new products and on containing costs.

Apart from mining, all divisions met or exceeded their targets.

Waste-tech, in its first year in the group, returned a better-than-expected contribution.

The Waste-tech acquisition accelerated the group's expansion into non-mining activities, which now account for 40 percent of earnings.

The concrete products division, which has seen demand fall by 56 percent over two years, has diversified into products such as concrete toilets and telephone booths.

Fraser Alexander is currently negotiating for the acquisition of the dying mine West Rand Cons from Genmin.

Mr Flack says that the mining houses have expertise in finding and exploiting mines, but Fraser Alexander's skills, which include underground and surface clean-ups, are better suited to closing a mine.

Prudent tax planning and the more effective use of tax losses throughout the group led to a fall in the effective tax rate from 36 percent to 31 percent.

Gearing was reduced from 72 percent to 45 percent. This is just above the group target of 42 percent.

Despite raising R10,5 million in debt for the Waste-tech acquisition, overall debt increased by just R5 million during the year.

Mr Flack predicts a modest increase in earnings for the current year.

He says the group provides essential services for industries operating at the heart of the economy.

FM 11/9/92 (189E)

NEI AFRICA (189E) FM 11/9/92

Some painful lessons

It's hardly surprising NEI's share price is scraping along close to its 12-month low of R6; the interim results, which reflect a first-half loss of R26,9m, are dismal in the extreme. There are some brave buyers in the market but they're offering only R5 and there's virtually no trade.

Turnover reflects SA's toughening trading conditions: NEI handled R291m worth of business compared with last year's first half of R360m. That is a fall of 20%, and it was enough to produce an R11m trading loss. Coupled with higher financing costs of R15,7m, the net result for shareholders was an earnings loss of 429,4c a share.

How has all this come about? Group MD Lawrence Hyslop says that apart from the difficult trading conditions, NEI's business in providing and erecting utility boilers, carried out by ICAL largely for Eskom, is approaching an end. It was necessary to diversify ICAL's operations into other sectors, and Hyslop says: "in the process we've learnt some painful, ugly, lessons."

BURST BOILER

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Turnover (Rm)	360	797	291
Operating inc (Rm)	18,7	7,3	(11)
Attributable (Rm) ..	1,1	1,0	(26,9)
Earnings (c)	16,8	(29,9)	(429,4)
Dividends (c)	7	14	nil

Propower, the diesel engine business, was intended as the vehicle to replace the expected loss of revenue from ICAL. Its results were found last year to have been a chimera, born of its management's fanciful imaginings: NEI's board had to adjust net assets by R52,5m, of which R14m related to bank borrowings which were not reflected as liabilities.

Hyslop says part of the corrective actions in place include driving current assets down — that means reducing stocks and pressuring debtors to pay faster — and reducing capital spending. He's reducing borrowings as fast as possible.

But the dividend has been passed and shareholders must be wondering when they will ever see a payment. "There's a long haul ahead of us," says Hyslop. He predicts continuing losses to the end of calendar 1992 and says he "hopes we'll be close to break-even by the end of calendar 1993."

That means, of course, there's not much hope of a dividend before 1994 at the earliest. The question for shareholders must be whether to bolt and run, taking the pain in the process, or whether to ride out stormy weather.

In an article in May's edition of *Executive*, Hyslop is quoted as saying the 1991 near-con job has aged him, "but it has also offered him a special opportunity." Shareholders will be forgiven if they now exercise extreme prudence. *David Gleason*

FRASER ALEXANDER (189E)

Showing confidence

FM 11/9/92

Fraser Alexander's unchanged total dividend, despite the lower EPS, indicates management's confidence in the value-added nature of the group's activities, with the longer-term prospects helped by a stronger balance sheet. Year-end gearing has dropped to 45% (1991: 72%).

Reducing reliance on the mining industry over the years has continued to pay off. Waste-tech, acquired last November, and the concrete operations, another addition to the original tailings business, enjoyed strong performances last year.

Though the group is now something of a mini-conglomerate, chairman Peter Flack notes all divisions are linked in one way or another (often through vertical integration), so providing synergy benefits.

BROADER ACTIVITIES

Year to June 30	1991	1992
Turnover (Rm)	234	350
Attributable (Rm)	15,6	18,2
Earnings (c)	124,9	115,4
Dividends (c)	39	39

"The successful integration of Waste-tech into the group is also significant in that it has accelerated our expansion into non-mining activities," he says. "From a low base, these have grown to the point where they accounted for some 40% of our earnings in the past year."

However, mining services, comprising the maintenance of tailings dams, re-mining and sewage plant management, remains the largest trading profit contributor, followed by the concrete products division and waste operations.

The concrete division makes concrete pipes, culverts and manholes for local government, the civil engineering and the mining industries, while the waste division's customers include hospitals, municipalities, local authorities and a broad range of industries.

Flack adds that effects of continuing economic decline and mounting social unrest had been aggravated by additional and exceptional factors. These included the three-month shutdown in the ferrochrome industry, a big customer of the group. Irregular weather patterns also played a part; these included the warm European winter, which affected coal sales in the UK, and the local drought, which reduced the volume of liquid

continue →

FM 11/9/92 (189E)

waste that could be collected.

All the divisions, other than ~~mining,~~ met or exceeded targets. These included Waste-tech, SA's largest waste management company, whose contribution in its first year as part of the group exceeded expectations.

With the Department of Water Affairs expected to introduce stricter waste handling regulations, waste management represents a major growth area, probably becoming a more significant cornerstone of the group over time.

The share price decline of 23% this year, giving a p:e of 8,7 times, seems overdone in the circumstances. *William Gilfillan*

ADE introduces retrenchment deal

LINDA ENSOR (189E)

CAPE TOWN — Atlantis Diesel Engines (ADE) has introduced a voluntary retrenchment scheme for its salaried employees in the hope of cutting its wage and salaries bill by R10m from R90m by February 1993.

But MD Fritz Körte stressed at the weekend that the scheme was merely a continuation of ADE's rationalisation programme and not an indication the company had hit unexpectedly hard times. A profit of R17m had been forecast for the 1992/93 year, after the R21m made last year, and a R5m dividend — the first for more than five years — was expected.

Körte said that since the voluntary retrenchment scheme was introduced two weeks ago, 25 salaried people had taken up the offer. If 100 left, this would bring the reduction of salaried staff to 485 from the 956 employed at the end of 1990 — a fall of 49%. BDAY 14/7/92.

The voluntary severance package is linked to length of service.

Körte said the need to introduce the scheme arose from the fact that ADE had embarked on a strategy to reduce its staff numbers by not replacing any who left. While natural attrition had been quite high in 1991, it had dropped to zero in 1992 and additional measures were required.

"We did not want to retrench, as this would destroy the good relationships we have built," Körte said.

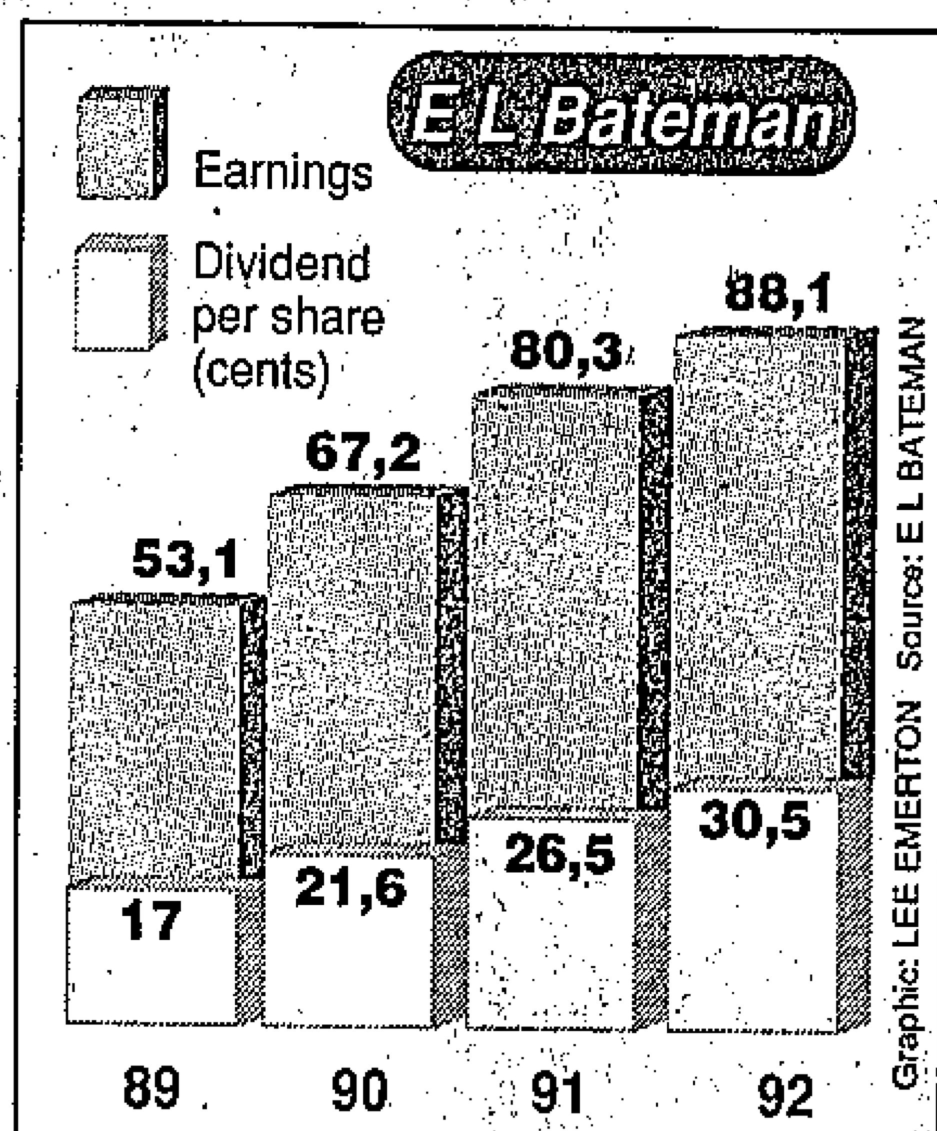
Bateman lifts profits 10%

(189E)

EDWARD WEST

BDAY 15/9/92

ENGINEERING contracting and equipment group Edward L Bateman lifted attributable profit 10% to R24,1m from R21,9m in the year to end-June 1992, in spite of turnover dropping nearly a fifth.



Chairman Bill Bateman said although the previous forecasts of maintaining earnings growth in real terms were not achieved, the results were satisfactory given the difficult trading conditions.

Earnings a share increased 10% to 88,1c from 80,9c. The final dividend of 22,25c (1991: 19,3c) raised the dividend for the year to 30,5c (26,5c).

Bateman said the year was characterised by an emphasis on cost control and on geographical and technological diversification. This resulted in higher international activity in operating subsidiaries Bateman Project Holdings (Batepro) and Bateman Industrial Holdings (BIH).

Turnover fell 19% to R633,9m (R786,1m), but a marginal uptick in operating profit to R36,9m (R36,2m) was achieved. Bateman said the long-term nature and varying

☐ To Page 2

Bateman

BDAY 15/9/92. (189E)

☐ From Page 1

types of contracts reflected in the figure rendered meaningless any comparison between year-on-year turnover, or between turnover and profits. The increase in operating profit was offset by interest charges which doubled to R5,1m from R2,4m due the restructuring of inter-company funding.

Bateman said gearing at year-end was below 15%, and with cash resources in excess of R100m, the group had the ability to control its debt levels as necessary.

Tax dropped to R1,3m (R6,3m) because the tax rate fell to 4% from 19%. As a result, taxed income was 11% higher at R30,6m (R27,5m). The tax rate fell because of tax benefits from export activities, foreign income, exempt income and the utilisation of assessed losses.

Divisional joint MD Peter Brereton said BIH's budget forecast was surpassed with profits 28% higher than the previous year on the back of exports, up 42%.

New overseas ventures were established while local and mining operations were expanded away from traditional mining-related markets. Inroads were made into the information technology market with the acquisition of a share in Computer Alliance and the acquisition of an interest in Workgroup Systems.

Batepro joint MD John Herselman said the division experienced low activity levels — particularly in SA — and suffered a setback on a Mossel Bay contract.

International activities were likely to become a major contributor to future group profits, he said. An office was established in Vancouver and a joint venture with Kinhill, a leading Australian engineering group, had enhanced Batepro's Australasian prospects, he said.

Bateman noted sentiment remained pessimistic. It would be difficult to achieve anything more than a modest increase in nominal terms on current earnings.

Bateman's shares were untraded at 600c a share yesterday, yielding 14,7% and 5,1% on historical earnings and dividends respectively.

Merger aids Bearing Man

BDFM 16/9/92 EDWARD WEST 189E

BEARING Man expected further benefits to accrue in the current year from its merger with Steelmetals, chairman David Royston said in his annual review of the 16 months ended June 30.

Bearing Man, an Anglovaal company since the merger, has achieved a leading position in the SA bearing industry and also strengthened its future supply position through the acquisition of the local franchise for NSK Bearings and products.

In spite of disruptions, earnings increased 17% on an annualised basis, but earnings a share fell to 91c from 95c a share as a result of the earnings dilution from the increased number of shares in issue used to fund the merger.

Royston said Bearing Man had established a new distribution business, Africa Bearing Centre, after the merger.

The company has also acquired the businesses and trading assets of Chain & Conveyor Components and AR & G Bearing & Industrial Supplies.

Scharrighuisen plans separate JSE listings

STAR 16/9/92

By Stephen Cranston

Against the trend of mining and construction companies generally, Scharrighuisen raised turnover by 38 percent in the six months to June and earnings per share by 25,2 percent to 37,3c.

The dividend has been increased by a third to 12c.

Scharrighuisen plans to list the mining and industrial divisions as separate companies after a dividend in specie.

This will facilitate acquisitions without endangering control and will increase the marketability of the shares.

Joint MD Laurie Fisher attributes the results to low overheads — which account for just 2 percent of turnover — flexibility, low gearing and productivity.

Gearing has been reduced from 43 percent at the end of December to 32 percent.

(189E)

The greater part of profits is derived from opencast contracting, including the Clydesdale colliery and West Wits gold mine and from rehabilitaion of collieries for Gencor, Rand Mines and Sasol.

Scharrighuisen is working at 70 percent of capacity and would benefit considerably from an increase in demand at relatively little cost.

SECTOR: ENGINEERING - see McGregor's

Big leap in earnings for Scharrighuisen group

189E

BDAY 16/9/92

MATTHEW CURTIN

CONTRACT mining and plant hire group Scharrighuisen has reported a 25,2% leap in earnings in the six months ended June to 37,3c a share from 29,8c in 1991.

Scharrighuisen declared a 25% higher interim dividend of 12c (9c) a share, and announced it was planning to re-organise its corporate structure, to improve prospects of further growth and "unlock wealth to shareholders".

Joint MD Laurie Fisher said the restructured group would consist of a holding company and two operating subsidiaries, holding its mining and industrial interests.

Shareholders would receive a dividend in specie in terms of JSE requirements, and they should exercise caution in their share dealings until another announcement was made.

Scharrighuisen stock closed untraded at 395c yesterday, just off a year-high of 400c compared with a recent low of 290c in mid-July.

Fisher said in a statement yesterday that the group "achieved excellent interim results which reflect its continued growth and momentum, despite the prevailing economic conditions". The group's main business is contract coal mining and the rehabilitation of collieries, but it has ventured into opencast gold mining for Consolidated Mining Corporation subsidiary West Wits.

Turnover rose 38% to R52m from R38m at the interim stage last year. Pre-tax profit rose 31% to R14m from 10m, and with only a small increase in its tax bill, Scharrighuisen's after-tax income increased 40% to R10m from R7,3m.

The group's bottom line was boosted by a R10m extraordinary item, compensation stemming from renegotiated contracts which it had "with certain parties".

Scharrighuisen acquired the plant hire division of the troubled Frigate group last year, and began mining the group's coal mines.

However, Frigate said yesterday it had stopped coal mining, having renegotiated its cancellation contract at a cost of R17m.

Fisher said Scharrighuisen had strengthened its balance sheet in order to minimise any possible effects of the current recession.

Shareholders' funds were increased to R80m from R45m, reducing gearing overall to 32% from 43%, although long-term liabilities increased to R26m from R5m. Assets rose to R40m from R17m, against liabilities of R8,8m (R7m).

Meanwhile, the JSE agreed yesterday to the delisting of the Frigate at the request of its directors.

GM Richard Connellan said there was no reason for the exchange to stand in the way of delisting, given Frigate's parlous financial position. The company reported a R20m interim loss, and has large debts.

FM 18/9/92 (189E) **FOX**

SCHARRIGHUISEN

sector: Engineering

Beyond the knitting

Why mess with a good thing? Investors could well be asking this of Scharrighuisen Holdings (Scharig), which, if its proposed restructuring goes to plan, will in future consist of three listed companies, all in different sectors.

Scharig's focus on contractual open-cast coal mining has been the main factor behind its exceptional growth since listing five years ago. Latest interim results show the pace slowing a bit, but are still convincing compared to competitors.

Now it plans to diversify by injecting a newly formed holding company, probably to be called Scharig Mining Ltd, between the existing holding company and its four main operating subsidiaries.

The subsidiaries will be acquired for shares in the new company, and, subject to JSE approval, a portion of those shares will be revoked and distributed to existing shareholders as a dividend in specie. The new company, holding the mining interests, will then apply for a listing in the mining sector, while a listing will also be sought for a new company in the industrial holdings sector, though MD Laurie Fisher says this is subject to Scharig making the right acquisitions.

Why isn't Scharig sticking to its knitting, which has proved so profitable? "We continue to pursue acquisitions aggressively, a number of which are in the pipeline," says Fisher. "Once concluded that will enable diversification into related businesses and niche markets which will expand the earnings base.

"One of the main reasons for the restructure will be to allow the new holding company flexibility to make new acquisitions for equity, cash, or a combination, without any threat to control. We will also be able to take full advantage of our market capitalisation." With the 160% increase in the share price to its present high of 395c since early last year, that stands close to R108m.

There must be reservations about Scharig moving quickly into unknown waters. Some minority shareholders might also be unhappy about having what was essentially a coal mining share diluted through the pyramid structure, and exposed to industrial interests which are still unknown.

But the group is in a strong position to expand through acquisition. Earnings are strong and the balance sheet has been boosted by a R10,2m extraordinary profit which, once transferred, nearly doubles shareholders' funds to R80,4m. Cash holdings of about R23,5m covers the total group debt.

The share, despite a rather uninspiring p:e of 5,6, has shown good long-term growth so far. New developments will make it interesting to watch. see sector: McGrosan

Shaun Harris

STEAMING AHEAD

Six months to	Jun '91	Dec '91	Jun '92
Turnover (Rm)	37,7	61,9	52,4
Operating inc (Rm)	10,4	10,6	13,6
Earnings (c)	29,8	41,0	37,3
Dividends (c)	9	16	12
Net worth (c)	188	220	294

State is urged to encourage greater use of diesel power

8 DAY 18/9/92

189 E

EDWARD WEST

ATLANTIS Diesel Engines (ADE) wants the government to increase the difference between diesel and petrol prices to encourage a switch to diesel-powered vehicles.

ADE sales and marketing manager Glynn Whitmore said the company would meet with Mineral and Energy Affairs Minister George Bartlett today to suggest the petrol price be increased to 20% that of diesel instead of the present 4%.

There had already been a favourable response from meetings with Transport Minister Piet Welgemoed.

Whitmore said in the light of the current diesel surplus incentives to promote the use of diesel-driven vehicles should be considered.

Worldwide, the average price difference between diesel and petrol was 28% as opposed to SA's 4%.

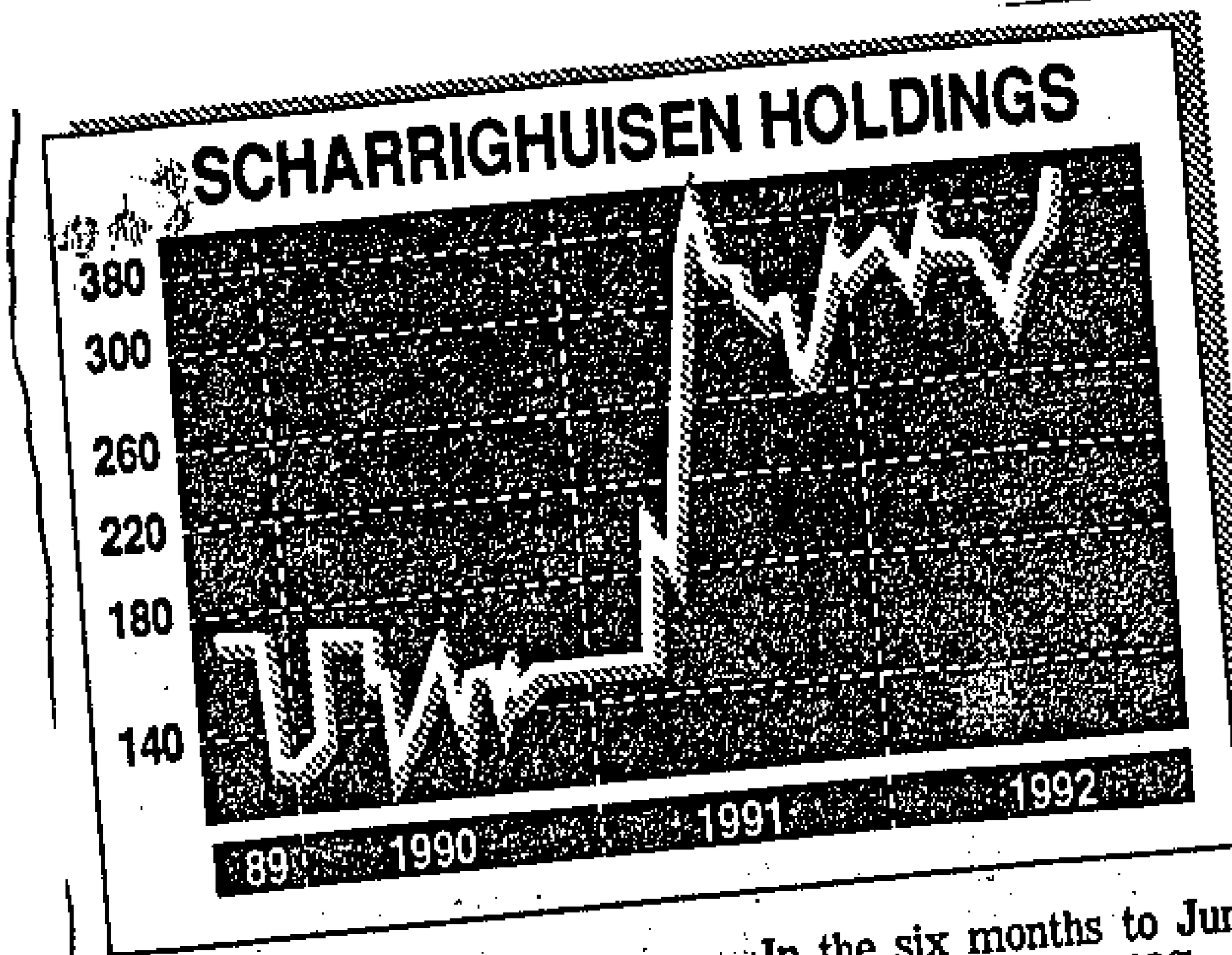
Whitmore said the move would also be in line with Government Transport Energy Division policies which noted that a saving on the trade balance could be achieved by more efficient fuel usage. This would also have the benefit of decreasing the level of exhaust emissions.

ADE, the Industrial Development Corporation subsidiary and SA's only diesel engine manufacturer, had targeted the medium commerical vehicle and midi and minibus markets to switch to diesel power.

The company, which had forecast R17m profit for the year to end-June 1993 compared with the R23m profit the previous year, was already exporting diesel-powered minibuses to Zimbabwe where the price difference between diesel and petrol was high, said ADE MD Fritz Korte.

"Nowhere in the world are the taxi and the medium truck markets dominated by petrol power. A change to diesel power for taxis could save SA nearly R700m a year, rising each year. This would result in cheaper fares, and bus subsidies could be decreased," said Whitmore.

The perception that diesel engines were noisy, smelly, dirty, smoky and underpowered had become a myth following the rapid development of diesel engine technology, she said.



DIAGONAL STREET by JULIE WALKER

Scharrig plans to split

(189E) 20/9/92
S Times (Buss)

THREE years after listing, Scharrighuisen is still relatively unknown in spite of a rapid growth in business, rating and market capitalisation.

Shareholders are warned that the group is to list its operations under two headings — mining and eventually industrial. The purpose is twofold — it secures control through a pyramid and it might improve tradeability. Holders will receive shares in the subsidiaries as a dividend in specie.

Chairman and joint managing director Cas Scharrighuisen came from the Netherlands 30 years ago with a Komatsu excavator and won a mining contract with Iscor at Newcastle.

The fleet has been expanded to 260 items of plant worth R150-million at replacement cost. Scharrighuisen has three areas of business — open-cast mining, earthworks and construction, and plant hire.

In the six months to June, turnover increased 38% — aided by the acquisition of Frigate's contracting businesses — to R52-million and taxed profit of R10-million was up 40%.

At a presentation to the Investment Analysts Society this week, joint managing director Laurie Fisher said that the group had never lost a day's work to strikes and had not suffered a fatality for 20 years.

"We're a big business with a small-business profile," says Mr Fisher.

At the yearend the group's cash of R23-million will almost balance borrowings of R25-million. Gearing is down to 32%.

The presentation left the impression of a company tightly run, with hands-on management at the work sites and good financial control at the offices.

The analysts were treated to a lengthy list of jobs accomplished — from dams, roads, rehabilitation of mines and contract mining for top names, such as Rand Mines, Genmin and Sasol.

At 395c cum dividend of 12c, the shares are five times PE. The downside looks limited for this well-managed company that has flourished in this long recession — even at 70% capacity.

British Coal heads for further decline

LONDON — Britain's once powerful coal mining industry appears headed for another big round of job cuts and mine closures, marking another chapter in its long decline. BDM 21/9/92

The tally of miners at state-owned British Coal could fall to 10 000 or less from 41 000 as a result of a deal for coal supplies expected soon with the country's two main private electricity generators, industry sources say. When it was nationalised in 1947 it had 718 000 miners on its payroll.

Up to 80% of British Coal's coal sales now go to National Power and PowerGen but that figure is likely to be slashed under the new five-year agreements.

The power companies, which want to buy cheaper imported coal, are expected to reduce their British Coal tonnage from the current 65-million to 40-million for the first two years and 30-million or less in the third and subsequent years.

That means British Coal's 48 deep mines would fall to 12 or less within the next two years. British Coal would also have to accept a 19% price cut to reflect cheaper world prices.

None of the parties will comment on the talks. But sources close to them say the pact will be a trade-off between the interests of the generators, the 12 regional electricity companies which distribute power, and the government.

The government has been pushing hard for a deal to allow introduction of a Bill late this year to privatise British Coal. It is not expected to reap big returns from the sale. But the government, which has soaring borrowing requirements, also wants to sell its remaining 40% holdings in the generators. Cheaper fuel for the generators would boost their profits along with the worth of the government's stakes, currently valued at £2bn. — Sapa-Reuter.

'Disastrous' year-end expected from Marlin

BDM 21/9/92.

MATTHEW CURTIN

MARLIN Corporation, one of the world's leading producers of black granite, would turn in disastrous year-end results, analysts said at the weekend. The company is expected to report a significant attributable loss in the year ended June 1992, later this month.

Analysts said fierce competition in the international granite trade was taking its toll on all SA producers, but Marlin had been hit severely because of its weak balance sheet, exposure to black stone and production problems at some quarries.

The company is currently trading at a huge discount to its net asset value.

All granite shares have slumped in the past year, but the slump in Marlin stock has been particularly rapid. The shares sank to a low of 15c early this month, but finished unchanged at 20c on the JSE on Friday. That is 130c lower than they were a year ago, at 150c a piece, representing a loss in market confidence which has cut the company's market value to R9m from R70m in a year.

At year-end 1991, Marlin's net asset value stood at 300c a share.

Executive chairman Peter Gain declined to comment in detail ahead of the group's results, but said Marlin suffered "a tough year" and results would be "poor".

Gain said in September last year: "There are reasons to expect that the current slow upturn in demand for granite blocks and products in world markets will gather momentum either within a few months or in early 1992." Marlin passed its 1990/1991 dividends, but Gain said payments would resume after demand reached "more normal levels", with an associated reduction in granite stocks.

Finance director Ian MacMillan added at the weekend that there was pressure on Marlin's balance sheet and there had been difficulties at its quarries in the year.

At the interim stage, Marlin reported a R1,3m attributable loss compared with a R7,7m profit the year before. MacMillan said depressed markets, particularly affecting Marlin's UK-based subsidiary, and local production problems were to blame.

Analysts said large amounts of black granite blocks on railway sidings in Belfast was evidence of the problem Marlin was having in moving its stock. Stock rose to R28m at June 30 last year from R19m the year before.

One analyst believed that while demand for black granite was sustained in general by demand for tombstones, consumption in the construction industry had fallen away as customers opted for cheaper stone. He said any investor planning to buy granite shares should "exercise extreme caution".

Another said Marlin's poor level of disclosure, its overly optimistic market forecasts, and failure to meet predicted earnings targets had hit the company's rating.

Batepro plans further growth

EDWARD WEST

PROJECT management and engineering group Bateman Project Holdings (Batepro) is expanding its extensive international operations, executive chairman John Herselman said. BDM 21/9/92

Batepro is a leader in diamond, precious metals, coal and sugar handling technology and operates in Africa, Australia, Canada, Colombia, Europe, Israel, the US and UK.

Herselman said the group recently formed an international development division. (189E)

Bateman Engineering Pacific in Vancouver was established, and its Australian operations have been enhanced by an agreement with engineering group Kinhill.

EXECUTIVE SUITE

Employer clause on agenda at engineering wage talks

(189E) (3) (E)

B/DAY 25/9/92

ENGINEERING industry pay talks have moved into a delicate phase, with all parties due to meet today to fine-tune a clause protecting employers against compulsory plant-level wage bargaining.

Seifsa executive director Brian Angus said yesterday he was "guardedly optimistic about a settlement".

He declined to disclose the results of a special industry council meeting held on Wednesday.

Seifsa has made its revised wage offer of a 9,1% increase on actual earnings conditional on union acceptance of a clause that protects employers against compulsory company-level bargaining.

Angus said Numsa would be at Friday's meeting which, according to Metal and Electrical Workers' Union of SA spokesman Zithulele Cindi, would finalise details of the clause on wage bargaining levels.

Numsa last week shunned talks on the clause which aims to stop unions from forcing employers into paying higher rates than agreed at national negotiations.

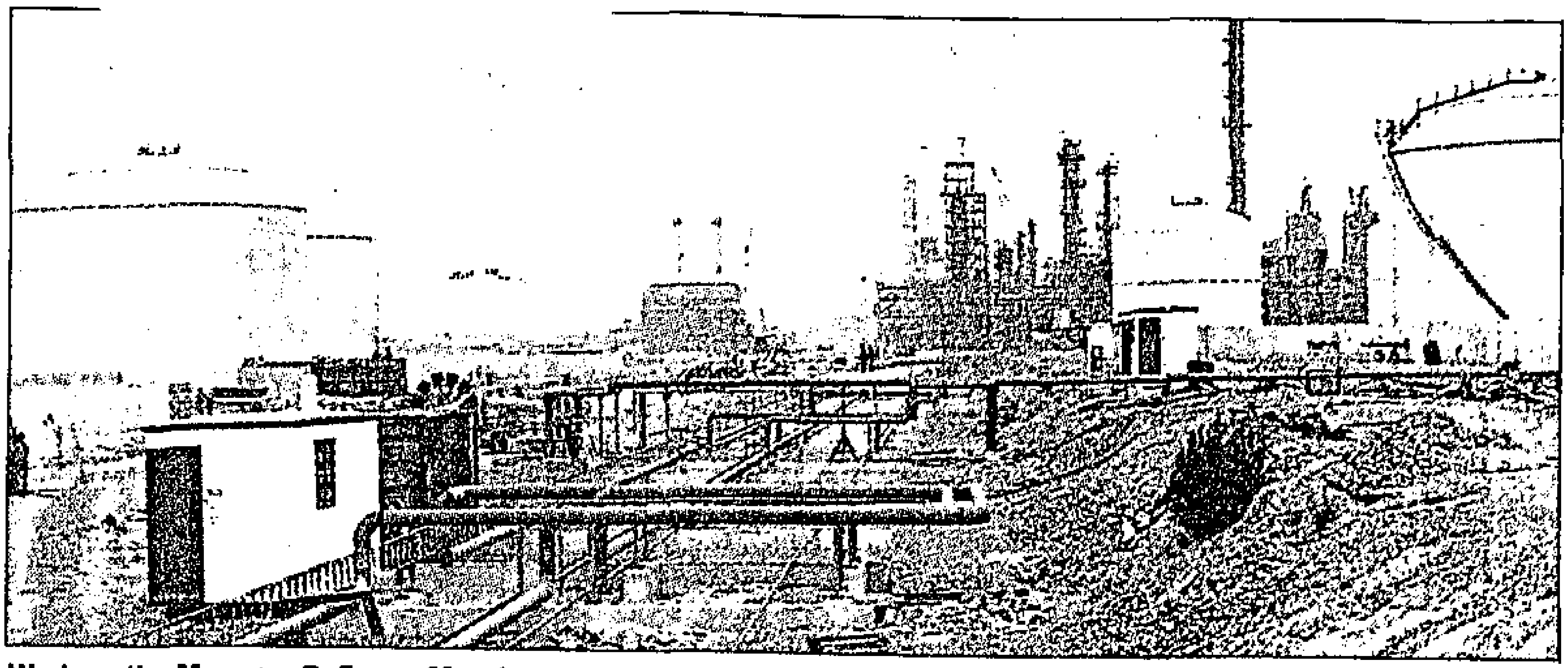
Cindi said his union accepted Seifsa's offer in principle, but had reservations about the rider limiting union rights on wage bargaining.

"Where workers already have the right to factory-level bargaining, this should remain. The clause must not be permanent."

Motivating Numsa's opposition to the clause, Numsa chief negotiator Les Kettledas last week said it protected employers only, with no reciprocal security for workers against arbitrary changes to service conditions. He said the union also insisted that a settlement depended on the reinstatement of about 3 000 Numsa members fired during the August strike.

Angus earlier indicated the clause could be reviewed at a later stage.

Seifsa's final offer has been accepted by unions affiliated to the Confederation of Mining and Building Unions, the Mine Workers' Union and the Iron and Steel Workers Union. — Sapa.



Work on the Mossgas Refinery, Mossbay, one of the projects handled by MF Kent

Leading the industry through excellence

STAR 29/9/92 (189E)

Innovation and excellence has been the key to the success of contracting company MF Kent.

After being awarded a major contract at Sasol III during the initial construction phase in 1979, MF Kent took the decision to open a fully fledged SA operation based in Randburg.

Initially the company consisted largely of skilled overseas-based engineering personnel, bringing with them the latest technology from around the world.

Many of these staff members have taken up permanent residence in SA and they have been supplemented by many more local individuals.

Since then, MF Kent has grown to become a major contributor to the market as a combined mechanical, electrical and instrumentation engineering and contracting company. MF Kent is one of the few companies capable of taking a project from start to finish through all aspects of project management, detailed engineering and construction through to commissioning, plant shutdown and maintenance.

It is affiliated to a large international engineering and contracting company which has 18 other group affiliations operating throughout the world with its head office based in Clonmel, Ireland.

This year the MF Kent group will have a turnover of more than R1,6billion.

At present MF Kent has more than 1 200 employees in SA and over the years has worked for most of the major SA companies, including Anglo American, Genref, JCI, Mondi, Mossgas, Sappi, Sasol and South African Breweries to name but a few.

MF Kent has used SA as a springboard into the rest of Africa and has established operations in Botswana, Lesotho and Zimbabwe.

Michael Cronin, managing director of MF Kent, attributes the company's success to their philosophy of "innovation and excellence", their unique in-house quality assurance systems and to their extensive expertise in project management.

Some of MF Kent's recent projects include the Mobil LOBP plant in Durban, the scope of work included the supply, fabrication and installation of the structural steel, piping and mechanical equipment as well as the electrical and instrumentation sections. MF Kent finished the project four weeks early and as a result was awarded additional work.

The Mossel Bay project was a unique experience for many companies and MF Kent was fortunate enough to work on the accommodation module for the platform and on the refinery where it had a workforce of more than 1500. The company completed three million manhours on this project without a single serious injury and received special recognition from NOSA.

After this, MF Kent succeeded in obtaining the mechanical, electrical and instrumentation start-up modifications and maintenance contract for the refinery and has recently been awarded a 17-month contract for the provision of labour and supervision services from Soekor of the FA offshore platform.

It also recently completed a coal washing plant for JCI near Witbank. Here the scope of work included the supply, fabrication and installation of all the pipe supports, structural steel and piping as well as all the electrical and instrumentation work.

MF Kent has been an industry leader in manpower training and development and is committed to local resource developments through its apprentice, technician and graduate training programmes.

Telephone 789 3818.

Dorbyl leading way back to the Middle East

STAR 30/9/92.

Finance Staff (189E)

South Africa's R3 billion a year engineering group Dorbyl will be leading the way back into the Middle East at the Dubai trade show through its three subsidiaries, Dorbyl Light and General Engineering, Dorbyl Heavy Engineering and Dorbyl Marine.

Dorbyl Heavy Engineering (DHE) was active in the Mossgas project and stands to benefit from its experience in manufacturing petro-chemical equipment, including processing plants and off-shore oil rigs.

"We will be able to show that we are capable of constructing sophisticated structures and processing equipment for the petro-chemical and chemical industry on time, within budget and to the required specifications," says Cobus van der Merwe, DHE's foreign trade manager.

DHE will also display its experience in the manufacture of IMO 5 gascontainers and special carbon steel tank containers, various steel and iron castings, mills and induction bend piping.

"Because Dubai represents a unique opportunity to tap into the Middle East, we have given prominence to our skills that meet the needs of that market," says Mr van Der Merwe.

He says Dorbyl Marine has already received inquiries from parties interested in motor yachts and commercial cargo and container ships.

Mr van der Merwe is unwilling to divulge the names of the interested parties, but says arrangements have been made for them to meet at the Dubai trade show.

Trevor Morgan, marketing manager of Salister Diesels, a subsidiary of Dorbyl Light and General Engineering, says his company has received a good response from the Contact Kenya trade show and will be looking to emulate that in Dubai.

"Contact Kenya enabled us to gauge the size of the African market and we will use the Dubai show to gain market knowledge of the Middle East market.

"We have also adjusted our product range to suit buyers and now offer packages as well as individual products," he says.

Other Dorbyl Light and General Engineering companies which will be on show are Pipe Couplings, Climax Windmills, Valvemakers and Glenvalve.

Group chief optimistic on future

1896

EDWARD WEST

THE Fraser Alexander Group should increase its earnings again in the financial year to end-June 1993, executive chairman Peter Flack said in his annual report today. B/DAY

The diversified waste management, mining and manufacturing group has as its core business the design, construction, operation and closure of waste dumps produced by mining and other industries.

Flack said the short-term prospects of the group wereclouded by imponderables, but his cautious confidence that earnings would increase was based entirely on management and the quality of the group's business and not on any improvement in its operating environment. Medium- to long-term prospects were sound, he added. 2/10/92

The acquisition of Waste-Tech made a significant contribution to earnings and what was once the smallest of the group's divisions was now SA's largest private sector waste management organisation.

The group upped attributable income by 16,7% to R18,2m or 115,4c a share during the past year.

Gearing fell to 45% from 71%. Debt increased 8% in spite of capital expenditure of about R31m and debt of R10,5m inherited from the Waste-Tech acquisition. Strict cost-control was maintained in the group.

BEARING MAN

Dilution hurdle

Activities: *Distributes ball and roller bearings, power transmission products, seals etc.*
Control: *Anglovaal (51%).*
Chairman: *D Royston; MD: G J Till.*
Capital structure: *9,4m ords. Market capitalisation: R41m.*
Share market: *Price: 435c. Yields: 5,2% on dividend; 15,7% on earnings; p:e ratio, 6,4; cover, 3,0. 12-month high, 450c; low, 390c. Trading volume last quarter, 13 350 shares.*

Year to June 30	*'89	*'90	*'91	†'92
ST debt (Rm)	9,3	22,9	20,6	16,4
LT debt (Rm)	1,7	3,8	6,0	4,9
Debt:equity ratio	1,04	1,41	1,23	0,50
Shareholders' interest	0,35	0,30	0,34	0,43
Int & leasing cover	6,3	5,02	2,40	3,01
Return on cap (%)	22,9	26,0	25,6	14,0
Turnover (Rm)	52	86	96	119
Pre-int profit (Rm)	9,1	16,4	16,2	13,9
Pre-int margin (%)	17,5	19,0	16,9	11,7
Earnings (c)	80,1	132,2	94,9	68,3
Dividends (c)	20	40	30	22,5
Net worth (c)	286	385	443	458

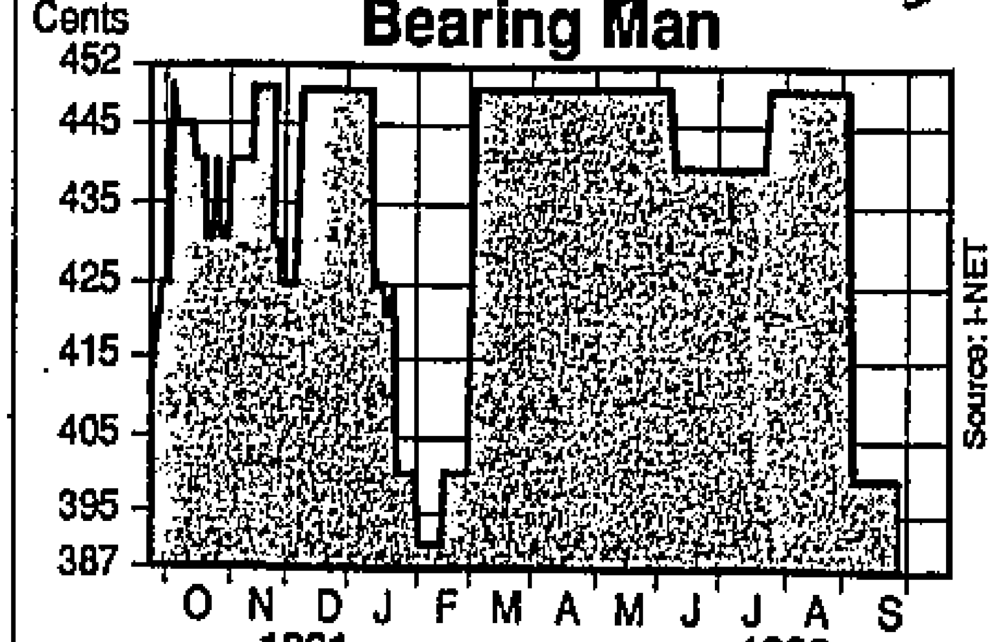
* Year to February
† 16 months annualised where necessary.

This report is the first to be issued since the merger between Bearing Man and the bearing interests of Anglovaal's Steelmetals. The merger, with some smaller acquisitions, was mainly responsible for the 56% increase in total assets between end-February 1991 and June 30 this year and the near doubling of shareholders' funds.

But minorities are probably scratching their heads as to whether they are any better off. The short answer is that they will probably never know, as it is impossible at this stage to determine who contributed what to the 1992 results. On the face of it, it would appear that the main beneficiary so far is Anglovaal, which controls the enlarged group through AVI and Aveng.

Part of the problem in assessing the 1992 results is that the merger took place seven months into the 16-month accounting period. With the substantial changes brought about by the merger, there is no accurate way of annualising the results to provide a full comparison with those of previous years. The method used by the *FM* was a standard proportionate calculation based on the full 16-month accounting period, while the company has simply annualised the last six months' trading, which the company believes is more representative of the post-merger situation.

Sector: Engineering (see McGregor)



The difference between the two is startling. For example, the *FM*'s method produces a small decline in pre-tax profit compared with 1991, whereas the company's method indicates a 12% improvement. Both, obviously, cannot be right, but the *FM*'s method at least has the advantage of enabling a calculation of annualised EPS, an exercise which the company has not even attempted.

This calculation points to a decline in annualised earnings from 1991's 94,9c to 68,3c, which in turn comes close to the diluting effect indicated at the time of the deal. The pro forma effects given then, based on the 1991 results of both companies, indicated that Bearing Man's EPS on its enlarged issued capital would decline to 67,2c, reflecting the lower profitability of the Steelmetals assets.

On a more optimistic note, at least 1992's results did not turn out any worse than indicated, despite the accelerated decline in the economy since the September 30 merger date. So it could be argued that the merged entity has shown improved inherent strength despite having had to absorb heavy (but undisclosed) costs associated with bringing the two operations together and the establishment of a new distribution network — a conclusion supported by chairman David Royston's view that the two businesses are strongly complementary.

With these costs out of the way, it would appear that a more buoyant performance can be expected this year, though the benefits in terms of EPS are likely to be offset by the fact that 1993 EPS will be calculated on the full 9,4m issued shares instead of the 7,4m weighted average used last year, and that the accounting period will revert to a normal 12 months instead of 16.

So while Royston comments that it will be "extremely difficult" to exceed the 91c earned in the period just completed, it should be borne in mind that merely maintaining earnings at this level would require an effective 68% increase in attributable income — something that, in the present business climate, could come only from significant rationalisation benefits. *Brian Thompson*

COMI

Improved prospects for Woodrow Holdings

BDAY 13/10/92

Sector: Engineering
see McGregors

EDWARD WEST

(189E)

FLUID handling and related equipment manufacturer and distributor Woodrow Holdings had reported improved interim results and was on track to meet forecast earnings growth over the full year, chairman Howard Flack said.

At the release of today's published results for the six months to end-August 1992, Flack said the increase in attributable profit to R1,32m from R1,17m in the same period last year was acceptable considering the deteriorating economy and the major capital projects on hold.

Turnover increased by more than half to R25,23m from R16,23m, and reflecting a slight decline in operating profit margins, while operating income rose by more than a third to R2,94m from R2,19m.

Pre-tax income was higher at R2,21m from R1,56m. Interest paid increased to R730 000 from R627 000. Total interest-bearing debt was R2,93m (R4,91m) and non-interest bearing debt R7,11m (R6,48m). Gearing fell to 36% from 47% at year-end.

Taxation was substantially higher at R855 000 from R390 000 and taxed income increased to R1,35m from R1,17m. A R348 000 non-recurring loss arose from the disposal of subsidiary Meter Systems Holdings.

Flack said Meter Holdings had been split into distribution operations and systems operations last year. The systems operations had been sold to a Malbak competitor with resources to finance a research and development division, he said.

Earnings a share improved to 9c compared with 8c at the interim stage last year and 18,1c at the previous year-end to February 29 1992. The interim dividend was lifted to 2,5c from 2c a share.

Flack said earnings and dividend growth was expected to improve. Forecasts hovered around earnings of 20c a share and dividends of 7c a share.

Scharrighuisen buys into New Joules

JONO WATERS (189E)

CONTRACT mining and plant hire group Scharrighuisen Holdings acquired a 75% interest in New Joules Engineering for R14,6m to develop its industrial interests, a company spokesman said yesterday.

Scharrighuisen intended to spread New Joules' production of train control equipment to the international market.

New Joules had a niche market in SA with its rights and patents relating to train control equipment. It would make a meaningful contribution to the earnings of Scharrighuisen, the spokesman said.

Scharrighuisen planned to acquire interests in industrial companies and house them in a listed subsidiary in the industrial sector. BDAY 13/10/92

The directors were investigating a number of other acquisitions and further announcements would be made to shareholders.

An announcement would also be made detailing the terms and financial effects on Scharrighuisen of the acquisition, and shareholders should exercise caution in dealing with their shares until the announcement, the spokesman said.

COMPANIES

Engineering firm keeps on rolling

BDay 14/10/92. (189E)

EDWARD WEST

STANDARD Engineering maintained its earnings in the year to end-August 1992 in spite of the recession, political unrest and the absence of rolling stock orders, MD Terry Davidson said.

The R10,7m acquisition of 74% of Autoflug and the inclusion of Protea Technology's results for a full year boosted turnover, in spite of the absence of rolling stock exports to Taiwan which was significant in 1991, he said.

Turnover increased 7,7% to R688,4m from R639,1m the year before. Davidson said the group partly countered tough trading conditions by significantly increased operating efficiencies, competitive marketing and good management.

However, the tough trading conditions affected the profitability of most of the group's divisions and operating income fell slightly to R70,8m from R73,6m.

Interest payments fell to R15,5m from R18,1m. Gearing fell to 24,1% from 34,5%. Pre-tax income was slightly lower at R55,3m from R55,5m. Tax was higher at R7,2m compared with R5,8m in 1991. The tax rate at 13% was aided by exports.

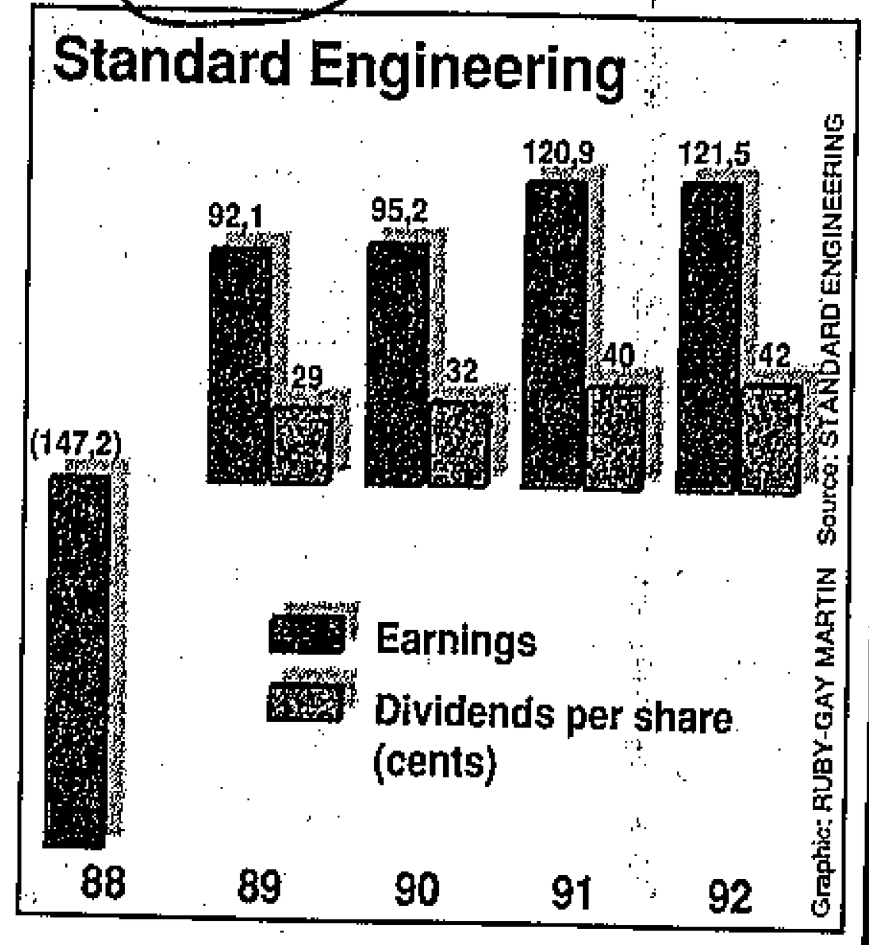
Export sales were lower at 13% of turnover from 17% in 1991 because of the completed the Taiwanese stock order. Davidson said Union Carriage had submitted significant export tenders which, if awarded, would benefit it in 1994 and beyond.

Attributable earnings were up 4% to R43m from R41,4m and with 1,2-million more shares in issue as a result of the equity-financed acquisition of Autoflug, earnings a share increased marginally to 121,5c from 120,9c the year before.

Shareholders were nonetheless rewarded by a higher final dividend of 28c from 26c in 1991 in view of the group's low gearing, said Davidson.

An extraordinary loss of R19,6m comprised R7,8m goodwill written off on the Autoflug acquisition and R11,8m loss on the closure of Mellor Pumps and the sale of Woodhead Kempo.

Davidson said the drought in southern Africa resulted in strong demand for pipe and fluid handling equipment with the pipe division in particular expecting to benefit



from emergency schemes to supply water in the region.

Work on hand included a pipe supply contract in Bulawayo for emergency water, participation in the Rand Water Board's scheme to double the supply of water to the PWV, and an Eskom pipe contract in the Eastern Transvaal.

The upgrading of the electric resistance welding pipe-making mill and the award of the American Petroleum Institute licence had enabled the group to export pipe.

Export sales in the past year more than doubled, but price competition, particularly in Middle Eastern petrochemical projects, was stiff and in many cases uneconomic due to worldwide oversupply while local demand was poor.

The automotive division, including gearbox and transmission company Astas, expected increased demand for heavy-duty vehicle components as a result of depletion of excess stock at vehicle assemblers.

Both Autoflug and National Spring were looking at opportunities in the US and Europe. Davidson pointed out that future real earnings growth would be export led as there was weak demand in SA.

Earnings were forecast to grow this year through improved efficiencies, exploitation of specific opportunities and the continued export drive.

The group's healthy balance sheet would enable it to make further acquisitions and opportunities were being investigated, Davidson said.

Wage agreement in engineering sector

ALAN FINE (189E)

AFTER seven months of negotiations, including a four-week strike by 80 000 Numsa members, employers and unions in the engineering industry reached agreement yesterday on wages and working conditions for 1992/3. BDay 14/10/92

A Seifsa statement said the agreement, effective from July 1, provided for a 9,1% wage increase for 320 000 employees.

For the first time, the increase will apply to actual, as opposed to scheduled, minimum wages. In return, the unions have agreed to a clause that will bar them from compelling employers to negotiate additional increases at plant level.

Another unusual feature is an undertaking by parties to the industrial council to give sympathetic consideration to applications from companies in certain economically depressed regions for permission to pay less onerous increases.

Free State and northern Cape employers dependent on the mining industry may apply for an exemption allowing them to implement the increase from January 1. Natal employers may apply to pay only a 7,3% increase.

A previous arrangement whereby Border employers could pay 5% less than the scheduled rate to people employed from July 1 1991 remains in force. The agreement also offers improved severance pay and subsistence allowances.

Sapa reports Numsa spokesman Les

☐ To Page 2

Engineering

BDay 14/10/92 (189E)

☐ From Page 1

Kettledas said it was not an agreement members could be jubilant about.

It is understood Numsa withdrew a request for a clause committing Seifsa to recommend reinstatement of 3 000 workers dismissed during the August strike.

The union is attempting to pursue the issue through official channels. A request that the matter be dealt with as a single dispute was turned down by employers.

Confederation of Metal and Building Unions director Ben Nicholson, who represents six artisan unions, said certain unions had dragged out discussions by their "unwillingness to accept the realities".

"We could have saved those 3 000 jobs. Although we are accused of not being militant enough, the outcome shows that militancy does not always pay," he said.

☐ Numsa announced it planned a march on Anglo American headquarters tomorrow to protest against the dismissal of 600 Boart employees during the strike.

BUSI

Standard's acquisitions bolster the bottom line

By Leigh Hassall (189E) STAR 14/10/92

Acquisitive growth off-set weaker exports and helped to steady earnings of industrial holding group Standard Engineering in the financial year to August.

Turnover increased by 7,7 percent to R699,4 million although margins were under pressure as operating income fell by 3,8 percent. However, attributable earnings rose 3,9 percent to R43 million buoyed by reduced interest charges and a lower outside shareholders' portion.

Good news for shareholders is that the dividend is up five percent to 42c. Earnings per share were almost unchanged at 121,5c (120,9c) accounting for the increase in share capital during the year.

Nearly R20 million was written off as an extraordinary loss. The closure of sub-division, Mellor Pumps, cost the group over R11 million. The balance relates to the group's conservative accounting policy of writing off goodwill in the year of acquisition.

A feature of the balance sheet is the lower gearing of 24,1 percent (34,5 percent). Borrowings decreased from R82,9 million to R61,9 million.

Stock levels were down by R36 million to "a comfortable level" from the high level of last year caused by the holdings of automotive division, Astas.

Turnover of the group includes a year's contribution from new acquisitions, Autoflug SA and Protea Technology (only four months were included last year).

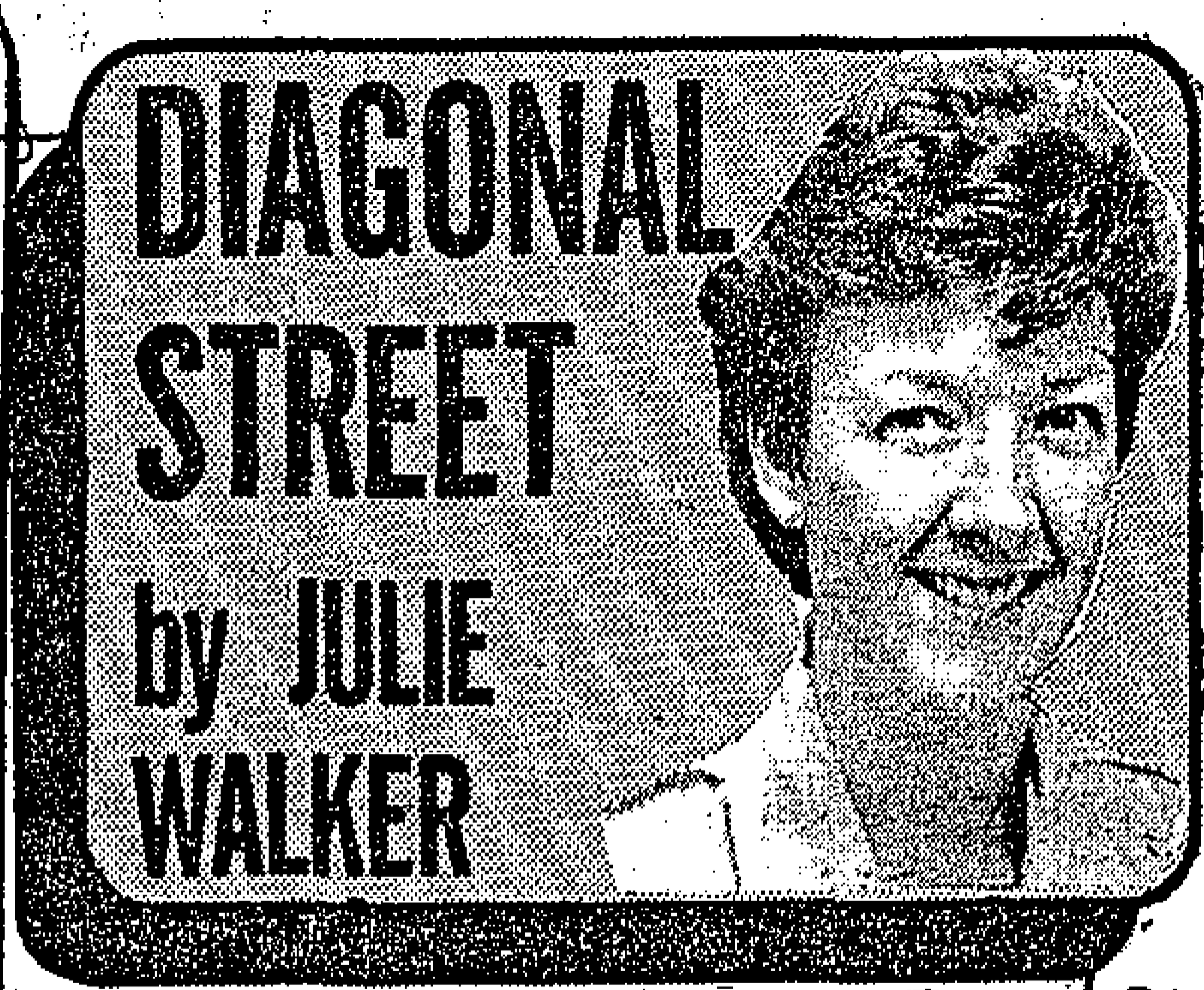
Managing director, Terry Davidson, said: "While export sales were lower this year as a result of the completion of the Taiwanese rolling stock order, the group remains a substantial exporter committed to the further penetration of export markets".

Davidson added that all divisions other than the rolling stock division had improved export performance by 50 percent or more. The rolling stock division has submitted significant tenders in the export market which, if awarded, will benefit 1994 and following years, he said.

The export activity has contributed significantly to the earnings of the group through the low effective tax rates afforded by the export incentives and tax allowances.

The group has been on the acquisitive trail over the last few years and Davidson says the group is in a strong financial position for further acquisitions.

On future prospects Davidson said: "While we are well positioned for another sound performance, it is unlikely that either the South African economy or the price levels prevailing in export markets will improve in the coming year."



Now Standard Engineering has something to pipe about

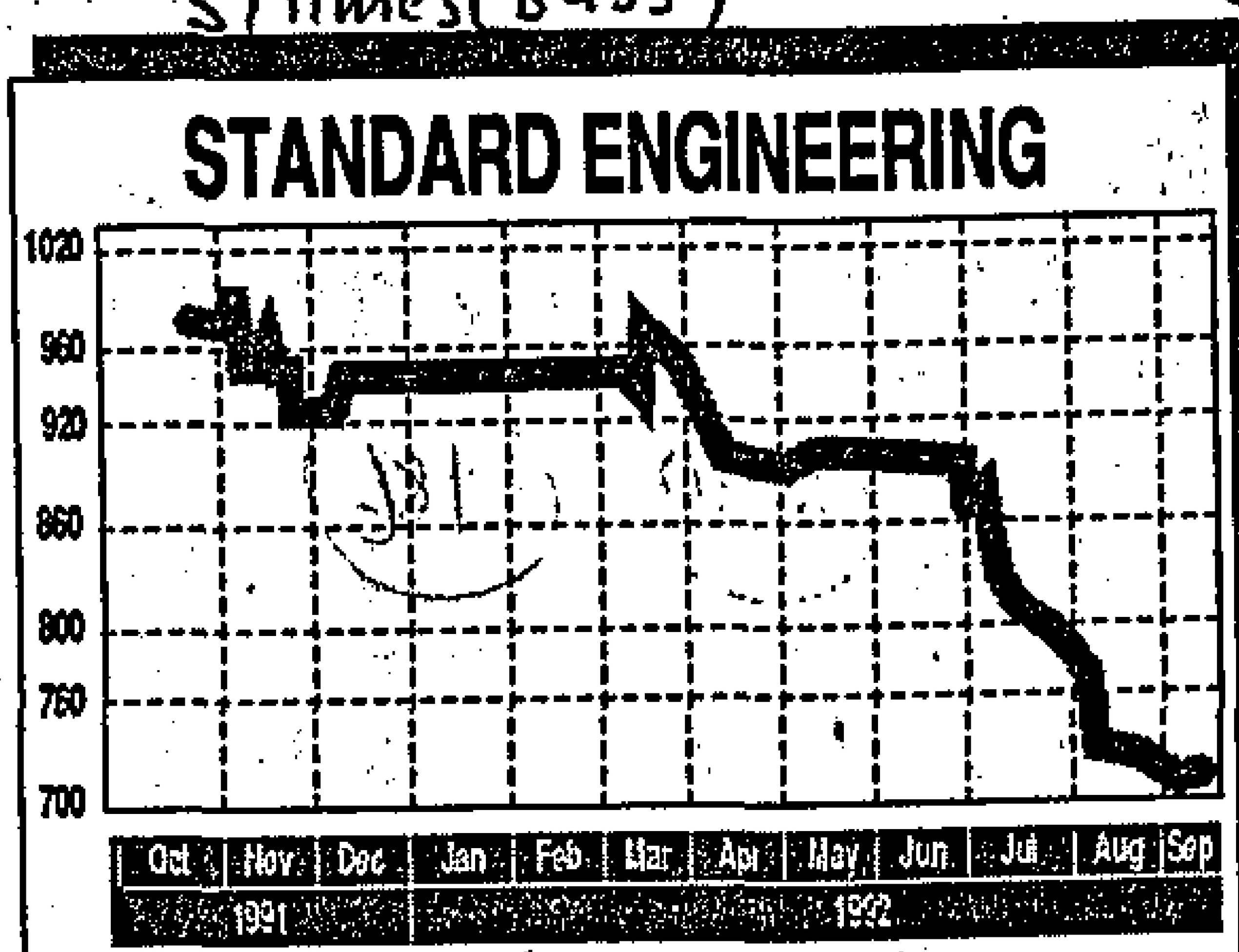
(189E)

S/Times (BUSS) 18/10/92

THE drought had to benefit someone. Standard Engineering reports strong demand for pipes, borehole pumps and fluid-handling equipment in the year to August.

Otherwise, local demand for pipes was low and a new competitor in spiral pipes came into the market. But export marketing efforts and the award to Hall Longmore of the American Petroleum Institute licence for its pipes saved the day.

The contributions of Standard Engineering's five divisions to earnings of R43-million from turnover of R688-million shifted during the past year. Automotive was about the same at 12%, fluid handling climbed from 12% to 19% and metal pressings doubled to 24%, largely on the export of Harveytile for UK and European roofs aided by elimination of 1991 loss-makers Spring Services and



Taycon Products. Pipes fell 10 points to 27%.

Last year's star exporter — Union Carriage — finished train-set contracts for Taiwan and won the State President's Award for export achievement. It chipped in 26% to Standard Engineering in 1991 and 18% this year, mainly through exports to Africa.

At a presentation to the Investment Analysts' Society this week, chairman Hugh Brown regretted that R11-million had to be written off with the closure of the "haemorraging" Mellor Pumps. Total extraordinary losses were R20-million, including R8-million goodwill written off, against attributable income of R43-million.

Pipe division chief Martin Done told me after the presentation that exports have done wonders for Hall Longmore. Three years ago it was moribund, but an initial investment of R10-million on new pipe-making equipment is already paying off. Another R5-million has been spent this year on gantreys to handle the higher export volume of pipe.

Brown said that despite the tough and uncertain economy he expected Standard Engineering to improve earnings in the coming year.

The two-year inventory overhang in heavy commercial vehicle original equipment markets has been cleared, and should help AS Transmissions and Steerings.

Union Carriage has tendered for exports which, if won, will benefit it from 1994. The group's gearing is down to 24% and its tax rate will remain low because of export incentives, assessed losses and tax-free income from a lessor trust.

Mr Brown said that 1992's 13% tax rate would have been 30% without the export incentives. Category four exports are allowed a rebate of about 19% and category three 6%.

Standard Engineering hopes exports will beat last year's R90-million worth.

The share price of 700c has fallen by a quarter in the last year to a historic price-earnings ratio of 6,2.

It was bid at 700c in a terrible equity market after announcing results. The net asset value is 589c a share.

It would not be surprising to see Malbak's remaining holding in the group passing to Murray & Roberts because the nature of its businesses are more allied to M&R than to consumer-orientated Malbak.

Malbak is a reluctant seller, and I would not expect it to part with the investment cheaply.

'million

ugust 1992

'2	1991
.8	564,8
.4	122,7
2	109,3
4	796,8
3	499,4

Shortage of engineers forecast

BDAY 20/10/92 (189E)

EDWARD WEST

SA WOULD be woefully short of engineers if the economy improved, SA Association for Consulting Engineers president Peter Thomson said yesterday.

He said the approximately 1 350 consulting engineers in SA would simply not have enough skills if SA's economy grew by between 3% and 6% a year as was being predicted for the medium term.

SA would have to revert back to the situation of eight to 10 years ago where foreign engineers had to be imported.

He said that in SA there were only 35 engineering students per 1-million people compared with the likes of Japan, for instance, where there were 460 engineering students to every million people.

International Association of Consulting Engineers president Geoffrey Coates said there was a worldwide shortage of engineers. It was forecast that in the US there would be a shortage of about 700 000 engineers by the year 2000.

Engineers would have to be recalled from retirement, he said.

The US and western Europe were expected to emerge from recession with renewed vigour, he said.

Major development growth areas were expected to be China, eastern Europe and the Commonwealth of Independent States, SA, South America, southeast Asia and developing countries in Africa.

Haggie Rand hints at offshore operation

BIDAY 28/10/92 (189E)

EDWARD WEST

HAGGIE Rand has hinted at establishing an offshore operation, possibly in western Europe, following recent export successes by its ropemaking subsidiary.

Haggie Rand marketing director Alan Clarkson said there was so much one could do from Johannesburg before an offshore base or warehousing facility became essential for continued export expansion.

He said Haggie was a preferred supplier for two international oil engineering firms.

The companies, based in southeast Asia and Europe, used Haggie Rand rope to manufacture cable-laid slings.

Haggie had exported about 20% of its R1,18bn turnover to more than 60 countries in 1991, Clarkson said.

Unusual project posed engineering challenge

BDM 29/10/92. (189E)

BKS Incorporated was assigned responsibility for all engineering design aspects in the construction of the new Mint.

"The project was a challenge to both the design engineers and the project management team," says BKS project manager Peter Stocks.

"Owing to the project's unusual nature, it was divided into nine work disciplines, which were in turn divided into 58 work packages. As a consultancy, BKS assumed the role of main contractor," he says.

The brief to BKS consisted of the following:

- ☐ It had to be a fast track project with production facilities required by critical dates;
- ☐ The design brief had to be developed during the course of the project as work packages were clarified;
- ☐ aesthetic requirements had to be consistent with economic considerations.

To satisfy this brief, BKS had to identify a structural core and define a flexible system without sacrificing economy of construction.

The complex has a floor area of 34 700m². The structural system comprises a series of portal frames spanning 50m, with an interior column that can be placed in any position. The roof monitors were added to allow the independent erection of the main structure. This allowed construction to begin four weeks after the order had been placed.

The production facilities for coin blanks were supported on a suspended floor over a basement which is 40m X 50m X5m. The various rolling mills and the slitting line were provided with supporting structures to prevent the transfer of vibration and equipment interaction.

Special consideration had to be given to the performance of these when subjected to dynamic loading, as highly sensitive measuring apparatus had to be accommodated.

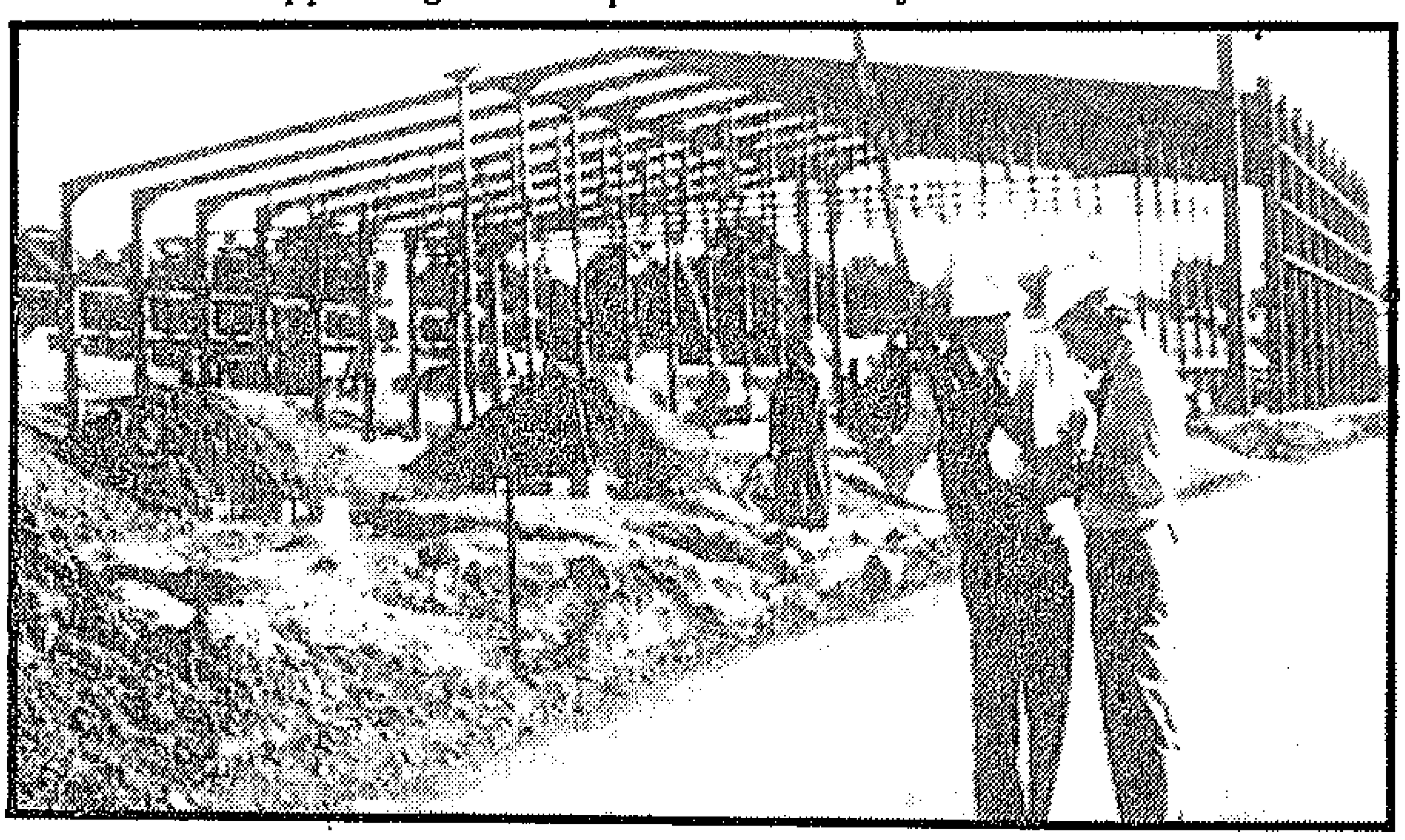
Challenge

The electrical engineering posed an interesting challenge, BKS says.

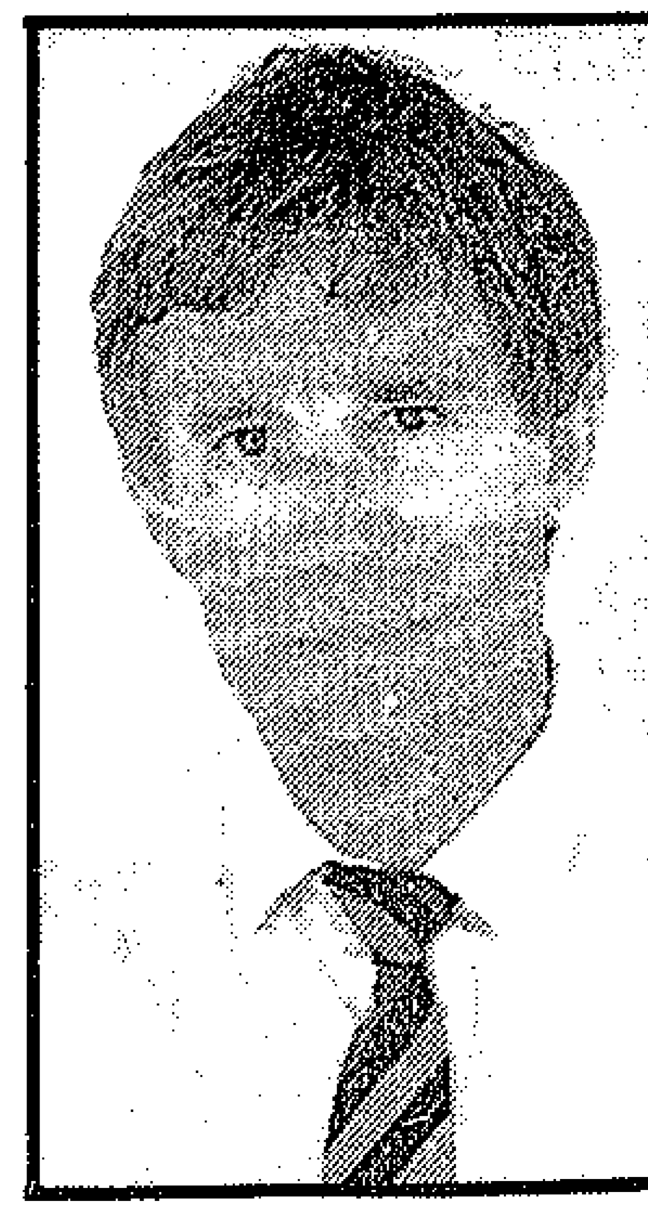
The sensitivity of the electro-chemical plating process to power interruptions requires an absolutely reliable supply. A six second interruption would result in a loss of six tons of blanks per line.

This was achieved by means of a dedicated dual incoming 11kv supply directly from a primary network 132/11kv stepdown substation. Two underground cables, each with a capacity of about 7MVA, were installed by the Verwoerdburg municipality.

Separate electricity supply to each plating line was necessary to prevent interference between plating line supplies or from other feeders.



Basic shell of the main building under constrauction.



PETER STOCKS

Security includes virtually the whole spectrum of protection related subsystems, says Stocks. The Mint's requirement was unusual in that the site had to remain "cashless". For obvious reasons no one on-site is allowed to be in possession of any coins.

The site is demarcated by an electrified alarm fence system. The system is continuously monitored and automatically switches on the perimeter lighting when breached to assist an armed reaction force.

Vehicle control is effected by means of four motorized automatic interlocking steel gates, creating an inspection lobby and discouraging entry by force.

The vaults are protected by a range of security systems, one of which utilises self-monitoring seismic devices.

EDWARD L BATEMAN FM 30/10/92

Looking abroad (189E)

Activities: *Process and project engineer and supplier of capital plant and consumable items.*
Control: *Directors 46%.*
Chairman: *B Bateman; MD: J Herselman.*
Capital structure: *27,4m ords. Market capitalisation: R199m.*
Share market: *Price: 725c. Yields: 4,2% on dividend; 12,2% on earnings; p:e ratio, 8,2; cover, 2,9. 12-month high, 750c; low, 500c. Trading volume last quarter, 319 000 shares.*

Year to Jun 30	'89	'90	†'91	'92
ST debt (Rm)	11,4	12,0	18,8	14,4
LT debt (Rm)	2,5	0,8	6,1	5,9
Shareholders' interest	0,27	0,28	0,26	0,30
Int & leasing cover	8,5	9,3	15,3	7,2
Return on cap (%)	6,3	8,5	8,8	8,7
Turnover (Rm)	844	589	786	634
Pre-int profit (Rm)	18,3	29,1	36,2	36,9
Pre-int margin (%)	2,2	4,9	4,6	5,8
Earnings (c)	531	672	80,3	88,1
Dividends (c)	170	216	26,5	30,5
Net worth (c)	2 679	2 960	336	381

† Adjusted for 10:1 share split.

Bateman is one of several companies forced by depressed local conditions to look for business elsewhere. After further global expansion this year, exports and offshore activities are becoming a major contributor towards its profits.

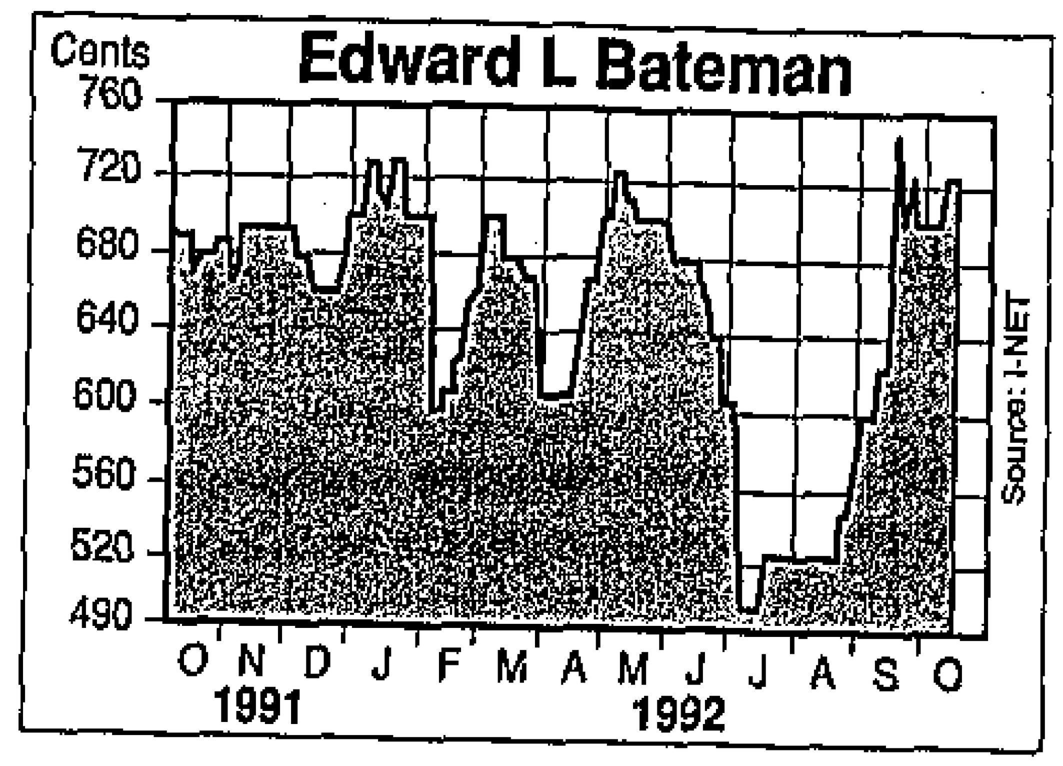
Bateman is the holding company for two separate operations: Bateman Industrial Holdings (BIH) specialises in the supply of equipment to the mining, process industries and construction sectors; and Bateman Projects (Batepro) incorporates engineering, contracting and projects management interests.

Mention has been made of listing the two separately. Though this is still on the cards, chairman Bill Bateman says, in present economic conditions, now is not the time.

BIH provided some 58% of profit and Batepro the rest. Engineering/contracting benefited from the elimination of previous losses in an offshore operation.

The effective group tax rate fell to 4% (1991: 19%). Foreign and exempt income

continued →



and incentive allowances for exports continued to help. And though turnover was down 19%, attributable income rose 10%, allowing a 15% increase in the dividend payout. For financial 1993 Bateman says: "It will be extremely difficult to achieve anything more than a modest increase in nominal terms on current earnings." (189E)

He adds that exports and offshore activities could account for up to a third of attributable profits and, therefore, in the longer term, there is cause for optimism. Batepro operates in Israel, Hong Kong, Angola, Zaire, China and the mainland US. New ground covered includes Alaska, Australia and the Commonwealth of Independent States. Bateman's operations are also spread across a wide field of industries, which could offer protection against economic cycles.

The financial position remains strong, with the year-end cash balance at R127,8m.

The market remains confident in the stock. The share is close to its 12-month high, with a p:e of 8,2 and is worth its 725c price.

Kate Rushton

Employers accused of cheating pension funds

w/mail 30/10 – 5/11/92 (189E)

Struggling engineering companies are not paying employees' contributions into the industry fund, reports

FERIAL HAFFAJEE

AN investigation of one of the country's richest pension funds reveals that many struggling small employers are not paying their pension contributions, often leaving their employees stranded.

An employee of the Engineering Industries Pension Fund (EIPF), a healthy fund worth about R3,5-billion, probed and found that workers have lost R1,8-million in contributions in the past seven years.

In a number of cases investigated, the employers are also committing fraud by deducting contributions from their workers and not submitting these amounts to the fund.

Industry pensions are often the only security for the country's swelling ranks of retrenched or retiring workers and the non-payment of contributions is an offence in terms of the Pensions Funds Act and in terms of the fund's rules.

Most of the defaulting firms are small engineering concerns, many of which have closed down. In many cases, the words "write off as irrecoverable" have been scrawled over contributors' record sheets.

Even when the fund obtains court orders in terms of the Labour Relations Act against defaulting companies, there is no easy relief. In a number of notices to the fund, the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry has said: "The mere fact that a court order has been issued aginst the firm is no guarantee that the outstandings, if any, will be recovered".

The fund employee who probed the records is only one of many administrators on the fund, indicating that the problem could be far more widespread if the fund is fully inspected.

Veli Njayeko, a trustee of the Metal Industries Provident Fund and an official of the National Union of Metalworkers of South Africa, says that the problem is not restricted to the EIPF. The fund he serves on has lost R300 000 in unpaid pension dues in the past year.

Retirement funds are major contributors to the country's economy. About 40 percent of all shares on the Johannesburg Stock Exchange are controlled by pension and provident funds and long-term insurers. In monetary terms, the funds are worth a staggering R186-billion.

Defaulting companies are a minor scourge on otherwise very healthy funds. But what is of concern, is that the number of defaulting companies is growing every day and individuals are being left stranded and destitute.

"We don't write off anything as irrecoverable. It is the function of the industrial council to do so," says Harvey Pierce, the director of funds of the metal industries.

A financial manager of the industrial council says: "We are quicker than the Receiver in prosecuting defaulters."

It takes three months from the time of a company being reported for not paying and the industrial council securing a criminal conviction against that company. It takes 14 days more for the industrial council to seek a civil judgment against the company in order to claim the money.

"It is harder to get money from companies in a recession," the council's financial manager admits, because many companies are going insolvent.

But funds are preferential creditors and the industrial council has been "wonderfully successful" in getting money from liquidated companies, he says.

In addition to the Industrial Council, the Financial Services Board (FSB) is also responsible for chasing up employers who do not pay pensions contributions.

FSB's Andre Swanepoel says the board investigates within a week or two of receiving notice of non-payment from the industrial council. The FSB appoints an inspector to make an investigation, but there are only eight inspectors for the whole country.

If the investigation turns up an irregularity, the case is handed to the police for investigation. But Swanepoel says that irregularities are few and far between. He believes that one of the ways to stem the problem is to elect more employee trustees to pension and provident funds. All metal industry funds have always had equal employee-employer representation.

In November last year, the Chemical Workers' Industrial Union (CWIU) applied for exemption from the FSB because it found that organisation ineffectual in chasing up employers who fail to pay contributions.

"I would question their ability to do anything about small companies," says Susan Benjamin, the administrator of CWIU's provident fund. She points out that it is difficult for the 82 people employed by the FSB to keep track of the country's 12 000 pension and provident funds.

45% drop in engineers' turnover

ST Times (Buss) 1/11/92 (189E)

By TERRY BETTY

CONSULTING engineers predict a fall of up to 45% in turnover in 1993.

A survey by the SA Association of Consulting Engineers (SAACE) immediate past president John Morgan shows the industry is suffering, and expects the pain to intensify.

The industry is worth R15-billion to R20-billion a year and comprises 8% to 10% of SA's gross domestic product.

However, it has had to trim excess fat to weather the recession.

"Any more cuts will bite into the flesh."

Employment of consulting engineers has dropped by about 10% in the past two years alone.

Inflation

Mr Morgan says a survey of activities in the six months to June shows 17 partners, 44 professional engineers and 259 technical staff have been retrenched.

Most companies expect more blood to flow. They say the few months since the survey have been even worse because major customers are holding back on spending.

A third of the firms surveyed expect a drop in turnover of at least 35% and half expect a decline of 5% to 35%.

The balance see turnover keeping up with inflation. Mr Morgan says most of them are in niche markets.

Pretoria, East London and the Free State are pinpointed as the worst-hit areas. The Western Cape and Johannesburg areas seem to be coping.

Consulting engineers are always at the forefront of an economic upswing because they are the first to be called in when a company contemplates expansion.

Mr Morgan says most of the work comes from the mining and financial sectors as well as the Government.

The mining sector has been hit by poor commodity prices and has slashed capital expenditure. Coal is the "only star in the firmament".

Another sector to axe expenditure plans is the State.

Mr Morgan says: "Government and parastatals used to account for about 70% of the available work. This has been reduced to 40% and includes jobs in the homelands."

Although the financial sector has the wherewithal to invest, it lacks confidence in the country.

"Everybody is holding back to see what happens on the political front."

While everybody is holding back on investment, there is evidence that several consulting engineering firms may not survive. Mr Morgan says that in the first six months of the year firms closed 34 branches.

In addition, 12% of firms are working short time, commensurately reducing staff salaries.

Retrenched engineers usually head for commerce, leaving the industry short of qualified and specialised staff.

FRASER ALEXANDER FM 6/11/92
(189E)

Watching the waste line

Fraser Alexander has undergone a transformation over the past five years. From a group that began in tailings in the mining industry, it has expanded and diversified to become the largest private-sector waste manager. The total mining business now contributes just over half group turnover. Five years ago it was nearly 80%.

Activities: *Waste management, mining and manufacturing.*
Control: *Remgro via Fralex.*
Chairman: *Peter Flack; Deputy Chairman: Gary Farquar Rae.*
Capital structure: *15,7m ords. Market capitalisation: R157m.*
Share market: *Price: 1 000c. Yields: 3,9% on dividend; 11,5% on earnings; p:e ratio, 8,7; cover, 3,0. 12-month high, R13; low, R10. Trading volume last quarter, 430 000 shares.*

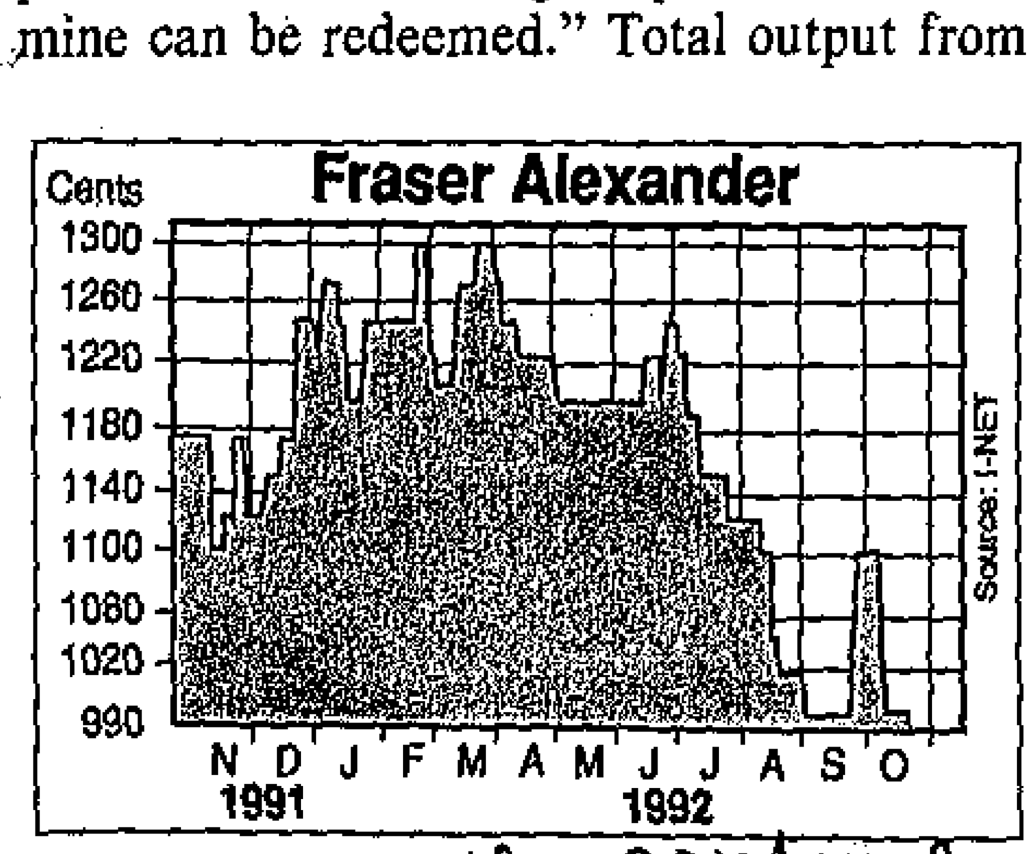
Year to June 30	'89	'90	'91	'92
ST debt (Rm)	22,6	16,4	33,7	38,7
LT debt (Rm)	8,1	7,6	24,3	27,3
Debt:equity ratio	0,50	0,35	0,71	0,52
Shareholders' interest	0,41	0,46	0,41	0,45
Int & leasing cover .	13,9	27,2	4,2	3,3
Return on cap (%) ..	23,0	25,5	18,6	15,9
Turnover (Rm)	177	215	234	350
Pre-int profit (Rm) ...	27,5	34,9	32,1	37,5
Pre-int margin (%) ..	15,5	16,2	13,7	10,7
Earnings (c)	133,8	165,5	124,9	115,4
Dividends (c)	38	46	39	39
Net worth (c)	397,5	505,9	565	677

The recent acquisition of West Rand Consolidated Mines (WR Cons) from Gengold will result in "the first complete big mine rehabilitation of its kind by a private-sector company for decades," says chairman Peter Flack. It will involve beneficiation, salvage and cleaning up of the mine, with none of the work done by contractors. The earnings stream from the mine is expected to last for 13 years.

A consortium comprising Rand Merchant Bank (RMB), FA, Aurora Exploration & Development and Time Mining & Industrial Services has acquired all the assets of WR Cons (excluding the mineral rights and some land around the shafts) for nearly R32,5m cash.

Equity holdings are roughly: FA 28%; RMB 33%; Aurora 28%; and Time 9%. Despite FA's equity holding it contributed only R5,7m or 17,5% to the initial purchase price, with RMB financing about two-thirds of the price. Some of this is in loans at rates below prime. According to Flack, all future costs will be split in proportion to equity holdings.

Flack believes the potential business in the beneficiation, salvage and clean-up is considerable. At this stage effects on future earnings and cash flow are not easily quantifiable. But Flack estimates that if all goes to plan, earnings will be boosted by 5%-10% for the next three to five years. He says: "Between one quarter and three-quarters of one per cent of the total gold produced at the mine can be redeemed." Total output from



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Fraser Alexander's Flack ... *competitive advantage*

FM 6/11/92 (189E)

the mine was 650 t.

The site also has 2Mt of ferrochrome slag, of which FA believes 5% is recoverable with the technological assistance of its joint venture and consortium partner, Time. Development of the 1 250 ha property site will be done with developers.

FA's acquisition of Waste-tech in 1991 represented a major strategic move into the waste management business. It now manages a range of waste products including industrial, medical, toxic, hazardous and domestic waste.

Synergies of the acquisition of WR Cons and Waste-tech may not be evident at first sight. But FA becomes the largest private-sector handler of mining and nonmining waste products. FA's techniques of waste handling are often highly sophisticated and environmentally ahead of regulations, which Flack believes will be the major competitive advantage.

The divisions continue to face a difficult economic environment. The mining division is suffering from the slump in the ferrochrome industry and mining services have seen diminishing demand for tailings handling. Bulk materials handling remains stable, being an essential service in the power generation and coal mining industry. The concrete division has been affected by continuing township violence though new products have protected it from the worst.

The debt:equity ratio is not expected to increase significantly from its current 52% because of the acquisition of WR Cons. The share price did not react to the WR Cons news leaving it looking fairly valued in terms of the p:e and yield.

Louise Randell

R10m Scharrighuisen deal

(189E)

JONO WATERS

CONTRACT mining and plant hire group Scharrighuisen announced yesterday it had acquired for about R10m a 55% interest in three Transvaal operations undertaken by Norman Mining

BDAY 6/11/92

The was the second acquisition in less than a month. Scharrighuisen disclosed on October 13 that it was taking a 75% stake in train control equipment manufacturers New Joules for R14,8m. Recently the proposal to restructure and list two companies in the mining and industrial sectors was announced.

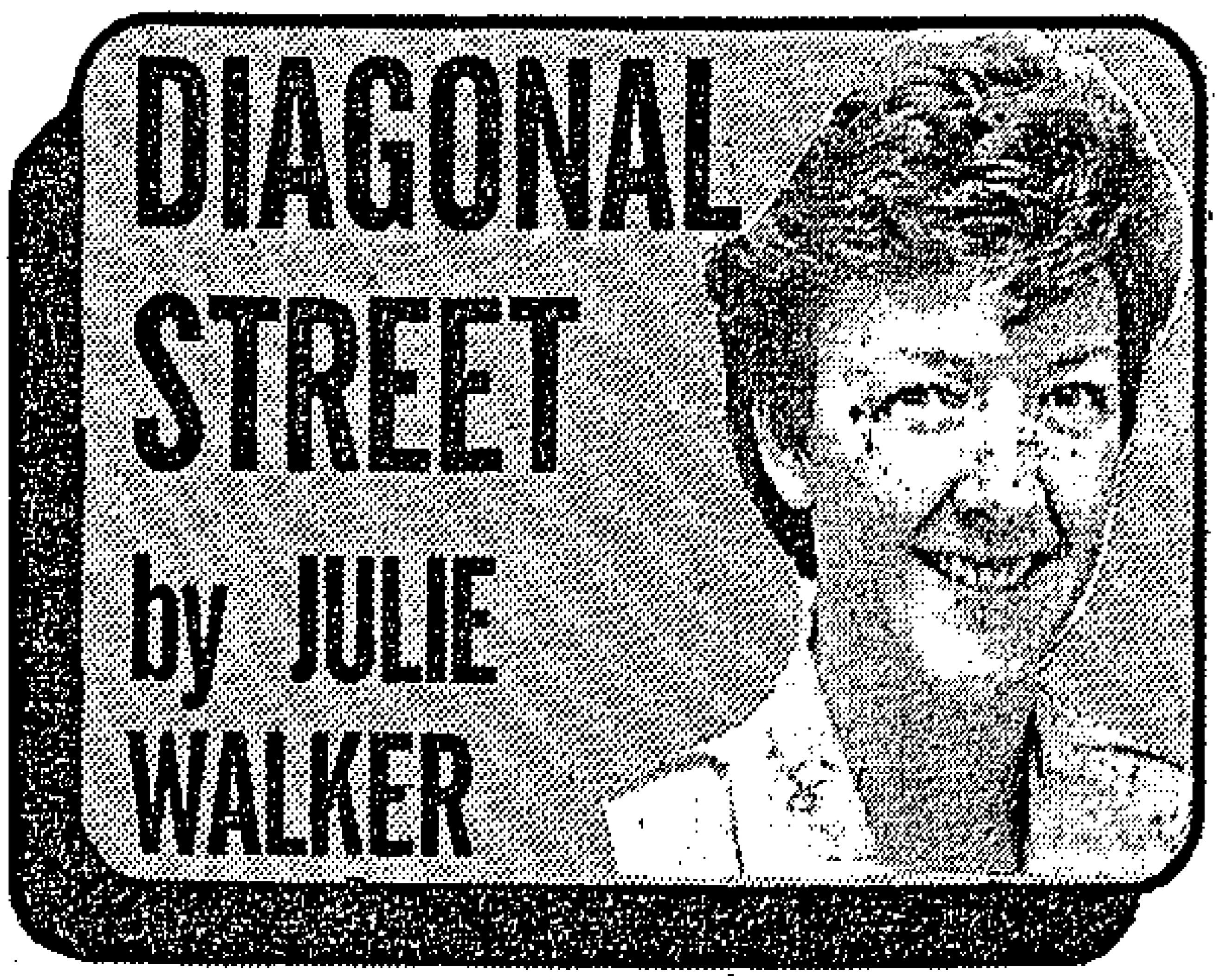
Investment analyst Robin Pegler said the group's mining division now had sufficient subsidiaries and would be listed shortly.

Turnover is expected to rise between 20% and 25% following the acquisition of Norman's Transvaal operations, sales of which are estimated at R24m annually. Norman has contracts for Trans-Natal's Optimum colliery and Randcoal's Middelburg colliery.

Pegler said the write-off of Norman's mining equipment should result in the Norman operations incurring no tax for about three years.

Cardboard coffins and paper houses

S Times (BUSS) 8/11/92.



CORRUGATED cardboard coffins and paper houses are but two innovations from Nampak, the diversified packaging blue chip in the Barlows stable.

Not only does the group lead in SA, it is the 15th largest in the world, according to figures given by Nampak chairman Brian Connellan to a presentation for the Investment Analysts Society in Johannesburg this week.

Mr Connellan and his team described the activities of Nampak and the issues facing it in its drive to maintain world-class status.

"Virtually everything is packaged," says Mr Connellan, adding that packaging is sandwiched between big suppliers and large customers. In SA the business represents an inordinately large slice of gross domestic product — about 2,5% compared with 1,6% to 1,9% for other countries. Worldwide, packaging output is worth $250 billion to $300-billion a year.

Nampak is the most diversified packager, no single division accounting for more than 17% of sales.

Mr Connellan says Nampak will benefit when SA's GDP resumes growth.

In the past five years the group has spent R1,2-billion on expansion and aims to spend another R2-billion in the next five years. By that time, managing director Trevor Evans expects Nampak's turnover to be R10-billion, of which 90% will come from existing businesses, 5% from SA and regional acquisitions and the rest from international trade.

Nampak's capacity to borrow is strong — only 27% geared at the moment. Five years from now, even after another R2-billion of capex, Nampak could take on another R650-million of debt and stay below its self-imposed 50% ceiling.

Turnover in the year to September 1992 was R4,4-billion. Existing business covers the entire packaging spectrum — glass bottles, metal cans, blow-moulding, cardboard boxes, tissues, paper, sacks, plastics and more.

Mr Evans outlines four key issues facing Nampak: beverages, asset performance, productivity and exports.

Metal cans for drinks face a challenge from Rheem's aluminium plant, due to open next year. Mr Evans says Nampak will stick with tinplate because it is cheaper and stronger. Because Iscor has put in a new line to supply tinplate it will remain competitive.

He says the paper and glass divisions are underperformers and efforts are being made to correct their shortcomings. He expects the market share of glass bottles to shrink.

Focus on productivity has been increased. Most plants are running about 20% below capacity because of the economic downturn, but urbanisation is expected to boost organic growth.

On export opportunities, Mr Evans says Nampak is improving the packaging of goods. Technological alliances with foreign packaging leaders are being strengthened.

Since 1987 Nampak's share price has climbed from a pre-crash R30 to R80, a price 1,5 times the industrial index. Highly rated by analysts — the price-earnings ratio is 15 — the group looks to be in experienced hands.

Scharrig deal

S Times (BUSS) 1896

SCHARRIGHUISEN has bought 55% of three Transvaal operations undertaken by Cape-based Norman Mining for not more than R10,5-million. 8/11/92

Norman has earthworks and soil-stripping contracts with Trans-Natal's Optimum Colliery and Rand Coal's Middelburg.

Hope lingers on for gold

S Times (BUSS) 8/11/92

FIVE international investment-house brokers canvassed by the Mining Journal's Gold Mining newsletter believe that the worst is over for gold.

SG Strauss Turnbull is encouraged by gold's hint of displaying safe-haven characteristics amid Europe's currency turmoil.

In dollar terms, gold has been relatively tranquil. Although Turnbull concedes that charts do not provide clear evidence of a reversal in the long-term downtrend, it believes the worst has passed.

Williams de Broe agrees that gold was a safe haven in currency turmoil — the first occasion since the Persian Gulf war. It attaches significance to the gold market's ability to absorb producer selling pressure.

It expects the dollar price to consolidate in the short term at the current level, then to test $360/oz — a figure unlikely to be breached.

Williams de Broe reiterates its view that gold has bottomed because jewellery demand is still strong and European investors are starting to look at it again.

Maison Placements Canada says gold is a commodity and the short-term price swings reflect a sophisticated trading arbitrage market. It says that although a well-defined trading range has been established, gold's uptrend is still intact. Once gold breaches $365, it will rally upwards.

Carr Kitcat & Aitken says that technically, gold's recovery since August has produced an important double bottom, although recovery will be slow.

Credit Lyonnais Laing reminds investors that a year ago the fundamentals looked encouraging and gold rose to $370 by the end of November.

What stopped the price from rising was the belief that governments were still firmly in charge of their destinies and that their aim of curbing inflation by keeping interest rates high was achievable.

However, the last few months have been devastating and Laing says unemployment and the lengthening recession have replaced inflation as the main problem.

When the economic turmoil is over, Laing believes interest rates will generally fall to allow recovery in economic growth and that inflation will be allowed to rise. Gold might then recovery some of its popularity.

FENNER FM 20/11/92

Raise the float (189E)

Since its listing in 1987 Fenner has produced average growth of 10% in EPS and nearly 19% in NAV. Yet its share price is at a 27% discount to NAV and continues to underperform the engineering index.

Though recession, a delay in major capital

FM 20/11/92 (189E)

projects and a four-week national engineering industry strike in August trimmed turnover, 1992 EPS rose by the average 10%, thanks to efficient asset management and a switch from net debt to net cash, which cut interest charges by 44%.

Earnings strength also reflects the spread of businesses, which shields the group from exposure to any one industry. "The essential nature of some of our products helps earnings growth," says MD Joe Biehler.

CONTINUED STRENGTH

Year to Aug 31	1991	1992
Turnover (Rm)	245,8	232,9
Operating income (Rm)	27,8	28,7
Earnings (Rm)	10,0	11,0
Earnings (c)	66,4	73,1
Dividends (c)	22,0	23,0

A sectoral breakdown of turnover and earnings is not given but Biehler claims that divisions are generally market leaders.

The completion of big projects like Mossgas and the soda ash venture in Botswana stalled turnover, as did the slump in agriculture and gold mining, which form a significant part of the clientele. A 5% drop in turnover was the first since the listing.

Order books look steady. Petrochemicals and chemicals are doing the best, with orders slightly up on last year. Agriculture is expected to improve and good rains should give a boost to orders. The Alusaf smelter project should generate orders within 18 months to two years. The repair market is benefiting from recession and is a significant contributor to turnover in some divisions.

Biehler hopes 1993 will be at least as good a year as 1992, despite the lack of economic momentum.

The share price is constrained by the free float being only about 10% and has lost a fifth of its value since May, reflecting a flight of confidence from the market. Half the shares are held by Fenner Plc, the UK parent, and the rest by institutions. Biehler hopes for a broader ownership within the year. This could justify an upward rerating of the share. *Louise Randell*

Incentives wanted for offshore deals

EDWARD WEST (189E)

ENGINEERING consultants wanted government to grant incentives of up to 20% of costs incurred in obtaining cross-border contracts, said SA Consulting Engineers' Association president Peter Thompson.

The incentives should take the form of a loose extension of the General Export Incentive Scheme.

Thompson said representations had received some sympathy from government, but negotiations were still under way.

Consultants from countries such as Germany, France, Italy and the Scandinavian countries received incentives of between 20% and 50%, in the form of tax relief or direct subsidisation, of the cost of obtaining offshore contracts. This disadvantaged SA engineers when tendering for offshore contracts. B/DAY 20/11/92.

The incentives were granted to engineering consultants by overseas countries because offshore projects represented "invisible exports".

Successful offshore activities by consulting engineers were frequently the precursor to the award of construction contracts.

Standard Engineering expects a better year

189E

BDay 23/11/92

EDWARD WEST

STANDARD Engineering was budgeting for improved earnings in the financial year to end-August 1993, chairman Hugh Brown said in its latest annual review.

Overstocking of heavy vehicle components had been overcome and in spite of relatively low sales forecasts for heavy commercial vehicles in 1993, the turnover of axle and transmission subsidiary company Astas was budgeted to increase by 50% this year.

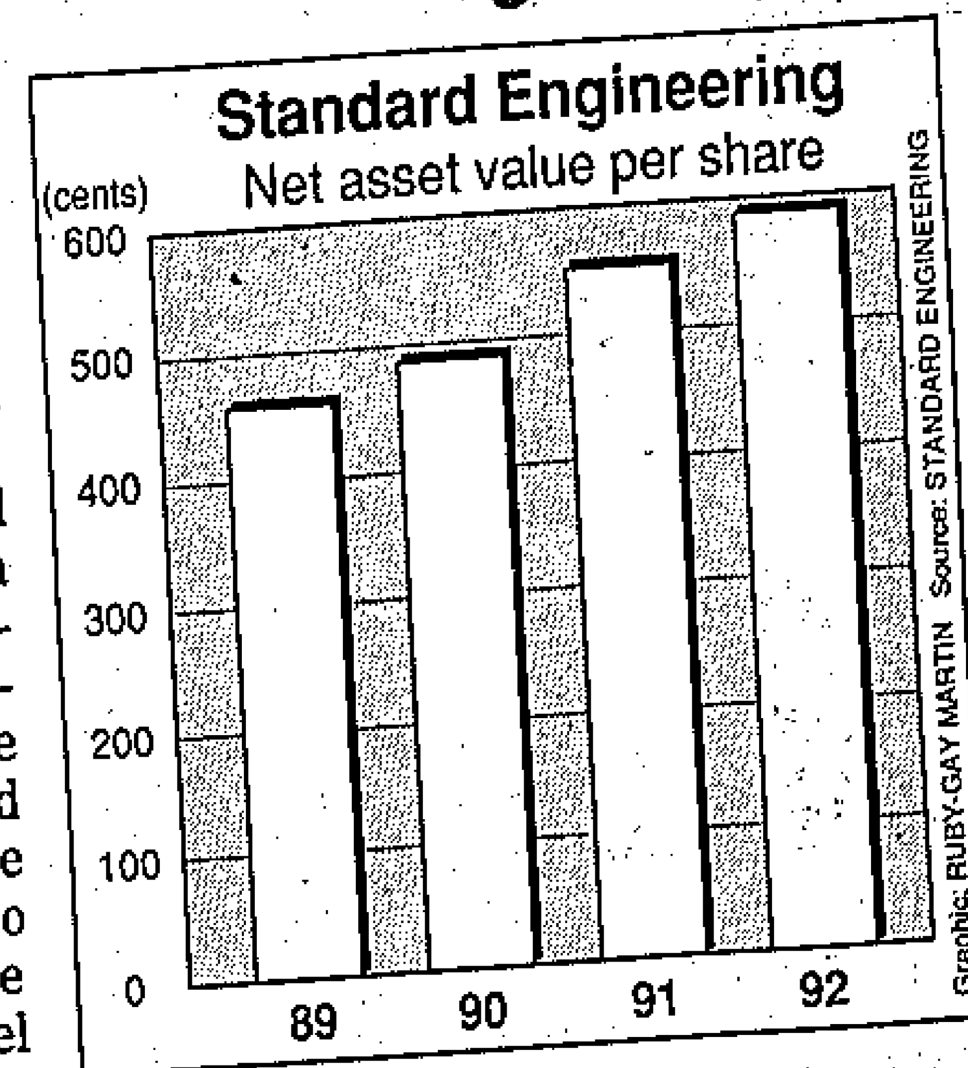
The pipe division won contracts for 8 000 tons of spiral pipes scheduled for delivery in the first half of the financial year, which compared favourably with 8 691 tons in 1992.

The Rand Water Board was planning a new pipeline from the Vaal River to Johannesburg which would need large volumes of piping in the next two years. Subsidiary Hall Longmore was well positioned for some of this work.

Union Carriage continued to negotiate and tender for rolling stock orders, though none had yet resulted in contracts. None of the major tenders submitted in the past 12 months had been lost and a breakthrough into Europe was expected.

Brown said export markets were very competitive as a result of the decline in the world economy and low steel prices. In the past year exports amounted to 13,1% of total turnover of R688,3m in spite of the absence of major rolling stock orders.

Work had started on a R14m investment programme which would enable the division to manufacture stainless steel locomotive and passenger coach shells.



All the business units in Standard's automotive division expected to increase exports to the US and Europe this year.

In addition, new licences for a number of new products were being negotiated.

The fluid handling and measurement division was unlikely to experience an improvement locally this year, and efforts were being directed at developing of export markets.

The metal pressing division was finding ready acceptance abroad and export volumes were expected to increase. No growth was expected locally.

The pipe division was awarded the American Petroleum Pipe Institute licence to manufacture line pipe, which had opened up new markets for high-specification gas and petroleum pipelines in southern Africa and overseas.

About R4,5m was being invested in mechanical handling facilities in Wadeville to increase export capacity. Mine closures adversely affected the steel drills business.

Several water pipeline contracts in southern Africa would commence next year, and in spite of low export prices and overcapacity, the division expected better results.

B/DAY 24/11/87

NEWS IN BRIEF

(1896)

Workers stage protest

SEVERAL hundred workers marched on the August Laepple, Apache Engineering and Wubbling plants in Rosslyn, near Pretoria, yesterday in support of Cosatu's demand for the reinstatement of 300 workers dismissed during the August general strike and the national metal workers' strike.

Dorbyl's losses erode earnings

(189E)

B/DAY 24/11/92

EDWARD WEST

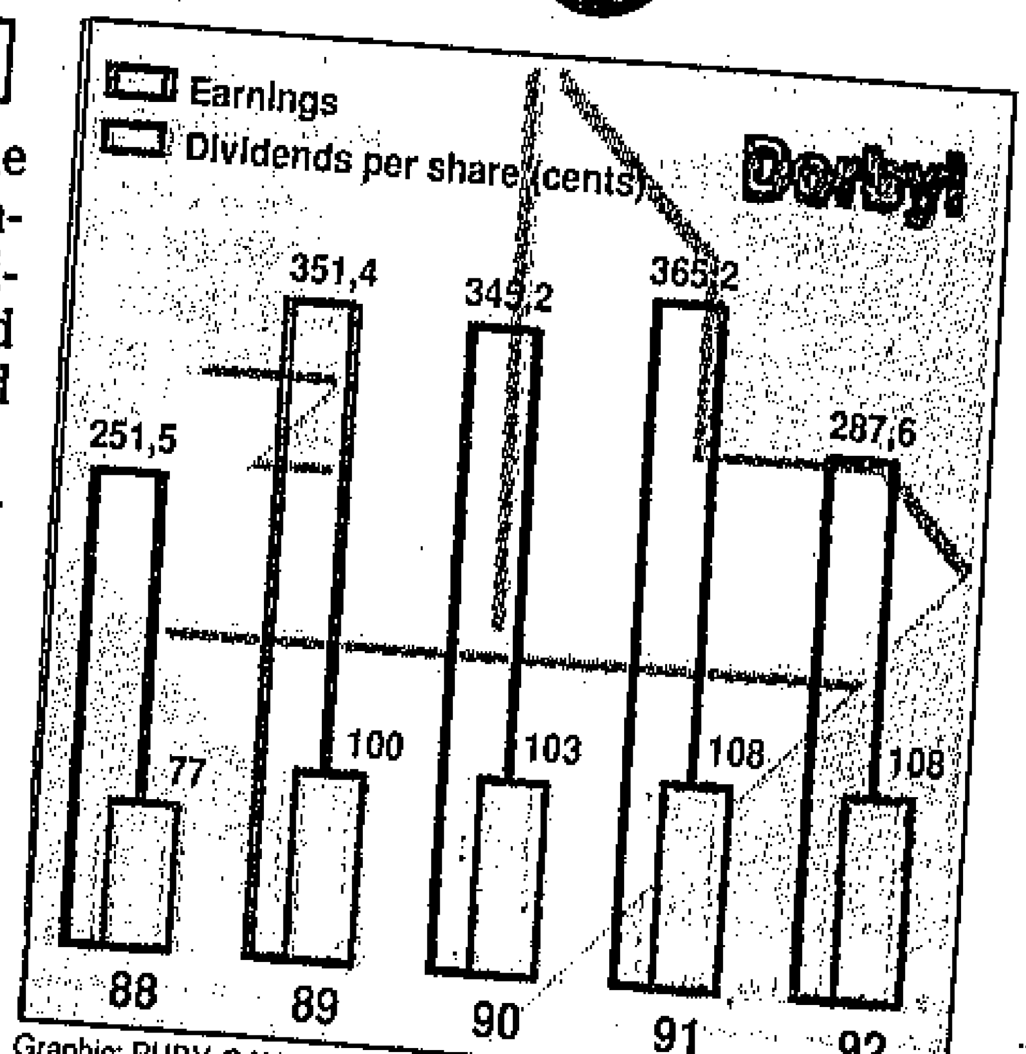
DORBYL's earnings dropped 21% in the year to end-September 1992 after improved profit in the manufacturing division and better export sales were negated by R30m losses in the contracting and trading divisions.

However, CE Dawid Mostert said conservative dividend cover policies enabled the group to keep the final dividend at 80c and maintain the total dividend for the year at 108c, covered 2,8 times.

With car sales and gross domestic fixed investment down by more than 10% each in real terms, turnover was 3% higher at R2,98bn (1991: R2,9bn). Export sales worth R410m were 14% of turnover and included tube, ships and motor components.

Margins were under pressure and operating profit fell 19% to R141,1m (R173,2m). The tax charge fell 46% to R11,8m (R21,9m) due mainly to R60m export incentives received.

Interest paid was R37,2m (R33,1m)



Graphic: RUBY-GAY MARTIN Source: DORBYL

because of increased borrowings of R229,7m (R166,8m), and gearing was higher at 27% (20%). Borrowings increased to fund capital expenditure of R152,2m (R118m), 70% of which was spent on modernisation and improved productivity at

□ To Page 2

Dorbyl

B/DAY 24/11/92

(189E)

□ From Page 1

Tosa and Dorbyl automotive products.

Attributable profit was down 21% to R92,3m (R116,5m) and earnings were 287,6c (365,2c) a share. An extraordinary item of R10,8m related to the R7,9m devaluation of properties and restructuring costs. Further restructuring costs were likely to be incurred next year, he said.

The contracting division's turnover was up 17%. Profit at Dorbyl Marine was offset by R13m losses in Dorbyl Heavy Engineering and Dorbyl Structural Engineering.

Manufacturing — Dorbyl Automotive, Tosa and Dorbyl Transport Products — reported a 4% drop in sales and a 10% increase in operating profit. The division contributed 33% of group turnover and 58% of operating income.

Trading — Baldwins Steel, Dorbyl Light & General Engineering and Stewarts & Lloyds — reported a 1,7% drop in sales and a 38% drop in operating income, contributing 36% to group sales and 30% of operating income.

Stewarts & Lloyds reported a non-recurring loss of R17m. The four-week metal industry strike and the strike at Toyota SA cost the group more than R15m, while group retrenchment costs amounted to more than R10m, said Mostert.

The contracting division would be cut back severely — to reduce group dependence on gross domestic fixed investment levels currently amounting to a third of sales — but fabrication and machining skills would be maintained.

Dorbyl would leave the jobbing foundry business while maintaining specialised foundries for rolls and automotive components. Property would be sold to increase returns and in 1992 property worth R19m was offloaded, he said.

Tosa's new seamless tube mill — a joint venture with Iscor — would be commissioned in January and was expected to become a major exporter.

The group continued to seek ways with the Reserve Bank to finance a recent export order to build two ships worth about R200m. An announcement would be made before the end of the year, said Mostert.

The stemming of losses and the benefits of modernisation would enable earnings to be maintained next year even though activity levels were likely to be lower.

FM 27/11/92

189E

STANDARD ENGINEERING

Holding up well

FM 27/11/92

Activities: *Manufactures truck components, fluid handling systems, metal pressings, steel pipes and railway rolling stock.*

189E

Control: *Malbak and M&R 38% each.*

Chairman: *H F Brown; MD: R T Davidson.*

Capital structure: *35,4m ords. Market capitalisation: R257m.*

Share market: *Price: 725c. Yields: 5,8% on dividend; 16,8% on earnings; p:e ratio, 6,0; cover, 2,9. 12-month high, 975c; low, 700c. Trading volume last quarter, 413 317 shares.*

Year to Aug 31	'88	'89	'90	'91
ST debt (Rm)	35,0	57,1	77,0	60,9
LT debt (Rm)	4,7	9,1	5,8	0,9
Debt:equity ratio	0,26	0,30	0,35	0,24
Shareholders' interest	0,53	0,48	0,50	0,55
Int & leasing cover	8,6	5,6	4,7	5,5
Return on cap (%)	15,2	17,5	15,5	15,0
Turnover (Rm)	409	691	639	688
Pre-int profit (Rm)	40,6	74,8	70,4	67,5
Pre-int margin (%)	9,9	10,8	11,0	9,8
Earnings (c)	92,1	95,2	120,9	121,5
Dividends (c)	29	32	40	42
Net worth (c)	458	488	553	589

With demand still flat in most of the sectors it serves, Standard Engineering did well to meet its forecast of maintaining earnings at 1991's higher level.

In 1991, there was a major tax benefit from substantially increased exports, mainly relating to the delivery of train sets from Union Carriage to Taiwan and other foreign markets. This had the effect of reducing the tax rate that year from 34,7% in 1990 to 20,4%, providing the impetus for a 27% EPS increase — by far the best performance since the reconstruction of the group as a vehicle for Malbak's engineering and related inter-

ests.

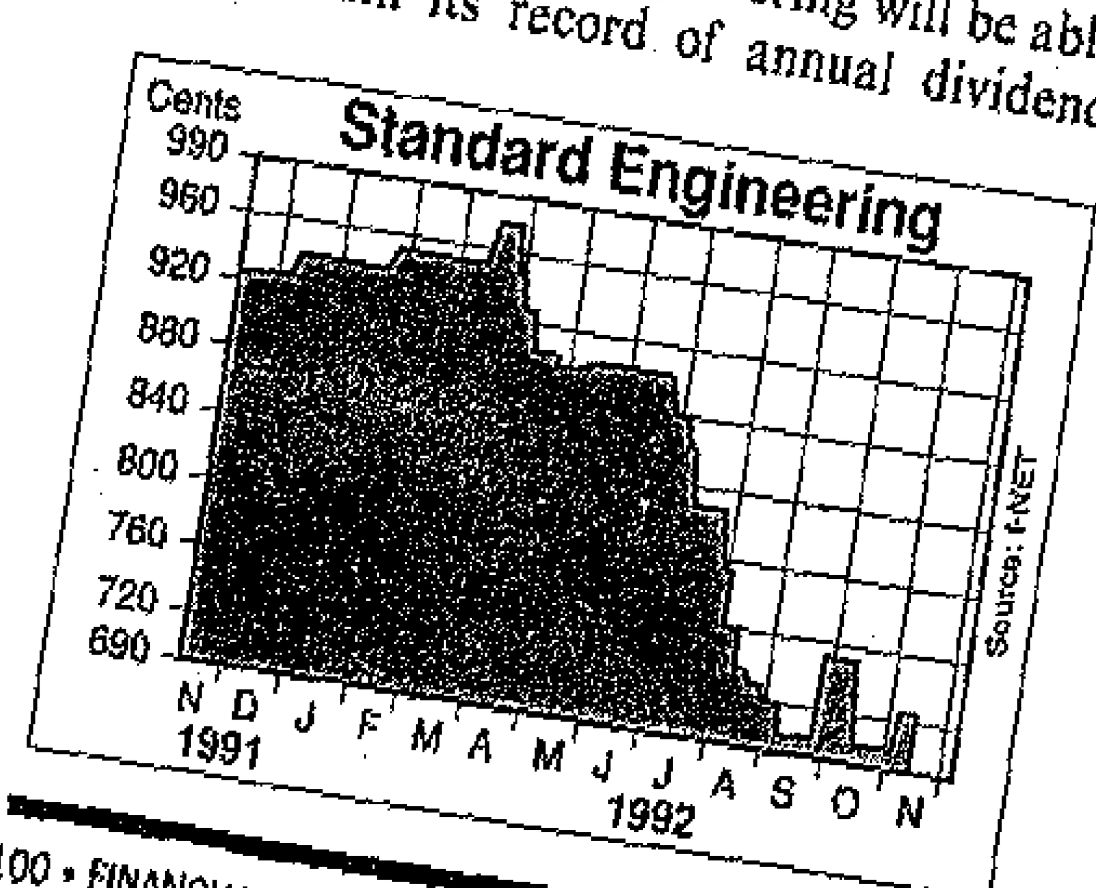
While overall group export activity was maintained at a high level during the 1992 year (52% of Union Carriage's turnover was from foreign contracts against 66% in 1991), reduced allowances contributed to a three percentage point increase in the effective tax rate. It is apparent that the main reason for the 4% gain in attributable earnings was the first-time inclusion of Autoflug, in which 74% was acquired at the start of the year. At the per share level, this gain was largely offset by the 1,2m additional shares issued in payment for the acquisition, leaving EPS static at 121,5c.

The exceptional situation at Union Carriage in 1991 also created distortions in other areas. As regards turnover, for example, the 38% decline in sales by the rolling stock division as it reverted to more normal conditions pegged group sales total to an increase of under 8% — disguising the substantial improvement recorded by the automotive division (as a result of the inclusion of Autoflug) and the more pleasing, largely organic-based gain in the fluid handling division where sales benefited from the drought and consequent higher demand for borehole pumps.

Similarly, the R3m decline in operating income hides the fact that three of the five divisions — the exceptions being rolling stock and pipes — recorded improvements. Even in the case of pipes, the fact that a substantially higher proportion of sales was directed at export markets meant the net contribution of this division to attributable earnings, after taking into account export allowances, showed a satisfactory improvement, according to new CE Terry Davidson.

Another positive aspect is the 25% reduction in net borrowings from R80,7m to R60,2m. Reduced interest charges, down from R18,1m to R15,5m, helped stabilise the income statement and further benefits from this source should flow through during the 1993 year. A related point, especially at the present stage of the economic cycle, is that Standard Engineering is one of an ever-smaller number of companies still showing an adequate interest/leasing cover ratio. At 5,5 times, this ratio — with a debt:equity ratio of only 0,24 — indicates there is still capacity to take advantage of whatever expansion opportunities may become available.

With chairman Hugh Brown forecasting an earnings improvement for this year, it looks as if Standard Engineering will be able to maintain its record of annual dividend



increases. In the circumstances taking into account the sell-off in trial market in recent months, the cline in the price from 950c, when reviewed the 1991 annual report, now seems excessive.

DIVISIONAL MIX

Operating profit

	1991		[illegible]	
	Rm	%	Rm	[illegible]
Automotive	18,0	24	18,4	[illegible]
Pipe	23,7	32	16,5	[illegible]
Metal Pressings	10,1	14	14,1	[illegible]
Fluid Handling	7,4	10	11,7	[illegible]
Rolling Stock	14,4	20	10,1	[illegible]
Total	73,6	100	70,8	100

Yields are high relative to the engineering sector and it is not clear what is worrying investors — unless they are concerned about the Malbak/M&R joint control situation. But while it's true that joint control seldom works in the long term, in this instance there is no evidence to suggest Standard Engineering is suffering, except perhaps to the extent that opportunities to further rationalise operations with M&R's own engineering interests are being wasted.

Brian Thompson

Dorbyl to restructure a division

B/DAY 27/11/92

Business Day Reporter

DORBYL's heavy engineering division will be restructured, in view of low activity in fixed investment projects, the downturn in mining and curtailment of power station projects, Dorbyl Heavy Engineering chairman Louis Taljaard says.

Dorbyl will exit the jobbing foundry business after completion of all its commitments. The run down will take about a year because of the long-term nature of its commitments, he says.

Fabrication activities will be concentrated at Dorbyl's Vereeniging works.

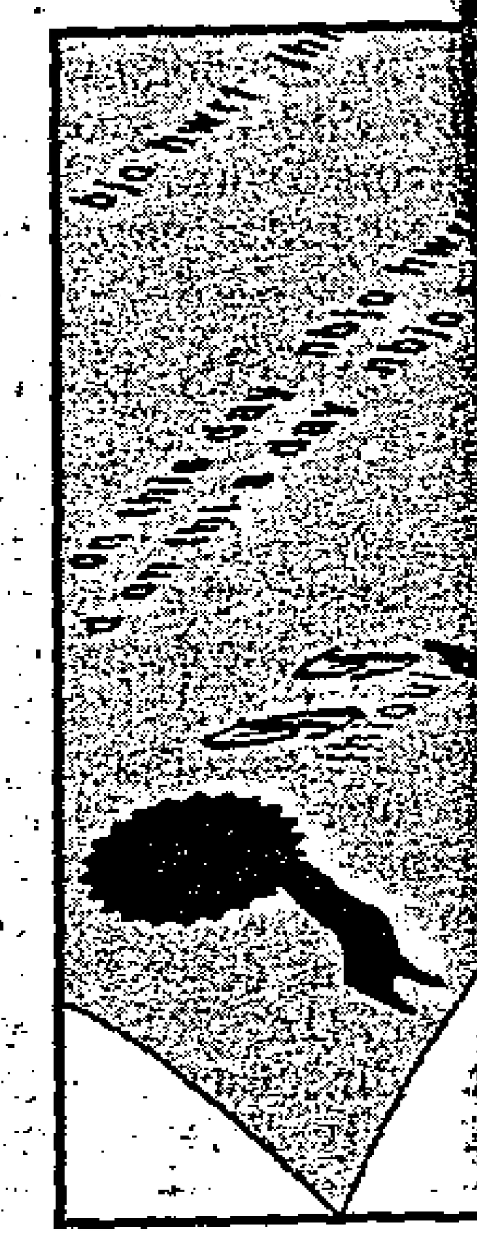
Specialised operations such as the rollworks (Vanderbijlpark), ringrollers (Springs), and Venco (Newcastle) will continue to operate on their existing sites. 189E

The heavy engineering products division, in which the design and engineering expertise on mine winders and mills is vested, will continue as an autonomous division and will continue its service to the mining industry.

Other than the supply of jobbing castings from its own foundry, Dorbyl's restructured heavy engineering operations will continue to render the same service.

Interest rates

"The Directors



FM 27/11/92 (189E)

DORBYL FM 27/11/92

Taking it on the chin

Tuesday's *Business Day* front-page headline "Public fixed investment set to plunge" must have depressed management at engineering group Dorbyl. The article states spending by public corporations — including utilities such as Eskom — is set to fall to R5,1bn this year from 1991's R6,87bn.

Since 1985, activity at Dorbyl has correlated closely with gross domestic fixed investment and motor vehicle sales; the latter are predicted to plummet by roughly 30 000 units to 178 000 this year. Difficult trading conditions were worsened by labour problems.

(189E)

Nonrecurring losses of R60m were wiped off Dorbyl's trading profit following losses at some operations and labour-related disturbances. In the contracting division, losses of R13m were recorded at the Dorbyl Heavy Engineering and Dorbyl Structural Engineering businesses, while Stewarts & Lloyds lost R17m for the trading division.

Heavy Engineering's losses were incurred through loss-making long-term contracts, as well as lower demand in the mining industry. Structural Engineering's losses resulted from loss-making contracts, while Stewarts & Lloyds' losses are mainly explained by its disastrous entry into the fabrication (welding) field.

The remaining R30m in losses were divided between the Seifsa strike (R15m), R10m in retrenchment costs and R5m resulting from the Toyota strike. As only R10m of these were taken below the line, next year's trading profit should have a buffer of about R50m on a comparable basis.

Full-year group EPS dropped 21% to 287,6c (1991:365,2c), though an unchanged dividend of 108c was declared owing to the healthy balance sheet. Results worsened in the second-half, as EPS were down 16,9% at the halfway stage.

The contributions to trading profit from both the contracting and trading divisions fell sharply, while that from manufacturing increased. Contracting reported trading profits of R13,3m (1991: R37,3m); trading R42,3m (R68,4m); and manufacturing R82,4m (R75,2m).

Capital spending remains high, having jumped to R152,2m from R118,1m, despite the adverse trading conditions. Dorbyl Automotive Products accounted for R71,4m of this and Tosa around R36m. Tosa's new seamless tube mill, a joint venture with Iscor, is the biggest investment.

Major projects announced recently such as Alusaf, Columbus and Namakwa Sands provide some hope for medium-term prospects. CE Dawid Mostert says the stemming of losses and increased productivity should enable Dorbyl to maintain earnings in 1993, even though activity is predicted to decline.

The 4,2 p:e compares unfavourably with the Engineering index's p:e of 10,5, indicating the market's bearish outlook for the share.

William Gilfillan

Alprom wins Alusaf smelter contract

BIDay 27/11/92 (189A)

EDWARD WEST

ALUSAF's first local contract for R300m has been awarded to Alprom, a SA-based joint venture between M & R subsidiary Engineering Management Services and Montreal-based SNC-Lavalin. (189E)

The contract, signed last Friday, was awarded to Alprom for engineering and project management services for the entire R7,2bn smelter project, M & R said yesterday.

Alprom's project manager will be Pierre Lamontagne of SNC-Lavali. He is currently completing work on an aluminium smelter in Australia.

EMS's Basil Bagg, who played a leading role in projects such as Mossgas and Pelindaba's urananium enrichment plant, has been appointed deputy project manager.

Baggs said the 466 000 ton smelter was the largest built at one time.

SA office opened

(189E)

S/Times (Buss)

BROWN & Root, the international engineering, construction and plant maintenance company, is opening an office in Johannesburg. 29/11/92.

Brown & Root employs 45 000 people worldwide and was a technology partner in one of the Mossgas consortiums which designed the offshore platform.

Brown & Root is acting as a consultant to the IDC's Phlogopite mineral separation project at Phalaborwa.

Dorbyl to tap aid funds

S Times (Buss) 29/11/92

By CHERILYN IRETON

DORBYL is to export its project management expertise to Africa in a bid to tap international development funds.

Turnkey projects are the target, says executive director Louis Taljaard.

"Institutions like the World Bank and African Development Bank are looking for experienced companies to manage projects in Africa. This opens up vast opportunities for us."

Mr Taljaard says Dorbyl is looking beyond the borders because contracting opportunities in South Africa have dried up with the slowdown in gross domestic fixed investment — particularly from the mining and power-generation sectors.

A third of Dorbyl's sales in the year to September were directly linked to gross domestic fixed-investment spending, results released this week show. (189E)

Little

But contracting activities provided less than 10% of the group's operating profit of R141,1-million. Their reduced contribution was one of the main reasons why the group's taxed profit shrank by 21% to R92,3-million for the year.

Alusaf and the Columbus stainless-steel project — if it comes on stream — will provide work for companies like Dorbyl, but chief executive Dawid Mostert warns that engineering works will receive little business until 1994.

But when the work begins, its contribution to industry will be considerable.

"Alusaf is twice the size of Mossgas in terms of the work content that can be done by South African companies," says Mr Taljaard.

Mr Mostert believes that the tough times that have characterised the engineering industry for the past few years have become the norm.

"The group has to be right sized for today's market and that means reducing our dependence on fixed-investment spending."

Trading

Opportunities in Africa include work at the Cabinda oilfields, where Dorbyl has linked up with a foreign consortium.

Mr Mostert says Dorbyl has not given up the idea of unbundling.

"The logic of unbundling our business is sound. But it is a matter of timing. The ideal time would be when the market would react favourably to such a decision and when all three of our operating engines were going fairly strongly."

Varying

Dorbyl recently restructured into three operating divisions: contracting, manufacturing and trading. Each achieved sales of roughly R1-billion in the year, but made varying contributions to operating profit.

The manufacturing division, which is heavily involved in the transport and tube industries, accounted for more than half of the operating income. Trading activities chipped in a third.

Full-tilt Tongaat could earn extra R70m a year

Sugar

S Times (Buss) 29/11/92.

By JULIE WALKER

TONGAAT managing director of 16 months Cedric Savage has outlined two ways in which the diversified sugar company should be able to deliver real growth for shareholders.

At a presentation to the Investment Analysts Society in Johannesburg this week, Mr Savage said that if all six manufacturing divisions were to operate at capacity, it could mean an extra R70-million for the bottom line.

For a group that made R65-million in the six months to September that would be a meaningful increase.

Largely because of the drought, Tongaat Sugar had 48% spare capacity this year. At full tilt, it could add R30-million. Building materials operations were working at half capacity and food and textiles were a third below what they could handle, he said.

Cities

There were smaller amounts of slack in aluminium and in starches and sweeteners.

The other major play Tongaat could make would be to unlock asset values.

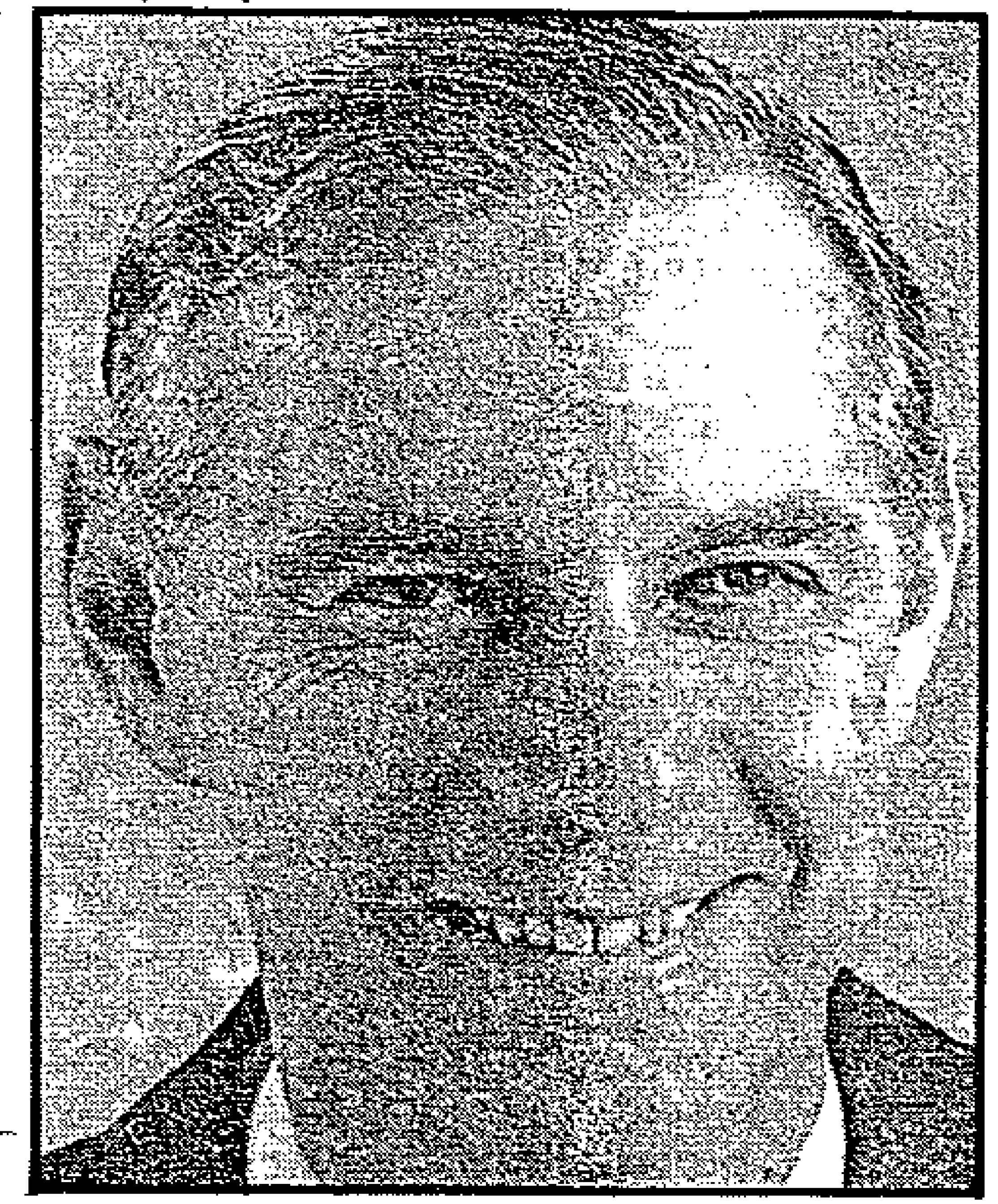
Mr Savage gave examples, such as the sale to employees of company-owned houses.

"When sugar mills were first established, they were a bit like mines in remote areas and they had to have a total infrastructure to attract people to work there.

"With the spread of urbanisation, many of the houses are next to cities. We have 5 000 company-owned houses and are onselling the non-strategic ones to employees.

"With other surplus land and building sales this year we will have realised more than R25-million."

The turning around of non-performing businesses, and tighter management of working capital enabled Tongaat to lower borrowings by R136-million to R551-million.



CEDRIC SAVAGE: Houses for sale to employees

At the 1992 interim, Tongaat improved its earnings on a 4% fall in turnover to R1,9-billion by being more productive and because of a 27% lower interest bill of R38,9-million.

Sugar chipped in 35% of the R142-million profit, aluminium 24%, starches 17% and food 15%. Textiles and building materials, adversely affected by recession, made relatively small contributions.

In normal years, Tongaat's earnings are greater in the second half than in the first. But Mr Savage believed that drought, violence and recession would prevent a second-half fillip in the current year.

The group would expand its core businesses of aluminium, sugar and in starches and sweeteners.

"We do not need sugar farms, but cane for our mills. Many canegrowers can do the job better than we can," said Mr Savage.

"We have concentrated on running the mills efficiently and on keeping the unit costs down. We don't have many other options when the revenues are not there."

Expansion was taking place at Hulett Aluminium in Maritzburg. Mr Savage said the advent of Alusaf would be good for Tongaat's aluminium business because it would mean a continuous source of aluminium ingots at competitive prices.

Ingots are the raw material for Hulett Aluminium's value-adding rolling and extrusion processes. It makes rolled products, such as foil, sheet and the ends of drinks cans and electric transmission lines.

As did all textile manufacturers, Tongaat's suffered from the Government's changing the provision of export incentives and import protection. Loser Hebox denim was sold and the future profitability remained uncertain, he said.

Starches and sweetener products are used in beer and soft-drinks production, coffee and creamer products and paper manufacture among others.

Foods had a good year from maize meal and an improved performance from mushrooms. Tongaat also supplies eggs, cooking oil, animal feeds and cotton.

Tongaat is the leading supplier of clay and concrete bricks and blocks through Corobrik. It has been badly hit by a lack of building activity and the number of employees has been reduced by 14 000 to 5 000 in six years.

Singapore

Mr Savage said he was often asked whether bricks had a future in the new South Africa. In reply, he showed pictures of attractive low-cost brick terrace-houses in SA. He said they had a ready market.

He also showed applications of low-cost housing using Corobrik products in Singapore.

Tongaat's seventh division, property, is a significant contributor to cash flow. Its focus is administration of the group's significant land assets.

Mr Savage said attention had been paid to underperformers. In this weak economy, he was reluctant to make major changes through purchases of companies at unrealistic premiums or through sales at discounts.

He said changes had been made in 25 senior positions and some young blood brought in to help Tongaat achieve its objectives after years of indifferent performance.

The share has been a relative underperformer in recent years and if Mr Savage and his team can unlock the potential, it could be a good recovery stock at R15,75 — 7,5 times earnings.

SA's on the road to India

S Times (Buss) 29/11/92

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SA office opened

189E

S Times (Buss)

BROWN & Root, the international engineering, construction and plant maintenance company, is opening an office in Johannesburg. 29/11/92.

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Dorbyl set to restructure

BI DM 1896

1/12/92

EDWARD WEST

DORBYL is to restructure its heavy engineering division in view of the decline in fixed investment projects, falling mining sector activity and the curtailment of power station projects, executive director Louis Taljaard has said.

The foundry jobbing business would be stopped after completion of all its commitments. The long-term nature of these commitments would ensure the rundown process would take about 12 months.

The foundry jobbing business comprised about 50% of the Vanderbijlpark heavy engineering works operations and 10% of the heavy engineering contracting business operations, Taljaard said.

Machining and fabrication activities would be retained, but mothballed, and the activities being performed in various works in the Vaal Triangle would be concentrated in the Vereeniging works.

MD Dawid Mostert said last week Dorbyl's total employment level would drop to about 14 800 from an average of 16 000 in 1992 and from 25 000 in 1985.

COMPANIES

Batepro gears up to be major world minerals player

B/DAY 2/12/92 (89E)

ROBERT WICKS

EDWARD L Bateman subsidiary, Bateman Project Holdings (Batepro), is again expanding its international operations through a joint mineral processing venture with the Australian engineering group Kinhill.

The Bateman-Kinhill agreement will serve mining and mineral processing industries in Australia and South-East Asia.

Kinhill offices in major centres will provide engineering services, minerals processing technology, procurement, construction and project management for minerals processing plants.

Batepro executive director Roger Falls, said: "We are tremendously excited about this new partnership venture.

"The combination of Batepro's mineral processing project capabilities with Kinhill's Australian-based offices, experienced engineers and project managers, supported by Kinhill's local project systems expertise, will provide the region with a much needed project execution capability," Falls said.

Kinhill is one of the largest project management and planning services groups in Australia.

Batepro engineering staff will soon relocate to Australia where Bateman-Kinhill is actively bidding on a number of major projects.

Kinhill executive chairman Malcolm Kinnaird believed the agreement had all the ingredients for a "one-stop mineral process engineering capability for which there is a real demand in the Australian market".

"We believe Bateman-Kinhill has the potential to become a major player in minerals resources exploitation worldwide," he said.

Batepro has interests in engineering, contracting and projects management.

The firm is also regarded as a leader in diamond, precious metals, coal and sugar handling technology, operating in Africa, Australia, Canada, Colombia, Europe, Israel, the UK and US.

Batepro is well set to meet future demands. Subsidiary Bateman Engineering (BEL) is South Africa's largest engineering and project management company, specialising in major industrial, petrochemical and mining projects throughout the world.

It was the first company awarded the internationally recognised TUV Cert ISO 9001 certification for its quality management system.

Bateman subsidiary Bateman Industrial Holdings (BIH) supplies equipment to the mining, process industries and construction sectors.

US engineering conglomerate back in SA

EDWARD WEST

THE US-based international engineering and construction conglomerate Brown & Root (B & R) had officially returned to SA and opened offices in Johannesburg, MD for the SA operation, Mike Elsip, said yesterday.

Elsip said B & R never entirely departed from SA when, because of sanctions, it announced the intention to do so in the mid-'80s. After being appointed to design the offshore platform and submarine pipelines for Mossgas, a number of smaller projects had been undertaken in SA since then.

(189E) (92)

However, said Elsip, B & R now felt the time right to officially return to SA, so that it could provide a point of entry for the group into other southern African countries, markets traditionally served from the US.

B & R also wanted to take advantage of SA as a supplier of materials and goods, and intended to supply these to other overseas operations, he said. BDAY 2/12/92

At present B & R's SA activities would be limited to project management and engineering design, as, said Elsip, "there was little point" in competing for construction contracts against the likes of M & R, LTA and Group Five in the current economic enviroment.

Fenner well placed for economic upturn

B/DAY 3/12/92. (189E)

EDWARD WEST

ENGINEERING group Fenner was well positioned to take advantage of an upturn in the economy in spite of the serious implications of low levels of national capital expenditure, chairman Robert Arthur said.

In the 1992 annual report released yesterday, MD John Biehler said although trading conditions were the worst in many years, the group had managed to maintain its leadership in the SA power transmission market and neighbouring states.

The group was installing a computer network system linking its Isando head-office with regional offices and 33 branches to improve computerised sales, invoicing and stock transaction activities and stock turn-around times.

The introduction of new and extended product ranges also had a marked improvement on turnover and service levels. The introduction of the Short Reach range of wedge belt pulleys put Fenner ahead of its rivals in SA.

The bearing division experienced good growth over the past year and exceeded budgets. A major achievement was a supply and distribution agreement with SKF.

The electronics division had recently launched a new range of Current Limit soft starter which created much market interest.

Another development was the establishment of a conveyer-belting division to supply the food, timber, fishing, mining and general engineering industries.

Extra weaving looms and ancillary equipment were installed in the Fenoplast division, enhancing the quality of flame resistant conveyer belting for the coal mining industry.

KSA Pump exports to neighbouring countries remained satisfactory , with strong potential for future growth, Biehler said.

In the year to end-August 1992, Fenner's earnings improved 10% to 73,1c a share from 66,4c a share in 1991.

Curbs put Chubb on safe ground

BDAY 4/12/92 189E

MARCIA KLEIN

IMPROVED cost control and productivity enabled Chubb Holdings to report a 72,7% rise in earnings to 53,4c (30,9c) a share in the six months to October 9.

The half-year report reflects a turnaround since the March year-end, when the security group's earnings dropped by 9,4%.

The results were achieved despite a marginal 2,8% rise in turnover to R91,9m from R89,5m.

But trading profit rose by 55,2% to R6,6m (R4,3m) on the back of "attention to margins, strict overhead cost control and improved productivity". Trading margins rose to 7,2% from 4,8%.

Gearing dropped to 28,7% from 53,2% and, together with declining interest rates, resulted in a 45,5% reduction in the interest bill to R1,2m (R2,2m) and a 164,6% rise in pre-tax income.

Chubb's improved profitability and a reduction in the value of assessed losses and allowances resulted in the tax charge rising more than sixfold to R2,5m, bringing net attributable income up by 72,7% to nearly R3m from R1,7m in the previous year.

The interim dividend of 14c a share, covered 3,8 times, was 55% higher than the previous year's 9c.

Sector: See McGregor

Cemenco moves back into the black

BIDAY 4/12/92

(189E) JONO WATERS

ENGINEERING group Cementation Company Africa (Cemenco) is back in the black despite an 18,5% fall in turnover for the year ended September 30 1992.

The group earned 4,4c a share (78c loss a share in the previous period).

Turnover fell to R265m (R325m) and the group produced a profit before interest and tax of R5,13m compared with a loss of R4,74m in the previous financial year.

The lower interest bill of R3,43m (R9,04m) stemmed from interest bearing debt dropping to R19,2m from R35,5m.

Pre-tax profit of R1,69m (R13,8m loss) was trimmed to an after-tax profit of R206 000 (R6,97m loss).

After paying R18 000 in preference dividends, profit before extraordinary items was R397 000 (R6,99m loss).

Extraordinary items of R81 000 (R3,52m) were deducted to produce a net profit of R316 000 (R10,5m loss).

Financial director Anthony Watson said the company realised the past financial year was going to be tough, so the group had concentrated on asset management. He expected no economic upturn in the coming year and saw the group "just hanging in again".

Hall Longmore reaches target

(1896)

ROBERT WICKS

STANDARD Engineering subsidiary Hall Longmore, manufacturer of steel pipes and fittings, reached its export target of R40m during the past financial year, MD Martin Done said yesterday.

Exports of 30 000 tons of steel pipes for 1992 represented a 128% increase over 1991 figures. Exports accounted for 32% of total sales against 17% in 1991.

To increase export capacity and meet international quality standards the company had invested R15m in new plant and equipment, Done said.

Another R9m was committed to upgrading its spiral pipe manufacturing facility to achieve an 80% increase in capacity and reduce manufacturing costs, guaranteeing the resources to trade competitively in foreign markets.

Done said these developments guaranteed the firm the necessary resources and credentials to trade competitively in foreign markets. BIDAY

Hall Longmore also took part in SA trade exhibitions in Nairobi and Dubai to extend its international reputation.

In August, Hall Longmore became the first local pipe company to be granted use of the American Petroleum Institute's monogram licence. 10/12/92

This enabled it to compete internationally with the world's leading petrochemical pipe manufacturers.

Recently honoured with the Institute of Marketing Management's annual award for industrial marketing, Hall Longmore had made significant inroads into international markets, winning contracts for the supply of petroleum and water pipelines in Africa, South America, the Middle East and the Far East, Done said.

Dorbyl pins hopes on private sector, exports

BIDAY 10/12/92 (189E)

EDWARD WEST

DORBYL intends to improve returns in 1993 by curtailing losses and improving asset management, chairman Flores Kotzee says in the group's latest annual report.

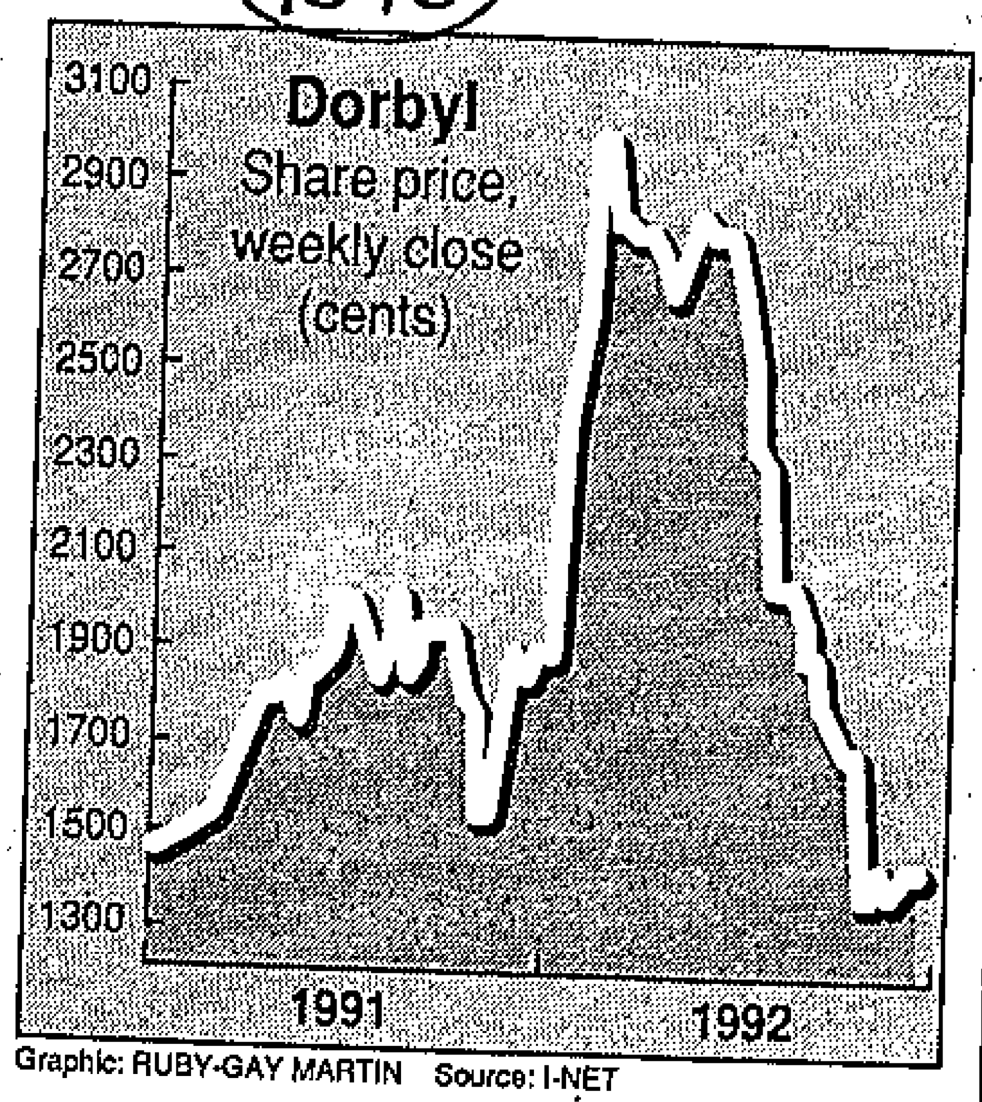
Next year would be "exceptionally" difficult in the light of the slow global economic recovery. Dorbyl's long-term order book halved in the year to end- September.

It would have to look to large capital investment projects and continued growth in exports. However, these were unlikely to benefit earnings before 1994. Dorbyl was relying on private sector-financed capex to improve gross domestic fixed investment (GDFI) levels.

Action was being taken to stem losses by Dorbyl Heavy Engineering, Dorbyl Structural Engineering and Stewarts & Lloyds Trading. Exports were forecast to be at similar levels in 1993. After growing 25% a year since 1987, 1992's export sales exceeded R400m or 14% of total turnover.

New markets were identified in Europe, Asia, the Middle East and the US, and first indications for the contracting and manufacturing divisions were positive.

However, SA vehicle sales, an important barometer for the group, were at virtually half the levels of the early eighties. GDFI started declining steeply in the third quarter of of 1988 and had fallen by more than 10% a year in real terms.



Graphic: RUBY-GAY MARTIN Source: I-NET

Capital spending in power generation had fallen 17% a year over the past five years. Mining sector capital expenditure was expected to contract 30% a year for the next two years.

Property holdings — which made up 25% of assets — would be slashed.

Productivity and computer system improvements would ensure improved returns on capital employed in 1993.

The manufacturing division expected further earnings increases in 1993.

Diesel engine manufacturer spreads wings

(1896)

LINDA ENSOR

CAPE TOWN — Atlantis Diesel Engines (ADE) has embarked on a diversification programme. The acquisition of light precision engineering companies and joint ventures were being looked at, MD Fritz Körte said yesterday.

"We are also firming up our contacts overseas to gain additional exports of components and engines, building on the R40m base we are currently delivering." 8/07-9

ADE had set up a committee with the Industrial Development Corporation to look into options for diversification.

A separate division to handle the industrial engine market would be formed to add value to the engines sold. 11/12/92

The production line would be expanded to handle the Perkins' Prima engine and other non-franchised products and alternative uses for dedicated and under-utilised production lines were also being examined.

Körte said the diversification project arose from the need to maximise ADE technological and human resources.

"Demand for our engines is below our existing capacity. While some of the spare capacity is filled by flexible operations such as tractor assembly and the manufacture of components for export, we are actively seeking more areas in which to do business," he said.

Sub-Saharan Africa was a growing market and ADE had appointed distributors in Namibia, Botswana, Mozambique, Malawi, Zambia and Zimbabwe.

COMPANIES

Price for New Joules reduced

JONO WATERS

THE purchase price for railway control equipment company New Joules Engineering had been reduced to R7,1m from R14,6m by contract mining and plant hire group Scharrighuisen (Scharrig), MD Laurie Fisher said yesterday.

The purchase price had been reduced because it would not be satisfied only by the issue of 1,78-million shares in Scharrig at R4 a share. In addition payments linked to future New Joules profit would be paid to New Joules vendors for the next three years.

BDM 15/12/92

Scharrig's issued share capital will rise to 29,1-million shares from 27,3-million.

In October Scharrig announced it had acquired 75% of New Joules issued share capital and loan account claims against the company for R14,6m.

"We hope there will be huge export potential for the railway controls especially to the US, whose market is 30 times size of the SA market."

(189E)

He said there had been a move in the US back to railways as the roads could no longer cope with the traffic. "As a result, their technology is way behind SA's as it has been neglected for several years."

Last month Scharrig announced it had taken a 55% stake in three Transvaal operations undertaken by Norman mining for about R10m.

"The group is always on the lookout for acquisitions, but there is nothing close to being announced."

OZZ FM 18/12/92 189E

Out of the hat

The Wizard of Ozz — chairman Gary Zulberg — has done it again. Reporting in July on 1992's results, Zulberg told shareholders that business life in SA might be difficult but he was confident he could continue to produce bottom-line results which at least match inflation.

That's what he has achieved. The 1993 interim shows a 20% rise in EPS. Asked about prospects for the second half, Zulberg says he expects the same again, indicating full-year EPS of about 67c and a dividend covered 2,6 times or about 26c. All of which means the share could move from its current 600c to 670c-720c if its present parameters hold good.

Turnover rose only 1% to R62m and operating income reflected tight controls to show a similar rise to R8,7m. However, all this pales next to the movement in borrowings. The fall in interest rates was obviously helpful, but more important was Ozz's ability to repay all its outstanding loans of about R8m. Gearing is now zero. Zulberg says Ozz has cash reserves of about R2m.

FM 18/12/92

All the divisions performed well despite a continuing deterioration in their sectors. Zulberg is especially pleased with the result from the engineering companies, which successfully introduced new product lines and are increasing their export thrust, primarily in finished manganese steels for the mining and crushing industries. 189E

If anything, Ozz's results are a little understated: proceeds from the sale of a suburban shopping centre in Mondeor, Johannesburg, which took place earlier this year will not be realised until mid-1993 because of payment terms. Charmed investors will be wondering what else the wizard has in his hat.

David Gleason

[redacted]

DORBYL FM 18|12|92 (189E)

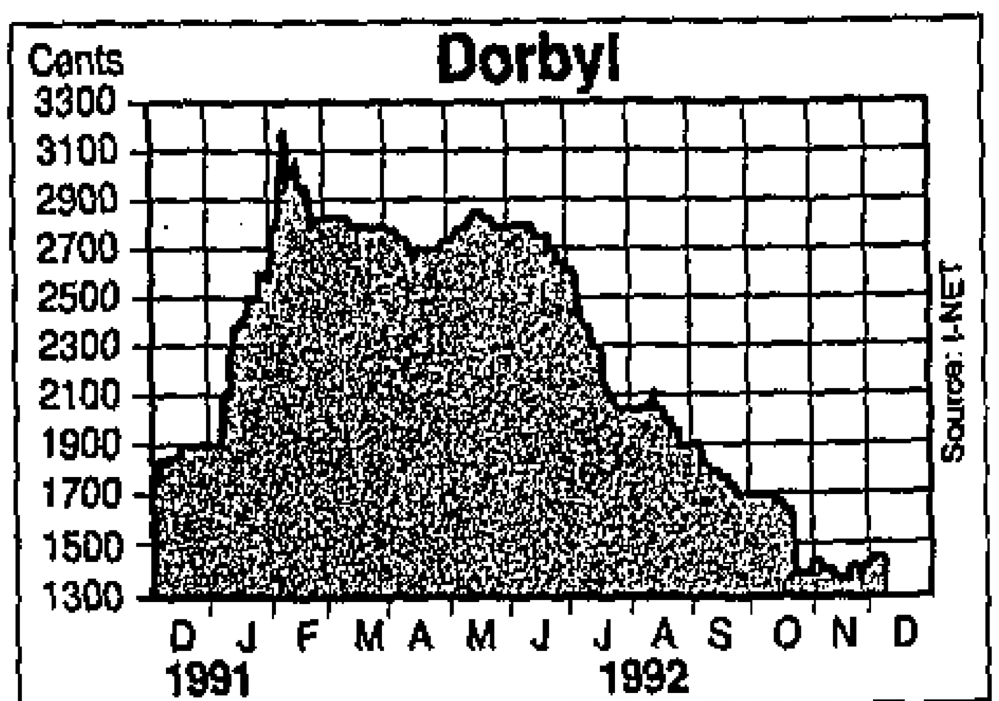
A year of price gyrations

Activities: *Diversified engineering group with related interests in the manufacture of automotive products, railway rolling stock.*
Control: *Metkor through Ipsa (52%).*
Chairman: *F P Kotzee; CE: D B Mostert.*
Capital structure: *32,3m ords. Market capitalisation: R468m.*
Share market: *Price: 1 450c. Yields: 7,5% on dividend; 19,9% on earnings; p:e ratio, 8,0; cover, 2,7. 12-month high, 3 200c; low, 1 400c. Trading volume last quarter, 163 000 shares.*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	63,3	91,3	43,2	104,6
LT debt (Rm)	76,5	93,1	128,7	151,5
Debt:equity ratio	0,21	0,26	0,21	0,27
Shareholders' interest	0,52	0,50	0,55	0,52
Int & leasing cover	6,2	5,0	5,2	3,8
Return on cap (%)	13,5	12,2	11,7	8,5
Turnover (Rbn)	2,50	2,84	2,89	2,98
Pre-int profit (Rm)	186,0	183,8	173,2	141,1
Pre-int margin (%)	7,4	6,4	6,0	4,7
Earnings (c)	351	345	365	288
Dividends (c)	100	103	108	108
Net worth (c)	2 210	2 314	2 525	2 617

Dorbyl did not have a happy 1992. Not only did its earnings come under increasing pressure, dropping 21% to 288c from the 1991 peak of 365c, but the share was also rerated sharply downward, against the trend of the JSE's engineering sector, so that in yield-relative terms it now trades at a discount of 60%-65%, depending whether one takes dividends or earnings as the yardstick.

Earnings for the year to end-September were disappointing, but only because, until 1991, Dorbyl had been able to cope with recession by exploring new markets, notably



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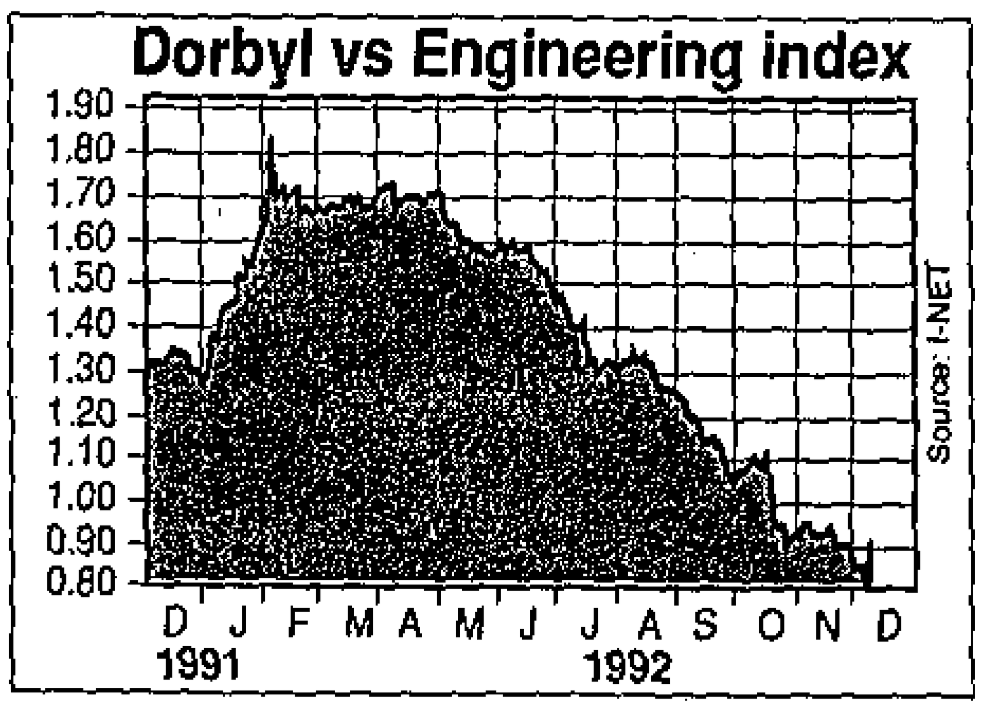
exports, which proved sufficient to keep EPS on a healthy plateau despite the progressive decline in economic activity.

Even with the announcement in November of the 1992 results, the impression was given that operating profit had been reduced by about R60m through essentially non-recurring factors (*FM* November 27). These included the effects of strikes and abnormal contract losses, suggesting that without these factors, bottom-line earnings (even assuming a full tax rate on the "missing" R60m operating profit) would have shown a small improvement on 1991 as envisaged by the *FM* when it reviewed the last annual report.



However, the 1992 report does not repeat this. It does not even give, except in graphic form that is hard to read, a profit breakdown of the three divisions under the new structure. More important, whereas a year ago the reviews by chairman Flores Kotzee and CE Dawid Mostert retained some optimism, the latest report tends to be gloomy with talk of further restructuring and sizing down, especially in the contracting division, along with the comment that 1993 is expected to be another "exceptionally difficult year."

Though this could explain the net fall in the share price from R19, when the *FM* reviewed the 1991 report, to 1 450c — the 24% decline not being materially different from the decline in earnings — it does not adequately account for the excessive price swings over the past year. It certainly does not explain why, from a base of R19 in

Dorbyl's Mostert ... *gloomy outlook*

DIVISIONAL CONTRIBUTIONS

Operating profit

	1991 Rm	%	1992 Rm	%
Manufacturing	75,2	41	82,4	60
Trading	68,4	38	42,3	30
Contracting	37,3	21	13,3	10

January, the share should have shot up to a peak of R32 in February before collapsing 56% to a year's low of R14 in October.

The R32 peak coincided with Dorbyl's abortive bid for Usko which offered shareholders of that company a choice of 35c cash for each Usko ordinary share or one Dorbyl share for every 240 Uskos. Though the cash was by far the more attractive alternative (even at Dorbyl's peak, the value placed on Usko in terms of the share swap was only 13,3c), the controlling shareholders of Usko, including Dorbyl's ultimate holding company, Metkor, agreed to take the shares.

It could, of course, simply be coincidence that the Dorbyl share price peaked at the time of the Usko deal. It is hard to imagine why anyone would think that the group had become 68% more valuable merely by acquiring control of a bankrupt steel and cable maker. But whatever the reason, relative to net worth, Dorbyl was catapulted from a 25% discount in January to a 27% premium a month later (based on September 1991 NAV), after which the price collapsed to 45% below current net worth.

If these gyrations have conveyed the impression that Dorbyl shares, through lack of marketability or whatever, can be easily manipulated, then the potential damage to its rating as a "serious" investment — which, as one of SA's largest engineering groups, is the way it should be considered — could have more important consequences than anything the recession is likely to do to the company. Meanwhile, the share has clearly underperformed against the Engineering index which recovered a net 22% over the past 12 months.

Brian Thompson

Siemens, GEC in R200m venture

JONO WATERS (189E)

SIEMENS and GEC Alsthom have announced the formation of Elmac Engineering, which they say will become SA's largest manufacturer of high and low voltage electric motors, with a turnover of about R200m. B/DAY

Chairman of the joint venture and GEC Alsthom MD Mike Sullivan said yesterday that Elmac would acquire five GEC Alsthom and two Siemens businesses on the East Rand. 21/12/92

GEC Alsthom would hold two thirds of the equity and Siemens one third.

Sullivan said the venture offered "immense opportunities" in SA as the high level of technology Elmac would access through Siemens worldwide had been introduced in SA only recently. Elmac also perceived huge export potential.

He said the joint venture was formed to achieve economies of scale as the low voltage motor market was a volume-sensitive business.

Product standardisation was expected to bring about improved labour efficiencies and asset utilisation, Sullivan said.

"A lower cost structure will enhance the competitiveness of both GEC Alsthom and Siemens in the SA market," he added.

Scharrig cuts Norman's tag

JONO WATERS 189E

CONTRACT mining and plant hire group Scharrighuisen (Scharrig) had reduced the purchase price for 55% of Norman Mining's Transvaal operations to R7,9m, MD Laurie Fisher said yesterday.

Scharrig said in November it would buy the share in Norman for about R10m.

Fisher said the acquisition would be financed with R5m from Norman's bankers, the Cape of Good Hope Bank, at an interest rate 3% below prime payable over 52 months. B/DAY

The balance would would come from other financial institutions.

He said Scharrig would not touch its own current cash resources, which stood at about R30m.

The net asset value a share should rise marginally after the acquisition was made while earnings a share for the year ended December 31 1992 would not be affected. 22/12/92

However, the acquisition was expected to contribute 7c a share to earnings for the year ended December 31 1993.

Scharrig announced last week it had also reduced the purchase price for railway control equipment company New Joules Engineering to R7,1m from R14,6m.

FM 25/12/92 (189E)

CEMENCO FM. 25/12/92

In far better shape (189E)

Benefits of remedial action taken as a result of 1991's exceptionally poor results started to make themselves felt in the 1992 year. But though profitability has been restored and though chairman Ron Shaw is confident 1993 earnings will improve further, short-term prospects for a resumption of dividends at anything more than a token level are not encouraging.

Main reason for the profit turnaround was an energetic cost-cutting exercise. A quick run through the income statement reveals the depreciation charge was slashed by R4,5m and there were write-backs of R1,1m and R1,2m respectively relating to contract maintenance and R&D provisions. Collectively, these three items added R8,6m to trading profit, accounting for 88% of the turn-around at this level.

As regards financing costs, including financial leases, a further net saving of R6,1m was achieved, bringing the total gain in pre-tax profit to R14,7m, or 95% of the net movement from 1991's loss of R13,8m to last year's R1,7m profit.

Still at pre-tax level and after adjusting for an increased provision in respect of losses at associate Barracuda Granite Tile (which Cemenco owns jointly with Marlin), the above leaves only R1,2m of the profit improvement directly attributable to trading activities. But this must be considered satisfactory when viewed against the further 18% decline in turnover.

It's notable that sales in rand terms have declined a cumulative 25% from their 1990 peak. In real terms, activity has dropped by about two-fifths over this two-year period, which is one of the reasons why profit prospects are limited until business conditions improve.

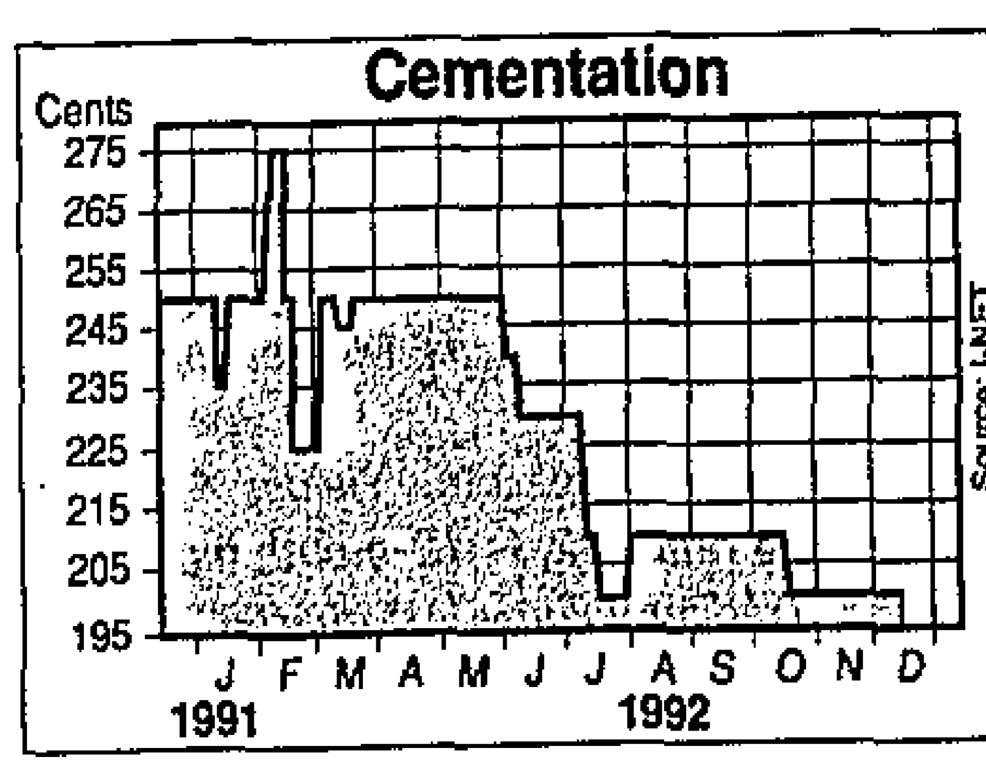
Apart from cost-cutting, management's other top priority has been the balance sheet. The emphasis placed on bringing borrowings down to a more acceptable figure is reflected in the fact that 1992's total cash flow from trading was ploughed into reducing debt which, after adjusting for cash on hand at year-end, dropped by R9,6m to R16,9m, with a corresponding decline in debt:equity from 0,44 to 0,28. Here again, the reduction in borrowings was a continuation of a programme started in 1991 and over the two-year period almost two-thirds of net borrowings have been repaid, bringing the debt ratio down from its 1990 peak of 0,6%.

From a purely structural viewpoint, the balance sheet is conservatively geared. However, with a gross return on capital employed (excluding interest-free liabilities) of only 5,7%, debt repayment should remain a priority as there is still a strongly negative gearing effect on equity profits from the residual borrowings. This is apparent from the still-inadequate 1,5 times interest/leasing cover. This ratio should, according to the current balance sheet structure, be not less than 4,0.

Activities: *Specialised engineering and mining contracting operations.*
Control: *Trafalgar House Plc 37,3%; Old Mutual 27,6%.*
Chairman: *R T Shaw; MD: G B Lotter.*
Capital structure: *8,9m ords. Market capitalisation: R17,8m.*
Share market: *Price: 200c. Yields: 2,2% on earnings; p:e ratio, 45,5. 12-month high, 275c; low, 200c. Trading volume last quarter, 3 200 shares.*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	30,6	40,4	35,5	19,2
LT debt (Rm)	10,8	9,6	6,2	3,3
Debt:equity ratio	0,50	0,67	0,44	0,28
Shareholders' interest	0,30	0,32	0,34	0,39
Int & leasing cover	3,1	2,65	—	1,48
Return on cap (%)	10,7	10,9	(2,7)	3,4
Turnover (Rm)	335	356	325	265
Pre-int profit (Rm)	32,1	23,9	(13,8)	5,1
Pre-int margin (%)	6,6	6,7	(1,5)	1,9
Earnings (c)	155,1	100,6	(78,0)	4,4
Dividends (c)	75	50	—	—
Net worth (c)	816	779	664	667

Cemenco's Shaw ... *sees further improvement*



Another area where considerable success has been achieved is in bringing working capital under control. Net working capital peaked in 1990 at R58,9m, or 10,5% of sales. Since then, R36,2m has been wrung out of working capital which, at R22,7m, is now the equivalent of only 8,5% of turnover. The R57,4m by which stock and debtors have been reduced over the past two years accounts for all but R10m of the decline in Cemenco's total asset base.

Cemenco is now in far better shape to withstand the recession. Sadly, though, what has been achieved also underlines how bloated it was when earnings peaked in 1990 and one can only speculate as to the extent to which this contributed to the 1991 loss. Essentially, it has moved into survival mode and, provided present efficiencies are maintained, the risk of a further setback has been substantially reduced.

From an investment viewpoint, earnings need to be materially higher than last year's 4,4c to justify the R2 share price, even though this is less than a third of net worth.

Brian Thompson

ADE establishes a team to broaden its operations base

S/Times (Buss) 27/12/92.

(189E)

By DON ROBERTSON

ATLANTIS Diesel Engines (ADE) on the Cape west coast is to seek partnerships in SA and abroad in a diversification plan to broaden its operating base.

A dedicated team was established to seek possible partners, and it will travel to Europe in February to assess business associations.

The company also plans to establish its own team in Johannesburg to sell industrial engines. It hopes to increase sales of these engines by 50% next year.

It will also continue with its cost-cutting programme begun in June last year, and has offered an early-retirement package to salaried staff.

Managing director Fritz Korte says ADE has considerable technical and management skills, and it will investigate associations with other companies that are lacking in these areas.

"For instance, we could do a merger with someone on the Reef provided it is linked to our core business. Of course, we would like to have some influence on management because that is where our skills are."

A group of German bankers recently visited the plant and were very impressed, says Mr Korte.

Problems

"We would like to establish some association with companies in Germany and then we could look to France or the US, but we must prepare the groundwork now for the future," he says.

"We are prepared to spend money on this project and we could see something happening within the next two years, depending on a solution to the political problems facing SA."

The hourly-paid staff was reduced from 1 698 in September 1990 to 1 214 in June last year and to 1 211 last month. Salaried staff was trimmed from 956 in September 1990 to 619 in June last year and to 522 in November. It is planned to reduce this further to about 485.

Stock control has also been improved and the turn will be increased to four times next year compared with a twice-times turn in 1991. This will reduce the cost of the inventory. In addition, a 10% improvement in productivity is planned for 1993 and will involve a considerable training effort.

The company also plans to increase exports from R45-million last year to about R60-million in the next two years, and new markets are being investigated in South America.

The company is halfway through its current financial year, and Mr Korte is confident that last year's profit of R20-million on a turnover of R416-million will at least be maintained.

The company hopes to retain its 80% share of the engine market in SA and plans to sell about 13 000 units next year out of a total of 15 000. This will include about 1 500 industrial engines.

Dividend

The company is debt-free and last year paid its first dividend of R5-million to the Industrial Development Corporation, which has an 87,5% stake in the company, and Mercedes-Benz AG with the rest.

Mr Korte has asked the authorities to increase the price differential between petrol and diesel to about 20%. If agreed to, ADE will promote the use of diesel engines in minibuses, which, he says, could save about 30% on fuel, or R700-million a year.

Spescom awarded Gabon contract

BDAY 29/12/92. (189E)

STEPHANE BOTHMA

MIDRAND engineering company Spescom has been awarded a multi-million-rand contract by Gabon, in central Africa, for its in-house developed and manufactured prepayment electricity meters.

The first phase of the R15m project was due for delivery this month, Spescom corporate magazine Spescommunicator reported.

The Gabon contract was the first in a series of export contracts being negotiated by Spescom which could result in R30m worth of exports in the next 18 months.

Spescom had patented and launched the first keypad prepayment electricity meter — the Cashpower 2000 — in 1990, which gave the company a two-year head start on international and local competitors.

To date, Spescom had secured orders to the value of R24m in 1992 in national contracts from Eskom for the supply of Cashpower systems.

Meanwhile, Spescom announced that it had developed the world's first three-phase prepayment electricity metering system for light industry and business.

The Cashpower 2000-3 is an extension of the single-phase domestic Cashpower 2000 system which previously could not accommodate users requiring 380V.

MANUFACTURING — IRON, STEEL etc
1993 (E)

SA racing headlong to engineering crisis

STM 4/1/93. (189E)

Engineers are by way of becoming an endangered species in South Africa, threatened by the past 15 years of restricted spending on physical infrastructure.

New entrants to engineering have been dropping; and the population ageing, thus restricting their ability to breed (sorry! — regenerate).

Currently, new engineers emerge from the South African university assembly lines at about one-tenth the rate that the Japanese assembly lines deliver.

Our engineers perform heroic tasks.

At about a quarter of the number per task of their compatriots in the developed First World countries, they have designed and built some magnificent roads, dams, towns and buildings, to say nothing of sewage treatment and water supply works, as well as producing marvels of electrical and mechanical engineering.

We stand now at a crossroads. Or, if you wish, we are now approaching a crossroads at a breakneck pace in a car barely answering the steering and with somewhat deficient brakes — and we must steer for the low or the high road.

Of the two, the low road seems easier to reach and is more attractive in its first stretches.

Peter Thompson, president of the South African Association of Consulting Engineers, describes the crossroads ahead for the engineering industry.

Outlook '93

Strong enough

On the low road we can, for a while, ignore the worry of who designed it and who maintained it and whether its bridges are strong enough to carry us across rivers.

On this route we blithely use up our supply of existing engineers — or drive them out of practice by getting them to compete on price with any Tom, Dick or Susan who has a mind to provide engineering services.

That way we can get inferior engineering at low costs per hour, but at high prices during service life (or because of the lack of service and life).

Of course, we would also get some tragi-comic results.

We would have dams that failed to store water because they were built on streams that seldom flow; and/or they were built of material that was pervious; and/or they were built over underground layers through which water leaked away; and/or they washed away in the first flood.

We could get results that were outright tragic — buildings that collapse when the wind blows strongly; buildings that collapse when cars park on parking decks; bridges that wash away, carrying with them fully loaded passenger trains.

We could also get less dramatic but just as damaging economic effects:

Buildings built with beams that are thicker than they need be — which cost more and thus give lower economic returns.

Electric motors and pumps which are less efficient in their delivery and therefore push up production costs.

Machines that break down frequently, lifts that fail to work, water that is unsafe to drink...

Keep thinking — any number of ways in which poor (but cheap) engineering can place our countrymen and our economy at risk are in our future on the low road.

So perhaps we must steer for the high road. And what will we find on it?

Well, we will find that it is steeply sloping upwards and will require great deal of slogging to get up — but the view will be worth it.

On the high road we will choose to put effort into changing our technological base.

As partners

We establish a Ministry of Technology and we get private enterprise and government working as partners to put in the resources we need for an educational system geared to dealing with maths and science so that more youngsters can be equipped for the challenge of a technological/engineering career.

On the high road we will have a minimum set of government policies committed to enabling technology and engineering to function with maximum effectiveness, but harnessed to improving the quality of life for all our people within an environment giving safe and attractive shelter with equitable and convenient access to work and the amenities of life for all.

Irrespective of which road we choose, the immediate future — for most engineers as for most others — looks to be hard for some 12 to 24 months. And that hardship will last for at last as long as we take to get our politics in order.

STAR 8/1/93

Scharrig to list mining division

By Stephen Cranston (189E)

Scharrighuisen Holdings is listing its mining division as a separate company to be called Scharrig Mining (Schamin) on January 25.

It plans to reduce its holding in Schamin by declaring a dividend in specie of 100 Schamin shares for every 100 Scharrighuisen held, equivalent to 25 percent of Schamin's issue capital.

Robin Pegler, an investment analyst who is advising on the issue, says the rationale for the listing is to give shareholders the chance to invest solely in a company engaged in mining contracting, to add value to the total investment and to increase marketability of group shares as a whole.

Schamin turned over an estimated R108 million in the year to December and is expected to report attributable earnings of R22,9 million, equivalent to 21c per share. The directors predict earnnings of 25c a share in 1993.

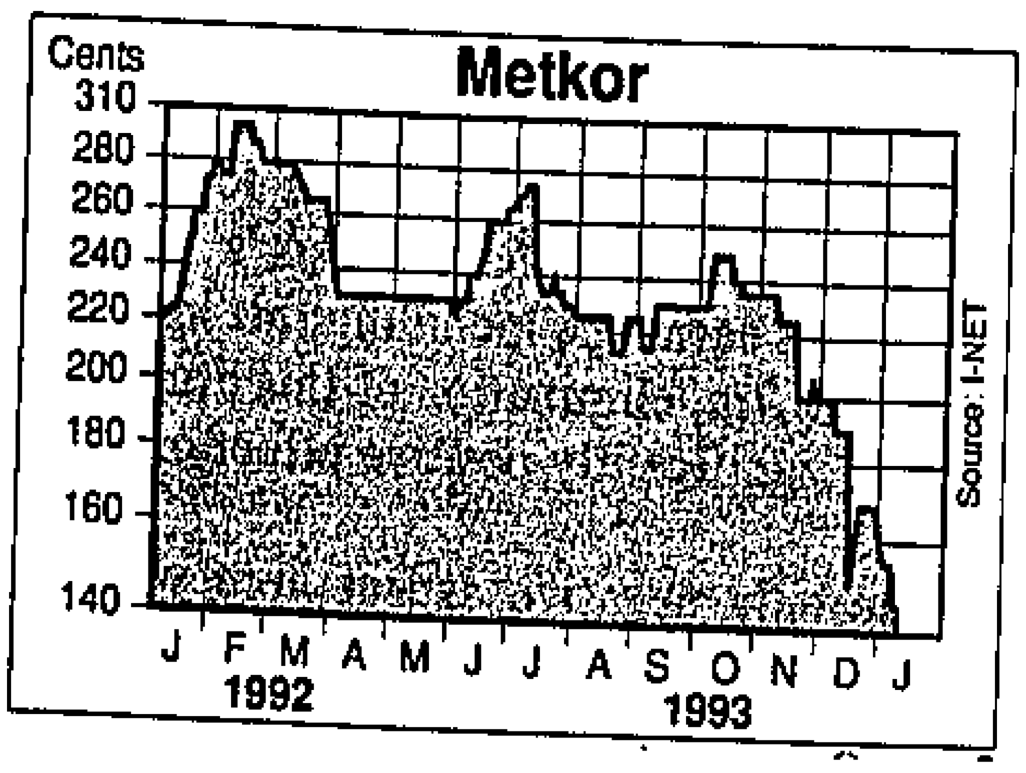
METKOR FM 15/1/93

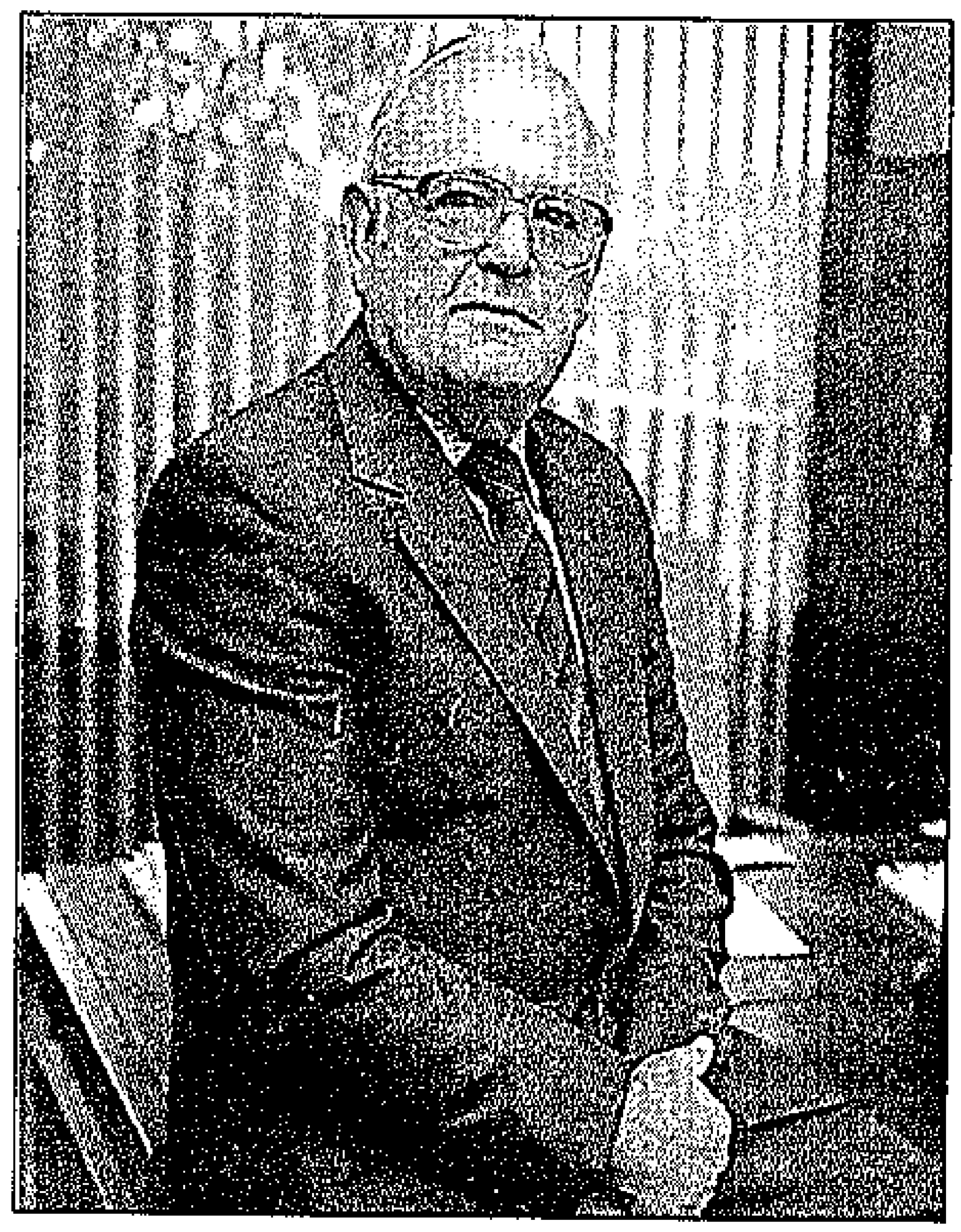
Plugging the drains (189E)

The year 1992 again saw the familiar pattern of earnings attributable to Metkor's holding in Dorbyl being substantially diluted by the aggregate losses of its other interests.

Though Dorbyl's earnings were down 21% last year (*Companies* December 18), its contribution to Metkor's bottom line was still close to R32m, or 28,7c per Metkor share. This compares with net attributable earnings of R14,7m (13,2c/share), indicating an aggregate loss of 15,5c attributable to the rest of the group.

The outcome was much the same as in 1991. In that year, Dorbyl contributed about 37c/Metkor share, while other interests lost a similar 15,5c, to give net attributable earn-





Metkor's Kotzee ...
in better shape

Activities: *Varied interests in the engineering sector, including a controlling interest in Dorbyl.*
Chairman: *F P Kotzee.*
Capital structure: *120,5m ords. Market capitalisation: R175m.*
Share market: *Price: 145c. Yields: 9,5% on dividend; 9,1% on earnings; p:e ratio, 11,0; cover, 0,9. 12-month high, 300c; low, 145c. Trading volume last quarter, 951 000 shares.*

Year to Sep 30	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	173,9	210,1	131,6	131,5
LT debt (Rm)	76,4	84,7	110,6	124,4
Debt:equity ratio	0,27	0,32	0,24	0,25
Shareholders' interest	0,59	0,50	0,56	0,56
Int & leasing cover .	4,3	3,4	3,8	2,9
Return on cap (%) ..	12,5	10,9	10,6	7,4
Turnover (Rbn)	2,90	3,16	3,22	3,23
Pre-int profit (Rm) ...	214,9	194,5	185,2	135,1
Pre-int margin (%) ..	7,4	6,0	5,6	4,0
Earnings (c)	51,4	29,6	21,5	13,2
Dividends (c)	15,75	14,80	15,68	13,84
Net worth (c)	396	350	377	340

ings of 21,5c. The difference this time, however, was in the mix of results of these other interests, with substantially higher losses incurred by wholly owned Metkor Industries and Wispeco, while associates Usko and Apsap Gas collectively made a positive contribution instead of 1991's deficit which arose as a result of the abnormal losses associated with Usko's vanadium operation that year.

In this context, 1992's two major events — the final dismemberment and sale of Metkor Industries and the revamp of Usko — are of interest. Dealing first with Metkor Industries, the decision to throw in the towel here followed an effective quadrupling of losses during the first half of the year. Up to the date of its sale (at end-April), Metkor Industries had cost Metkor R13,4m in losses compared with a deficit of R6,4m for the full 1991 year. Given that Metkor's total attributable earnings, including this loss, were only R14,7m, elimination of this drain must have a significantly positive effect on future results.

The only negative aspect here was that Metkor Industries was sold at a capital loss of R12m — this, coupled with a rights issue (priced below net worth) to fund Metkor's share of the Usko capital reconstruction, were mainly responsible for the decline in Metkor's net worth last year.

As regards Usko, it seems that if 1992's trading profit can be maintained, the positive effects of the capital reconstruction could yield net attributable earnings of more than R8m after payment of all current pref dividends. Metkor's share, including pref dividends, would thus be around R5m, whereas last year it received nothing.

Putting these two together, Metkor's bottom line could receive a boost exceeding R18m, taking total attributable earnings to around R33m in place of last year's R14,7m. That, on the expanded issue capital, would give EPS of 27c against 13,2c in 1992 and, if nothing else, would restore dividend cover (non-existent last year).

Chairman Flores Kotzee acknowledges in his review that the group is in far better shape to deal with business conditions which are expected to remain difficult. But, in assessing prospects, he is non-committal, saying only that without any further major labour upheavals, "it is expected that group results for 1993 should at least equal those of 1992."

Possibly recognising Metkor's unfortunate history of springing unpleasant surprises, the market's response to developments over the year has been equally cool. Since the *FM* reviewed the 1991 annual report, the share price has almost halved, to a new low of 145c, thereby underperforming even against Dorbyl, which itself has underperformed relative to the engineering sector (where both are listed) by a substantial margin.

Brian Thompson

UNIHOLD: FM 15/1/93 (189E)

Planning to raise capital

The cautionary announcement issued by engineering group Unihold refers to an imminent capital restructuring to reduce burdensome debt. According to MD John Butler, the intention is to reduce the near-80% net gearing by "a significant degree." But for the moment one can only speculate on the avenues open to achieve this.

It is unlikely that Unihold will go to the market to raise capital. It has already issued a significant amount of equity to help fund recent acquisitions and in lieu of some dividends. At the end of 1991 there were 40,9m shares in issue compared to more than 58m at 1992 interim stage.

Unihold's directors are the principal shareholders of U-Control, which holds 77,1% of Unihold. The issue of more equity will put pressure on the directors to buy their rights to keep control. Given the declining profitability performance in recent years, with the recession undermining automotive and mining markets, they would probably prefer other ways of raising capital.

One of the options would presumably be to sell some assets. Property is an obvious candidate, as it is almost wholly owned and forms about a quarter of total assets. Unihold will reveal its intentions soon.

Louise Randell

Hudaco earnings slide

(1896E) STAR 19/1/93

By Stephen Cranston

Engineering group Hudaco, which has been greatly enlarged by the acquisition of Valard, reports a reduction in earnings per share of 5 percent for the year to November.

MD Stephen Connelly says none of the operations ended in a loss, which was pleasing, especially given the sudden drop in demand from April onwards.

This particularly hit the profits of the Abrasives Corporation and Bosworth Conveyor Pulleys.

The diesel engine division, Deutz Dieselpower, and brake pad manufacturer, Mintex Don, were the most encouraging percent and volumes declined by the same amount.

Connelly says this is line with the markets in which Hudaco operates.

The impact of the drought, the mass action programme, together with continued depressed commodity prices and low levels of government fixed investment were the main negative factors.

Controlled

Costs were tightly controlled and the number of employees was reduced by 12 percent.

Taxed profit was up 22 percent, but the portion attributable to outside shareholders was up 51 percent to R5,8million.

Attributable profit increased by 18 percent to R30,3 million.

But because of an increase in the number of shares in issue, earnings per share fell five performers.

During the year, hydraulics manufacturers PSI and Ernest Lowe were merged, and the ball bearings business, Bearings International, was rationalised.

As a result of the Valard acquisition, turnover increased by 50 percent to R562,6 million.

On a like-for-like basis, turnover in rand terms was the same as last year.

The operating margin fell from 13,9 percent to 10,9 percent.

Interest payments increased from R4,7 million to R7,4 million, but interest cover, though down from 10,7, remained a healthy 8,3.

The effective tax rate was reduced from 35,8 percent to 33,5 percent.

Price increases in the year were approximately seven percent to 106,8c.

Cash flow per share, however, was 130c, which enabled Hudaco to declare a 53c dividend, up four percent from last year.

Borrowings were reduced from R58 million after the Valard acquisition to R47 million by the end of May and to R23 million by the end of November.

Gearing

Gearing was 16,1 percent at year-end.

Connelly says that against the general view that the South African economy will show at best only a modest improvement, Hudaco is budgeting for a zero growth rate in the current financial year.

But as a result of cost-cutting measures implemented in 1992, an improvement in earnings is targeted for this year.

Valard helps boost Hudaco turnover

BDAM 19/1/93 (189E)

EDWARD WEST

INDUSTRIAL products group Hudaco increased turnover nearly 50% to R562,6m (R366,8m) in the year to end-November 1992 after the R75m acquisition of Valard.

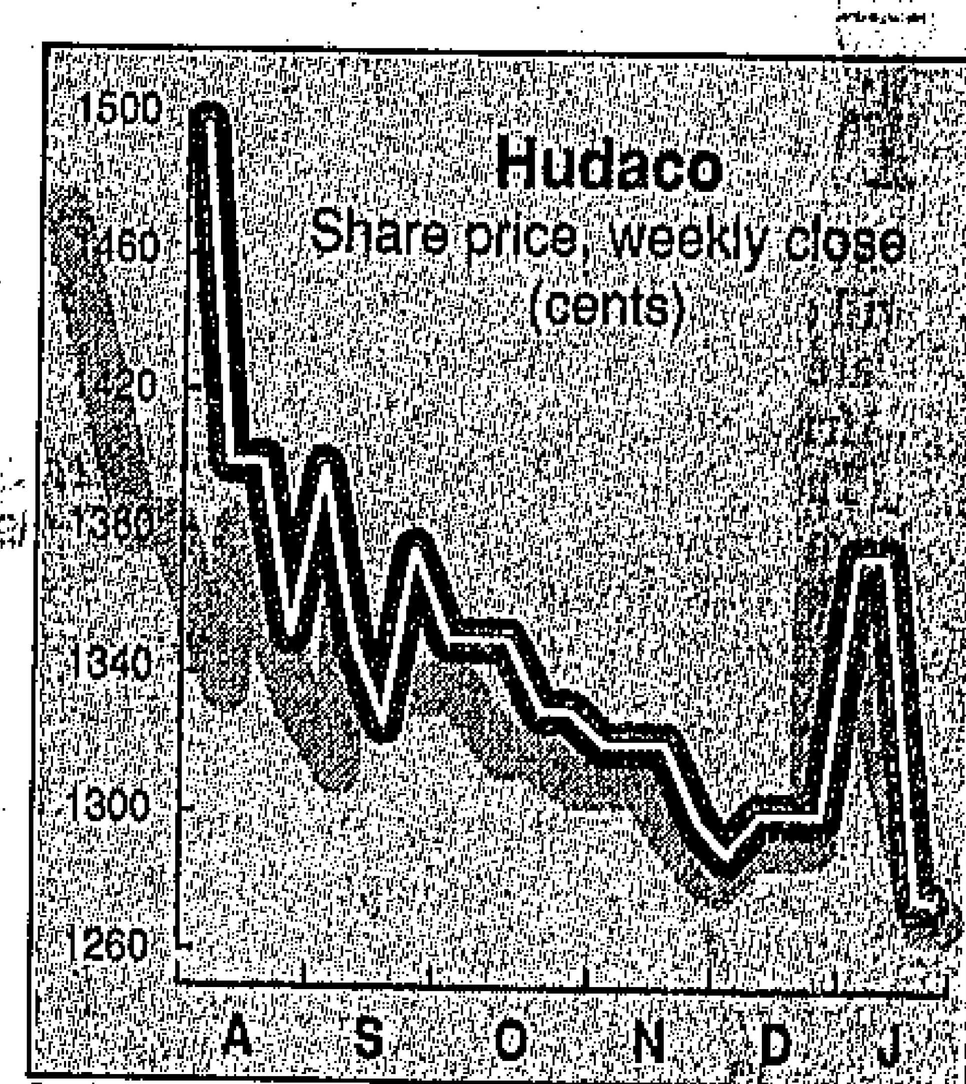
However, today's published results show earnings a share were diluted by an increased number of shares — issued to fund part of the acquisition — and dropped 5% to 106,8c from 112,2c the previous year.

Executive director Stephen Connelly said strong cash flows nonetheless enabled the group to declare an unchanged final dividend of 30c, bringing the total dividend for 1992 to 53c from 51c in 1991.

The acquisition resulted in borrowings peaking at R58m during the year, after having a no-debt position at the end of 1991. However, the R44m cash generated during 1992 reduced this to R23m at the end of the financial year, putting gearing at 16%.

Connelly believed the share price, a strong balance sheet and the current economic climate — which would make opportunities available — positioned the group for further acquisitions in 1993.

Operating profit was 22% higher at R61,7m from R50,7m in 1991. On a like-for-like basis, turnover was the same as last year's. Annual price increases amounted to 7% while volumes fell by the same amount, directors reported.



Graphic: RUBY-GAY MARTIN Source: I-NET

Tight cost control, which required a 12% reduction in the group's workforce, restricted a fall in operating profit margin to 11% of sales in 1992 from 13,2% in 1991.

The integration of automotive and industrial component supplier Valard into Hudaco was complete, the directors said.

As the interim report had warned, trading activity declined in the second half because of drought, mass action, depressed commodity prices and low levels of government fixed investment, they said.

Finance costs increased to R7,4m from

☐ To Page 2

Hudaco

BDAM 19/1/93 (189E)

☐ From Page 1

R4,7m because of the increased average borrowings, leaving pre-tax profit 17,9% higher at R54,3m from R46m.

Tax rose to R18,2m from R16,3m. Attributable profit was 18,4% higher at R30,3m from R25,7m.

Connelly said the interest bill was likely to fall substantially in the 1993 financial year because of the decline in borrowings.

The tax rate was about 35% at year-end and was not likely to exceed 40% in 1993.

The group budgeted for zero growth in the industrial markets it would serve in 1993 in spite of predictions of modest economic growth by others.

However, it forecast that earnings would improve because of cost-cutting measures implemented in 1992.

continued

R1m allocated to help engineering students

(184E)

B/Day 26/1/93

ADRIAN HADLAND

PRETORIA — SA had a critical shortage of qualified engineers and technologists and this could affect economic growth, a Federation for Research Development spokesman said yesterday.

After "assessing the severity of the situation" the federation announced it would contribute R1m for engineering student bursaries this year.

A federation statement said a severe shortage of financial support for engineering students existed in a field which was "crucial for economic growth".

Federation president Reinhard Arndt said the R1m contribution would be used to attract undergraduates and diploma students — who had merit but would otherwise have been lost to the engineering field due to financial constraints — into engineering at tertiary training institutions.

An article in last month's SA Journal of Science reported that of 250 top executives collectively employing more than 10 000 engineers and technologists, 83% believed there was a shortage of qualified engineers.

More than 90% also said more technologists were required.

The journal reported that the SA Engineering Association and the Society of Professional Engineers acknowledged the scarcity of engineers and said that "compared to developed countries, SA is pitifully short of qualified engineers".

Evidence suggested that it was mainly financial difficulties that impaired students from entering or continuing with their studies in engineering, it said.

The federation statement said students wishing to receive the bursaries, to a maximum of R5 000, could apply directly to the organisation or through university or technikon administrations.

Pact CEO had been due to retire

RAY HARTLEY

THE retirement of Pact CEO Dennis Reinecke had nothing to do with repeated calls for his resignation by the ANC-aligned Progressive Cultural Workers organisation, Pact publicity officer Robert Perry said yesterday.

He said Reinecke had decided to leave at the end of March this year, after prolonging his stay beyond his scheduled retirement date of September last year.

Negotiations between Pact and ANC-aligned groupings were continuing and substantial changes to the top structure of Pact were likely by the end of this year, Perry said.

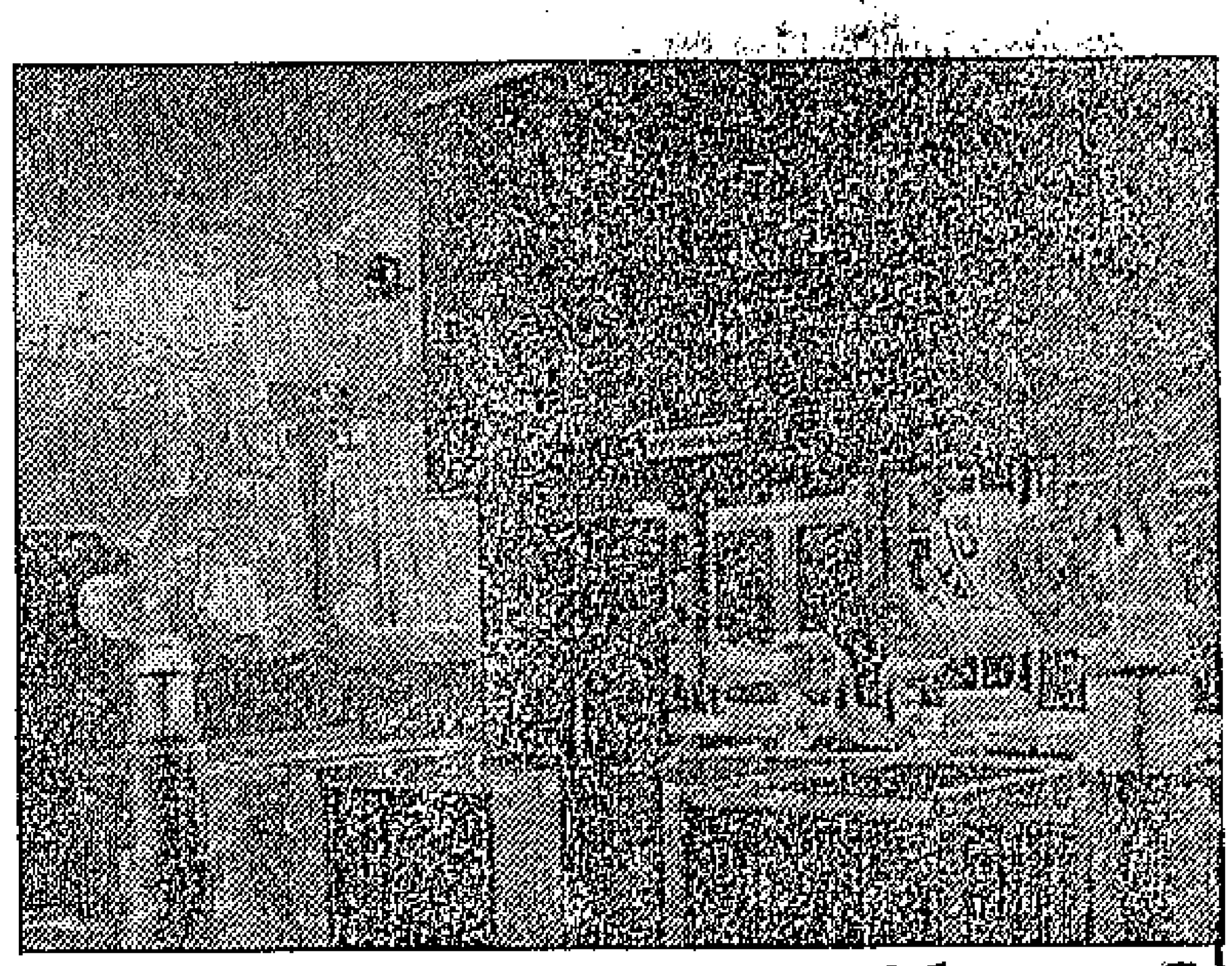
Pact executive officer Louis Bezuidenhout would replace Reinecke in an "interim arrangement".

Reinecke, who joined Pact in 1967 as administrative head of its opera department, had been CEO since January 1990. B/Day

In 1981 he was in charge of the opening of the State Theatre and was later appointed to the council's directorate. 26/1/93

Barlows' quiet power house

Eight years ago the Barlow Rand Group formed a specialised company to take care of the sale, service, support and rebuilding of Caterpillar engines. Today Barlows Engine Company is a major player in its market.



Power packs ... Two of the critical caterpillar standby generator sets at the Bank City complex.

STAR 27/1/93

(1896)

Mention the name Barlows and there will almost invariably be an association with the world renowned Caterpillar range of equipment.

However, within the Barlow Rand Group is another, lesser known operation, a quiet, low-profile corporate gem — Barlows Engine Company, suppliers of new and used Cat diesel engines for electrical power generation, marine propulsion and industrial applications.

Barlows Engine's origins go back to 1927 when the original Thos Barlow & Son first held the Cat franchise, and sold the first Cat engines that were produced in 1931.

But it was only in 1975 that the need for specialisation motivated the establishment of a centralised Cat engine re-building facility in Isando, Johannesburg.

Continued growth prompted the formation of a specialised company in 1985 for the sale, service, support and rebuilding of engines. Barlows Engine Company was born.

Today Barlows Engine Company is responsible for the sale and service of Caterpillar engines and gensets throughout southern Africa.

Applying the same business ethics that are characteristic of Caterpillar worldwide, Barlows Engine has now emerged as a major player in its particular niche market.

General manager Des Shiel says the company has built its reputation on the basis of offering a competitive product, technical back-up and constancy, a total commitment to quality and a determination to find the most cost-effective solution for the customer.

The company offers exceptional spares availability of up to 99 percent (within 24 hours) backed up by excellent computerised systems, which it sources from its branches countrywide, while the range consists of reliable durable equipment.

Quality is a way of life at Barlows Engine and local quality assurances include SABS 9002 accreditation, and SABS 0166 for fuel pump reconditioning.

The company applies re-build standards that are equal to Caterpillar's rigorous international standards.

Its extensive range varies from the 4,4 litre four cylinder, 70 kW Cat 3114 to the giant 300 litre 3616, which can produce more than 5 000 kW. Caterpillar has recently added two more models, 3054 and 3056, which deliver 83 kW and 185 kW respectively.

Matched alternators provide from 50 kva to 7 200 kVA of electrical power in various genset configurations.

In fact there are Cat engines to meet most power needs and they provide power throughout sub-Saharan Africa in railways, on the high seas, roadways, in hospitals, hotels, on remote construction and exploration sites, deep in the bowels of the earth and even on game farms and at coastal resorts.

For further information, please telephone (011) 974-8811.

BOARD NOTICE 15 OF 1993

PERISHABLE PRODUCTS EXPORT CONTROL BOARD

In terms of section 17 (i) of the Perishable Products Export Control Act, 1983 (Act No. 9 of 1983), the Board hereby imposes the following additional levies and tariffs in respect of the following items for the calender year 1993:

Container Holding Store Table Bay Harbour: R228 per container.

Special Building Levy: R0,03 per cubic metre.

H. E. OLIVIER,

Administrative Manager.

(29 January 1993.)

RAADSKENNISGEWING 15 VAN 1993

RAAD VAN TOESIG OP DIE UITVOER VAN BEDERFBARE PRODUKTE

Kragtens artikel 17 (i) van die Wet op Reëling van die Uitvoer van Bederfbare Produkte, 1983 (Wet No. 9 van 1983), lê die Raad hierby die volgende addisionele heffings en tariewe op ten opsigte van die volgende items vir die kalenderjaar 1993:

Houstoor, Tafelbaaihawe: R228 per houer.

Spesiale gebouheffing: R0,03 per kubieke meter.

H. E. OLIVIER,

Administratiewe Bestuurder.

(29 Januarie 1993.)

BOARD NOTICE 16 OF 1993

RULES IN TERMS OF THE ENGINEERING PROFESSION OF SOUTH AFRICA ACT, 1990 (ACT No. 114 OF 1990)

APPLICATION AND ANNUAL FEES PAYABLE BY PERSONS REGISTERED IN TERMS OF THE ACT: NOTICE IN TERMS OF SECTION 6 (4) OF THE ENGINEERING PROFESSION OF SOUTH AFRICA, 1990 (ACT No. 114 OF 1990)

The Engineering Council of South Africa, in terms of section 6 (1) (g) of the Engineering Profession of South Africa Act, 1990 (Act No. 114 of 1990), hereby makes known that it has prescribed the fees and made the provisions set out in the Schedule hereto.

The provisions set out in the Schedule shall come into operation on 1 April 1993.

SCHEDULE

189E

Definitions

1. In this Schedule, unless the context otherwise indicates, every expression or word shall bear the meaning assigned to it in the Engineering Profession of South Africa Act, 1990 (Act No. 114 of 1990), and—

"**annual fee**" shall mean the fee or fees payable to the Council by a person registered in terms of this Act—

(a) within 30 days from the date on which he is informed of his registration in terms of the provisions of the Act; and thereafter

(b) annually on or before 30 September;

"**application fee**" shall mean the fee or fees payable to the Council when a person applies for registration in terms of sections 11, 12, 13, 14 or 15 of the Act, which shall include a fee for an examination if the Council prescribes and examination in terms of sections 11, 12 or 14 of the Act;

"**examination**", for purposes of this rule only, shall mean an evaluation by the Council of any qualification and any written or oral examination, if applicable, held to determine whether any particular qualification complies with the requirements for recognition in terms of section 11, 12, 13 or 14 of the Act and shall also mean any written or oral examination prescribed by the Council in terms of sections 11, 12 or 14 of the Act;

RAADSKENNISGEWING 16 VAN 1993

REËLS KRAGTENS DIE WET OP DIE INGENIEURSWESEPROFESSIE VAN SUID-AFRIKA, 1990 (WET No. 114 VAN 1990)

AANSOEK- EN JAARGELDE BETAALBAAR DEUR PERSONE KRAGTENS DIE WET GEREGISTREER: KENNISGEWING KRAGTENS ARTIKEL 6 (4) VAN DIE WET OP DIE INGENIEURSWESEPROFESSIE VAN SUID-AFRIKA, 1990 (WET No. 114 VAN 1990)

Die Suid-Afrikaanse Raad vir Ingenieurswese maak hiermee bekend dat hy, kragtens artikel 6 (1) (g) van die Wet op die Ingenieursweseprofessie van Suid-Afrika, 1990 (Wet No. 114 van 1990), die gelde voorgeskryf en die bepalings uitgevaardig het soos in die Bylae uiteengesit.

Die bepalings vervat in die Bylae tree in werking op 1 April 1993.

BYLAE

Definisies

1. In hierdie Bylae, tensy die samehang anders blyk, het enige uitdrukking of woord waaraan in die Wet op die Ingenieursweseprofessie van Suid-Afrika, 1990 (Wet No. 114 van 1990), 'n betekenis geheg is, dieselfde betekenis en beteken—

"**aansoekgeld**" die bedrag of bedrae betaalbaar aan die Raad wanneer 'n persoon aansoek doen om registrasie kragtens artikels 11, 12, 13, 14 of 15 van die Wet, wat 'n bedrag insluit ten opsigte van 'n eksamen indien die Raad 'n eksamen kragtens artikels 11, 12 of 14 van die Wet voorskryf;

"**die Wet**" die Wet op die Ingenieursweseprofessie van Suid-Afrika, 1990 (Wet No. 114 van 1990);

"**eksamen**", vir doeleindes van hierdie reël alleenlik, 'n evaluasie deur die Raad van enige kwalifikasie en enige geskrewe of mondelinge eksamen, indien van toepassing, wat gehou moet word om vas te stel of 'n betrokke kwalifikasie aan die vereistes vir doeleindes van erkenning kragtens artikels 11, 12, 13 of 14 van die Wet voldoen en beteken ook enige geskrewe of mondelinge eksamen wat deur die Raad voorgeskryf word kragtens artikels 11, 12, of 14 van die Wet;

proof of current membership of an institute, institution, society or association which is recognised for purposes of exemption from payment of a portion of the annual fee, the fee shall be **R99,00**, which includes VALUE ADDED TAX.

(2) The *annual fee* (per annum) in respect of a person registered as an engineer in training, an engineering technologist in training, a certificated engineer in training, or an engineering technician in training, shall fee be **R83,00**, which includes VALUE ADDED TAX: Provided that if such person produces proof of current membership of an institute, institution, society or association which is recognised for purposes of exemption from payment of a portion of the annual fee, the fee shall be **R45,00**, which includes VALUE ADDED TAX.

(3) The *annual fee* (per annum) in respect of an engineer in training who has been registered as such for longer than seven years shall be the annual fee payable by a professional engineer as set out in subparagraph (1): Provided that, if the Council so decides, the provisions of this sub-paragraph shall not apply in respect of an engineer in training who, prior to the expiration of such period of seven years, has submited an application for registration as a professional engineer and such application is either still under consideration by the Council, or has been refused by the Council, and the relevant annual fee payable in terms of subparagraph (2) shall remain payable by such engineer in training until the Council is satisfied that the engineer in training complies with the Council's requirements for registration as a professional engineer.

Duplicate registration certificate

4. The fee for issuing a duplicate registration certificate shall be **R22,00**, which includes VALUE ADDED TAX: Provided that a duplicate registration certificate shall only be issued to the person to whom the original certificate was issued: Provided further that such duplicate registration certificate shall only be issued if the applicant submits an affidavit to the effect that the original certificate was not received through the post or, if it was so received, that such certificate was subsequently lost, that every effort had been made to trace it and that he had nevertheless not succeeded in finding the certificate concerned.

Withdrawal of Board Notices

5. Board Notices Nos. 67 of 17 May 1991 and 5 of 31 January 1992 are hereby withdrawn.

(29 January 1993)

verstande dat indien sodanige persoon bewys lewer van geldende lidmaatskap van 'n instituut, 'n vereniging of 'n assosiasie wat erken word vir doeleindes van vrystelling van betaling van 'n gedeelte van jaargeld, is die jaargeld **R99,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit.

(2) Die *jaargeld* (per jaar) ten opsigte van 'n persoon wat geregistreer is as 'n ingenieur-in-opleiding, 'n ingenieurstegnoloog-in-opleiding, 'n gediplomeerde ingenieur-in-opleiding of 'n ingenieurstegnikus-in-opleiding, is **R83,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit: Met dien verstande dat indien sodanige persoon bewys lewer van geldende lidmaatskap van 'n instituut, 'n vereniging of 'n assosiasie wat erken word vir doeleindes van vrystelling van betaling van 'n gedeelte van jaargeld, is die jaargeld **R45,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit.

(3) Die *jaargeld* (per jaar) ten opsigte van 'n ingenieur-in-opleiding wat as sodanig vir meer as sewe jaar geregistreer is, is dié jaargeld betaalbaar deur 'n professionele ingenieur soos uiteengesit in subparagraaf (1): Met dien verstande dat, indien die Raad so besluit, die bepalings van hierdie paragraaf nie van toepassing is nie op 'n ingenieur-in-opleiding wat, voordat genoemde tydperk van sewe jaar verstryk het, 'n aansoek om registrasie as 'n professionele ingenieur ingedien het, en sodanige aansoek óf nog onder oorweging is by die Raad, óf deur die Raad afgekeur is, en die betrokke jaargeld betaalbaar kragtens subparagraaf (2) bly betaalbaar deur sodanige ingenieur-in-opleiding totdat die Raad oortuig is dat die ingenieur-in-opleiding aan die Raad se vereistes vir registrasie as 'n professionele ingenieur voldoen.

Duplikaatregistrasiesertifikaat

4. Die geld vir die uitreiking van 'n duplikaatregistrasie-sertifikaat is **R22,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit: Met dien verstande dat 'n duplikaatregistrasiesertifikaat slegs uitgereik word aan die persoon aan wie die oorspronklike sertifikaat uitgereik is: Met dien verstande voorts dat sodanige duplikaatregistrasiesertifikaat slegs indien die aansoeker 'n beëdigde verklaring voorlê met die strekking dat die oorspronklike sertifikaat nie deur die pos ontvang was nie of, indien dit ontvang was, dat sodanige sertifikaat verlore geraak het, dat alle moontlike stappe gedoen is om dit op te spoor en dat hy die sertifikaat desondanks nie kan vind nie.

Intrekking van Raadskennisgewings

5. Raadskennisgewings Nos. 67 van 17 Mei 1991 en 5 van 31 Januarie 1992 word hierby ingetrek.

(29 Januarie 1993)

"the Act" shall mean the Engineering Profession of South Africa Act, 1990 (Act No. 114 of 1990); and

"year" shall mean the period commencing on 1 April of any year and ending on 31 March of the succeeding year.

Application Fee

2. (1) Where the Council does not prescribe an examination, the application fee for registration as a professional engineer, professional technologist (engineering), registered certificated engineer and a registered engineering technician, as the case may be—

(a) in respect of a person not registered as an engineering training, an engineering technologist in training, a certificated engineer in training, or an engineering technician in training, shall be **R220,00** which includes VALUE ADDED TAX;

(b) in respect of a person already registered as an engineer in training, an engineering technologist in training, a certificated engineer in training, or an engineering technician in training, shall be **R140,00**, which includes VALUE ADDED TAX;

(2) Where the Council does not prescribe an examination, the application fee for registration as an engineer in training, an engineering technologist in training, a certificated engineer in training or an engineering technician in training, shall be **R80,00** which includes VALUE ADDED TAX.

(3) Where the Council prescribes an examination, the application fee shall be the application fee as prescribed in subrules (1) or (2), as the case may be, and, in addition to such fee, the following fees, which include VALUE ADDED TAX, shall be payable as applicable to each particular case:

	R
(a) In respect of an oral examination prescribed by the Council in terms of sections 11 (1) and (3), 12 (1) and (3) and 14 (1) and (2) (including an examination on a prescribed project)	400,00
(b) In respect of an oral examination to determine whether any particular examination complies with the Council's requirements for recognition in terms of sections 11 (1) (b) (i), 12 (1) (b) (i), 13 (1) (b) (i) and 14 (1) (b) (i)	100,00
(c) In respect of any written examination prescribed by the Council in terms of sections 11 (1) and (3), 12 (1) and (3) and 14 (1) and (2)—	
(i) registration fee	50,00
(ii) examination fee per subject	80,00

Annual Fee

3. (1) The *annual fee* (per annum) in respect of a person registered as a professional engineer, a professional technologist (engineering), a registered certificated engineer or a registered engineering technician, shall be **R209,00**, which includes VALUE ADDED TAX: Provided that if such person produces

"jaar" die tydperk wat op 1 April van 'n jaar begin en op 31 Maart van die volgende jaar eindig; en

"jaargeld" die bedrag wat deur 'n persoon wat kragtens die Wet geregistreer is, aan die Raad betaalbaar is—

(a) binne 30 dae vanaf die datum waarop hy van sy registrasie kragtens die bepalings van die Wet verwittig is; en daarna

(b) jaarliks voor of op 30 September.

Aansoekgeld

2. (1) Waar die Raad nie 'n eksamen voorskryf nie, is die aansoekgeld vir registrasie as 'n professionele ingenieur, 'n professionele tegnoloog (ingenieurswese), 'n geregistreerde gediplomeerde ingenieur en 'n geregistreerde ingenieurstegnikus, na gelang van die geval—

(a) ten opsigte van 'n persoon wat nie as 'n ingenieur-in-opleiding, 'n ingenieurstegnoloog-in-opleiding, 'n gediplomeerde ingenieur-in-opleiding of 'n ingenieurstegnikus-in-opleiding geregistreer is nie, **R220,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit;

(b) ten opsigte van 'n persoon wat reeds geregistreer is as 'n ingenieur-in-opleiding, 'n ingenieurstegnoloog-in-opleiding, 'n gediplomeerde ingenieur-in-opleiding of 'n ingenieurstegnikus-in-opleiding, **R140,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit;

(2) Waar die Raad nie 'n eksamen voorskryf nie, is die aansoekgeld vir registrasie as 'n ingenieur-opleiding, 'n ingenieurstegnoloog-in-opleiding, 'n gediplomeerde ingenieur-in-opleiding of 'n ingenieurstegnikus-in-opleiding, **R80,00**, wat BELASTING OP TOEGEVOEGDE WAARDE insluit;

(3) Waar die Raad 'n eksamen voorskryf, is die aansoekgeld dié aansoekgeld soos voorgeskryf by subreël (1) of (2), na gelang van die geval, en, buite en behalwe sodanige geld, is die volgende geld, wat BELASTING OP TOEGEVOEGDE WAARDE insluit, betaalbaar soos van toepassing in elke besondere geval:

	R
(a) Met betrekking tot 'n mondelinge eksamen wat deur die Raad voorgeskryf word kragtens artikels 11 (1) en (3), 12 (1) en (3) en 14 (1) en (2) (insluitende 'n eksamen oor 'n voorgeskrewe projek)	400,00
(b) Met betrekking tot 'n mondelinge eksamen om vas te stel of 'n betrokke kwalifikasie aan die vereistes vir erkenning kragtens artikels 11 (1) (b) (i), 12 (1) (b) (i), 13 (1) (b) (i) en 14 (1) (b) (i) voldoen	100,00
(c) Met betrekking tot enige geskrewe eksamen wat deur die Raad voorgeskryf word kragtens artikels 11 (1) en (3), 12 (1) en (3) en 14 (1) en (2)—	
(i) registrasiegeld	50,00
(ii) eksamengeld per vak	80,00

Jaargeld

3. (1) Die *jaargeld* (per jaar) ten opsigte van 'n persoon wat geregistreer is as 'n professionele ingenieur, 'n professionele tegnoloog (ingenieurswese), 'n geregistreerde gediplomeerde ingenieur of 'n geregistreerde ingenieurstegnikus, is **R209,00** wat BELASTING OP TOEGEVOEGDE WAARDE insluit: Met dien

Badger sheds its cloak in SA

B/Day 5/6/92 (189E)

KARIN FRANKEN

US ENGINEERING and construction group Badger International, after braving sanctioneers with its surreptitious involvement in local multimillion-rand petro projects in SA for five years, is to return openly.

Its controlling company, Raytheon, bowed to sanctions pressures in 1987, saying it had sold 85% of its SA interests and that it intended to sell the rest.

In what was essentially a warehousing operation, Badger teamed up with Murray & Roberts subsidiary Engineering Management Services (EMS) under the banner of Process Industry Engineering (PIE).

Because of sanctions pressures at the time, Raytheon was reluctant to say whether it had maintained licensing or technical agreements with SA.

Badger has reopened an office in Johannesburg, and will trade as Badger Africa.

Essentially, PIE has been renamed. It is at present working on design and construction projects for Natref in Sasolburg and Sapref in Durban.

The projects are worth a combined R850m.

Badger MD David Beldotti said yesterday: "Badger never left SA.

"We provided engineering, design and construction services to Sapref in the early '70s, and engineering, design, procurement and startup services for the giant Sasol 2 and Sasol 3 complexes at Secunda.

"During the more recent difficult times, as PIE, we carried out engineering, design, procurement and startup support services for the synthol units at the Mossel Bay onshore refinery."

EMS MD Bob Allester said the successful liaison with Badger would allow easier access to international experience, research and knowledge for the industry.

Other projects undertaken during the past five years included design and construction services for synthol units at the Mossel Bay refinery.

Further projects included design and construction management of Sasol's N-Butanol facility at Secunda.

The company is undertaking the grass-roots installation of delayed coker facilities for Sasol at Secunda.

It said it also intended to expand into the fertiliser, pharmaceutical, food and environmental sectors during the coming year.

Badger is back

(189E)

S/Times (Buss)

US-BASED international project management group The Badger Company Inc has strengthened its presence in Southern Africa by reopening offices in Johannesburg.

The company will trade as Badger Africa. It is jointly owned by Badger and Engineering Management Services (EMS), a Murray & Roberts subsidiary. 7/6/92

Both companies have worked together as Process Industry Engineering on SA petrol and petrochemical projects for the past five years.

The capital investment from customers in current projects is about R850-million.

ADE's new brake means a safer ride

S Times [Cape Metro] 14/6/92. (189E)

IN its search for technical improvements, Atlantis Diesel Engines (ADE) has introduced an engine valve brake (EVB) that produces a quiet ride, costs far less than any other engine brake, reduces driver fatigue and increases safety margins.

This was said by ADE managing director Fritz Korte at a presentation in Cape Town where a model of the EVB was demonstrated by ADE technical director Ron Shires.

"The EVB increases retardation of the conventional exhaust brake by between 66 and 100 percent, depending on the speed," said Mr Shires.

"The cost saving could be up to R35 000 since, in some applications, the EVB eliminates the need for a retarder.

"In addition, reduction in noise level works hand in hand with a reduction in driver fatigue as the EVB gives a driver greater control.

"This significant education in noise compared to other braking systems is one of the major environmental benefits.

"The EVB reduces downtimes even further for, although it is operated in combination with the normal braking system, it reduces wear and tear on that system."

The EVB consists of a small secondary valve — smaller than the inlet and outlet valves — in the cylinder head which is opened during braking.

The valve, pneumatically operated, remains open during braking and air is forced through it to dissipate the engine's energy.

The EVB is fitted to the ADE 442 and 4443 T and TI engines, and will be fitted to the 447 range later this year.

The EVB can also be retro-fitted to trucks powered by these specific engines.

The safety aspects of the new development are welcomed by transport experts, as the present laws allow South African commercial drivers to be on the road longer than most other countries, with resultant fatigue.

Research into the effects on long driving hours on driver fatigue provides some startling conclusions:

- After taking a half-hour break at the end of four hours, the average driver has a 9,5 percent chance of having an accident.
- Taking a half-hour break after eight hours of driving has little effect. There is a 34 percent chance of having an accident.
- At the end of 14 hours, the accident change has risen to 88 percent and is still rising. Research does not extend beyond 14 hours.
- Reaction times slow down after eight hours and then fatigue sets in.

Fatigue means there is performance decrement, subjective experiences (dreaming or hallucination) and physiological changes.

"Driving hours legislation is not something that can be rushed into, but it is up to everyone concerned to get it right first time to ensure we get the correct laws and systems that will provide high safety levels for all road users," said Terry Savage, marketing director of Control Instruments, which offers an on-board tachography system — a device that records the number of hours that a driver has been at the wheel or resting.

The USA amended legislation in 1987 to provide for the use of tachographs as being the only reliable and foolproof method of controlling driver hours.

This resulted in a considerable drop in the accident rate — a fact endorsed by other countries that followed suit such as the UK, Germany and Australia.

Dorbyl takes on foreign partners in export drive

S|Times [BUSS] 14|6|92 189E

By CIARAN RYAN

DORBYL is going for the export market, signing up joint-venture deals with a string of foreign investors.

It has also inaugurated the second phase of Univel Transmissions, which makes CV joints for the motor industry.

Its 40% partner in the project is GKN of the UK. Three other factories with Taiwanese partners are at various stages of commission, producing mirrors, fully trimmed seats and steering wheels, for the domestic and export markets.

Dorbyl is also looking at off-shore joint ventures.

Capital expenditure of more than R50-million in the automotive products division this year will boost annual sales by R70-million a year.

Exports account for 15% of Dorbyl's turnover — bolstered by orders for three R100-million containerised ships from Germany and Phase VI of the local content programme which encourages the export of cars and automotive parts.

Chief executive Dawie Mostert says the plan is to increase the export figure to 30%.

Dorbyl is close to signing additional ship orders and has set up a London sales office to boost European exports.

Mr Mostert says: "We have been successful in attracting foreign partners on a small scale. By forming strategic alliances with foreign partners we gain access to their technology and new export markets."

Mr Mostert accompanied Minister of Finance and of Trade and Industry, Derek Keys, on an export promotion trip to the Far East. He says he will consider opening a plant in China, but the priority is to get the domestic market moving.

"China has low-cost labour and a good work ethic which makes it suitable for labour-intensive industries. In SA, it is generally only the capital-intensive industries that can compete in a free trade environment."

Capital expenditure in the current year will be about R150-million. It will be spent on modernising the Tosa Seamless Tubes plant, which had to be redesigned, new factories in the automotive products division, a ship outfitting quay and a foundry moulding system.

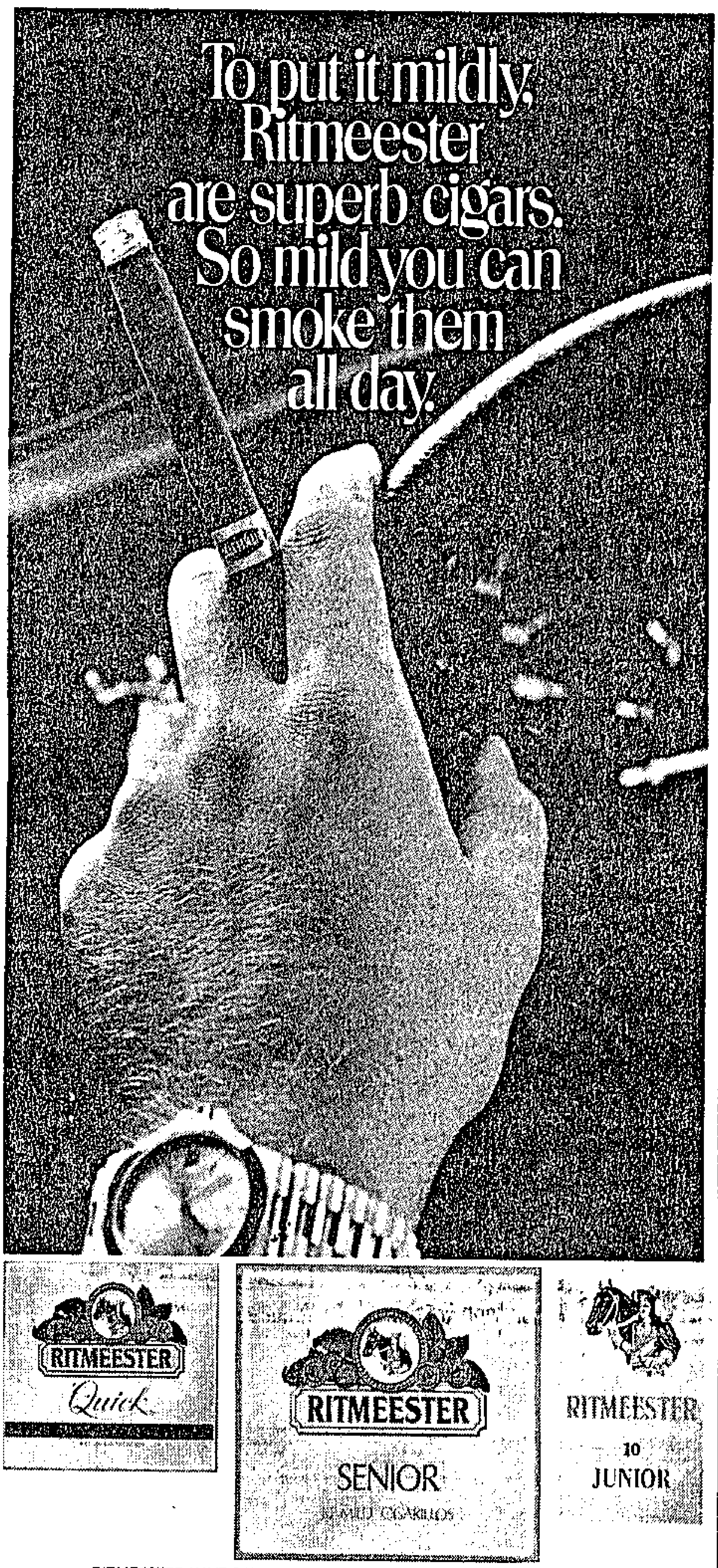
Related

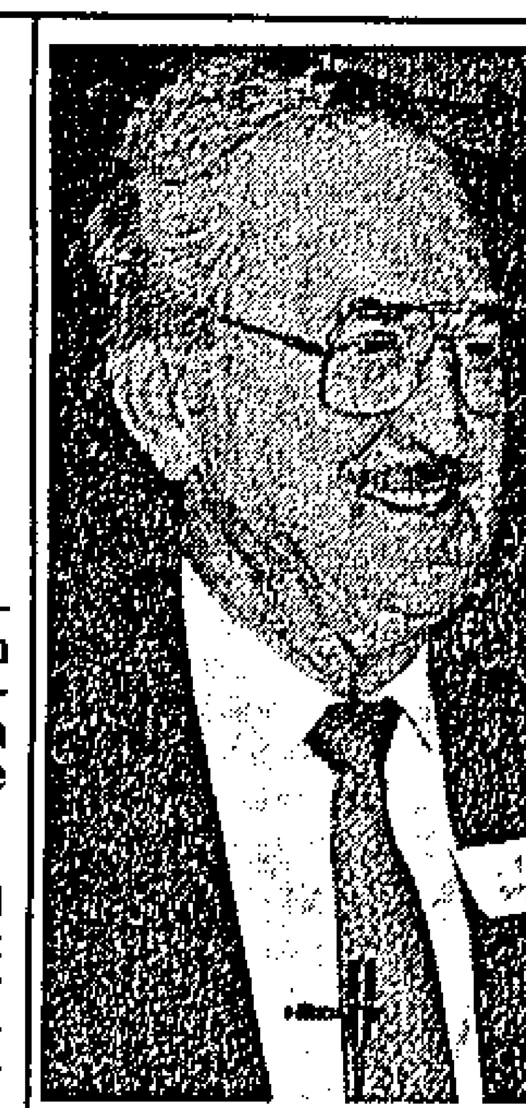
A new buzz-word in manufacturing is "focused factories", a concept Mr Mostert picked up at Harvard three years ago. Focused factories are a radical departure from the old concept of diverse production where a range of goods was produced under one roof.

The focused factory concentrates on one, or a few, related products and differs from diverse production in that less work is sub-contracted out.

By switching from mass production to focused factories, productivity improved by 70% in certain areas, says Dorbyl automotive products chairman Mike Smithyman. Quality is checked at each stage of the production cycle so that faulty goods are corrected as they occur rather than at the end of the cycle. This slashes the cost of repair. Stock levels are reduced to a minimum through the just-in-time order system, and production is driven by orders rather than by the need to replenish stock.

Earnings a share dropped to 133c from 160c in the six months to March 1992, but Mr Mostert expects them to improve as the export drive gets under way.





LOUIS SHILL: New look

Sage clears the decks

S|Times [BUSS] 14/6/92

By JULIE WALKER

SAGE's first general press conference since it listed 23 years ago was held to announce the merger of its three quoted vehicles in a move to unlock the group's worth.

Chairman Louis Shill says that after the merger, the consortium shareholders will control 63% of the new Sage Group. The balance will be widely held and should contribute to improved tradeability.

Members of holding company Sage Holdings will receive 270 Sage Financial Services (SFS) shares for every 100. Holders of 100 Sage Property will be offered 55,6 SFS shares.

The group will still have two arms, property and life assurance-financial services. Life assurance and financial breaks down into core and other interests. The other is chiefly Absa.

Mr Shill promises that the new Sage will be virtually free of borrowings because some of the R400-million portfolio of non-core assets will be sold. Its holding in Absa (21% of Universa, which owns a quarter of Absa) will also be reduced in time because Sage's dependence on equity-accounted earnings will be cut.

Referring to the previous poor showing by the group's American investments, Mr Shill says that an option to repurchase half of the asset sold two years ago has been secured.

It took seven years to build up turnover of $3,5-million a month, but in the past two years since Sage sold its controlling interest and wrote off a contingent liability of R50-million, turnover increased to $60-million a month.

Prospects

"Now we have a contingent asset, if there is such a thing," says Mr Shill.

Sage aims to expand in financial services and prospects are being investigated.

Mr Shill does not foresee any room for manoeuvre with Momentum, now 80%-owned by Rand Merchant Bank Holdings, in which Sage has a quarter stake.

The restructuring will be completed by mid-September.

Rescue bid for NCI

TROUBLED NCI chairman Mike Clarke has until June 24 to submit written motivation to the JSE about why the company's listing should continue.

Mr Clarke is convening an informal shareholders' meeting at Bryanston High School at 9.30 am on Saturday to submit his rescue proposal. If the shareholders are interested enough, he will put it to the JSE committee.

New job selection guidelines on way

S|Times [BUSS] 14|6|92.

By ADRIAN HERSCH

EMPLOYEE recruitment and selection procedures in SA will be transformed in the next few years — and are likely to be similar to those of the US and Namibia.

That is the view of Charles Tustin, who served on the SA Society for Industrial Psychology task group that has set up employee "selection guidelines".

The guidelines will be released in September.

In the US and Namibia it a certain percentage of a designated group who apply for positions are not selected, it may be considered discriminatory — depending on circumstances.

If an employer does not conform with national "selection guidelines" it is discriminatory.

Dr Tustin, of the University of SA, says that in many countries the criteria for selection tend to be far more job-related than in SA.

"The primary concern is that the performance in a test — or other basis for decision — is related to performance on the job or other measures of work success," says Dr Tustin.

The task group, commissioned in July 1991, was chaired by Hennie Kriek of the industrial psychology department of Unisa.

Dr Tustin says that although the guidelines will not necessarily be the final word, employers would do well to implement them.

Firm suited to meet power needs

B/Day 23/6/92. (189E)

ROSHERVILLE Engineering believes it is ideally placed to serve Africa's power industry.

Since the early 1900s, Johannesburg-based Rosherville Engineering has dealt with the complex maintenance of power generating equipment, including turbines, transformers and switchgear.

Recent visits to and from neighbouring countries have shown that there is a keen interest in establishing co-operation agreements or joint ventures with SA companies like Rosherville.

It says the recent World Energy Council meeting highlighted the fact that the eyes of the First World are focused on eastern Europe, forcing African countries to acknowledge their interdependence.

They have also realised that the costs of using overseas expertise are enormous.

It has therefore become vital to use local resources and develop local skills.

Rosherville is the perfect partner, having realised early on that rehabilitation of well-tried equipment to prolong its life held advantages over buying new equipment.

Rehabilitation costs a fraction of the cost of capital goods and existing staff do not need to be re-trained.

Spares can be manufactured locally, again at greatly reduced costs. And spares can be upgraded by using more sophisticated materials.

Rosherville has created a large infrastructure of equipment and skills.

It has also developed a pool of diverse experience in problems relating directly to the African environment, for example unique weather conditions.

Rosherville hopes that its ideal positioning to service southern African needs will allow it to play a role in maintaining heavy power equipment but also in upgrading the sub-continent's skills levels.

Hudaco's acquisition of Valard shows results

BDay 23/6/92 (189E)

EDWARD WEST

HUDACO's R75m acquisition of automotive and industrial component supplier Valard in December has bedded in well — operating profits are up 30% to R31m (R23,8m) in the six months to May 1992.

The acquisition boosted sales by 53% to R280m (R183m). After financing costs of R3,9m (R3m) and tax of R9,7m (R8,2m), attributable profits increased 35% to R14,5m (R10,7m). Hudaco manufactures and distributes industrial consumables.

After taking into account the increased number of shares in issue to 28,4-million (22,8-million) arising from the acquisition, earnings increased 8,5% to 51c (47c) a share. An interim dividend of 23c (21c) a share was declared.

Hudaco CE Kevin Clarke said the compatibility of management styles enabled Valard to bed into the group very rapidly. As a result, Valard's results exceeded forecasts by its directors that its earnings would not be less than 18,1c per Valard share, he said.

Clarke said however, owing to the acquisition, the comparison of the reported results was not particularly meaningful. A more useful comparison was that of the underlying businesses after the acquisition.

On this basis, turnover rose marginally by 4% to R280m (R269m). This reflected a slight decrease in volumes because of the stable rand and depressed demand which kept the price inflation in Hudaco's markets at about 7%.

He believed Hudaco had maintained market share in the increasingly depressed mining and agricultural sectors, although sometimes at the expense of profit margins.

Although Hudaco had no borrowings at the end of 1991, the acquisition of Valard on December 1 1991 resulted in consolidated borrowings of R52m.

However, operating cash flow reduced this to R47m by the end of May 1992 which represented a gearing of 35%. Clarke said the group planned to further reduce gearing to 30% by year-end.

Workers occupy company's head office

Bus Day 25/6/92. (189E)

DIRK HARTFORD

MORE than 600 National Bolts workers occupied the company's head office at its Benoni plant yesterday until the company agreed to stop 200 retrenchments scheduled for tomorrow.

Chairman Alan Schlesinger, speaking from the occupied offices last night, said he and MD Dennis Dedwith expected to spend the night there.

He said there were still about 70 workers inside the offices and about 200 outside.

Besides "minor damage" to property, the occupation had been peaceful.

Schlesinger said the occupation was unlawful and unprocedural.

Numsa regional secretary Bethuel Maserumule confirmed that the company had brought an urgent interdict against the union to stop the occupation but workers had decided to ignore any interdict.

Maserumule said there were two other factory occupations yesterday, but this could not be confirmed. He said US subsidiary Tim-Chem was occupied after workers were dismissed for taking part in Monday's march through Johannesburg.

Maseremule said the companies' refusal to negotiate alternatives — like short-time and no overtime — was "characteristic of the intransigence of the ruling class".

Schlesinger said there had been negotiations on the issue for a month. The alternatives posed were not viable as the company was fighting for its survival.

Malbak revises forecast as recession tightens its grip

BIDay 25/6/92

MARCIA KLEIN

THE Malbak group has made a downward revision to its earnings forecasts for the year to end-August in view of the poor economy.

Yesterday Malbak issued a special third quarter report to investors, revising its earnings forecast for the year down from 117c a share to 105c a share.

Executive chairman Grant Thomas said advance warning of lower than expected earnings was necessary due to the marked deterioration in business conditions and the fact that there was no likelihood of any improvement before the end of the current financial year.

In April, when it published its interim report to end-February, Malbak said the group was on track to achieve its earnings forecast of 117c a share made at the previous year-end.

"This forecast recognised the fact that the full effect of the recession was only then being felt by the consumer and that there was unlikely to be a significant upturn in demand for the group's products in the second half of the financial year."

However, consumer demand had weakened markedly in the quarter to end-May, and trading conditions had been "far worse than most expected".

Malbak directors said there had been no indication of any improvement in consumer demand. In addition, the threat of extended stayaways added to the short-term uncertainty.

Malbak said earnings for the third quarter were below expected levels, and this had necessitated the downward revision of the group's earnings.

Earnings for the full year would be down 15,4% on a weighted average basis and by 13,2% on a fully converted basis.

The previous forecasts had pegged the earnings decline at 5,7% and 3,3% respectively. BIDay 25/6/92.

Among Malbak's interests are Foodcorp, Holdains, SA Druggists, Kohler and Tedelex.

Chubb lowers dividend after drop in turnover and earnings

BDay 26/6/92 189E

EDWARD WEST

LEADING security group Chubb Holdings' earnings dropped 9,4% to 124,9c a share (137,9c) in the year to March 1992.

A final dividend of 16c a share (17c) was declared bringing total dividends for the year to 25c (28c). Turnover was down 3.3% to R167,2m (R172,8m), today's published results showed.

Chairman Dirk Ackerman said in his annual review most financial, commercial and retail organisations had rationalised their operations and, with a less active building industry, particularly in mass housing, new business opportunities were limited during the year.

Trading profit fell 17,4% to R13,6m (R16,5m) dragging profit margins down to 3,2% (9,6%).

However, directors reported that margins improved in the second half of the financial year to 12% compared with 4,8% in the first half as a result of cost control measures and a reduction in the workforce.

Asset management and relatively low capital expenditure saw the gearing ratio fall to 47,4% (63,3%).

As a result finance costs fell 19,9% to R3,9m (R4,9m).

Pre-tax profits fell 16,4% to R9,7m (R11,7m). Tax charges of R2,8m (R4m) accounted for 29,1% of pre-tax profits which together with the finance costs, brought attributable earnings 9,4% lower to R6,9m.

Turnover in the physical and electronic security divisions dropped while sales in the fire division increased marginally.

The physical division's trading profit fell 76,7% to R1,4m (R6,1m), the electronic divisions increased 26% to R9,8m (R7,8m) while fire division trading profits fell 7,8% to R2,4m (R2,6m).

Chubb Lock and Safe MD Gary Friedericksen said products were continually enhanced and upgraded.

Opportunities to increase volumes in the year ahead were limited, but improved productivity, asset management and cost control were expected to improve profit margins.

their interests will be the key to the operation. *David Gleason*

HUDACO FM 26/6/92

Kicking in (189E)

Based on these figures, Hudaco's R75m Valard acquisition is already paying off. The acquired operations would have made a positive contribution to EPS had R300 000 (equivalent to 1c a share) in transaction costs relating to the deal not been deducted. As this is a one-off cost, the acquired group should start making a positive contribution

Cont

VALARD HELPS

Six months to	May 30 '91	Nov 30 '91	May 30 '92
Turnover (Rm)	183	184	280
Operating inc (Rm)	23,8	26,9	30,9
Attributable (Rm) ..	10,7	14,9	14,5
Earnings (c)	47	65,2	51
Dividends (c)	21	30	23

FM 26/6/92 (189E)

in the second half.

The acquisition had a neutral effect on Hudaco's EPS after these costs are deducted, according to CE Kevin Clarke. Group attributable earnings of R14,5m were split roughly R2,65m from the Valard operations and R11,85m from the remaining businesses.

Hudaco's results are not strictly comparable with the previous figures, as the Valard acquisition was only effective, and its figures consolidated, from this year. As about R63m of the R75m acquisition price was settled through issuing Hudaco shares, the average number of shares in issue jumped to 28,4m from 22,8m.

Hudaco used debt to settle the cash payment for the R13m balance of the acquisition price. This, and the consolidation of Valard's debt, meant Hudaco's liabilities surged to R47,3m (1991 R920 000).

As Hudaco's after-tax annual cash generation is around R15m-R20m, gearing should reduce from 35% at end-May to roughly 30% by year-end. It should drop to virtually nil two years down the road, indicating the advantage of strong cash generation. "There is still potential for further improvements in efficiencies," Clarke says.

It is probable the group will make further acquisitions once Valard has settled down. The group has the ability to make acquisitions given the healthy balance sheet and strong share price, currently on a p:e of 13,6.

After stripping out the Valard operations, Hudaco's divisions increased attributable earnings 9% from last year's R10,7m. Clarke reckons this should be seen in the light of the engineering sector's 7% producer price inflation. As Hudaco makes and distributes replacement products, it is less exposed to recessions.

Though on a full rating, the price should be sustainable as the group has shown it can manage acquisitions well. *William Gilfillan*

FM 26/6/92. **COMPANIES**

Sector : Engineering [see McGregors]

Activities: *Makes and distributes secondary steel products for mining and industry.*

Control: *Directors 77%.*

Chairman and MD: *G D Wilson.* (189E)

Capital structure: *17,6m ords. Market capitalisation: R3,8m.*

Share market: *Price: 22c. Yields: 14,8% on dividend; 49,1% on earnings; p:e ratio, 2,0; cover, 3,3. 12-month high, 30c; low, 22c. Trading volume last quarter, 44 000 shares.*

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	4,9	0,9	6,0	5,1
LT debt (Rm)	1,4	1,1	0,8	1,3
Debt:equity ratio	0,63	0,18	0,54	0,46
Shareholders' interest	0,39	0,42	0,40	0,37
Int & leasing cover .	3,8	3,1	10,9	4,3
Return on cap (%) ..	12,9	14,1	13,4	12,1
Turnover (Rm)	62	67	69	83
Pre-int profit (Rm) ...	3,3	3,7	4,2	4,5
Pre-int margin (%) ..	5,4	5,5	6,2	5,4
Earnings (c)	8,5	7,7	10,8	10,8
Dividends (c)	2,6	2	3,25	3,25
Net worth (c)	57	63	71	78

CLYDE INDUSTRIAL

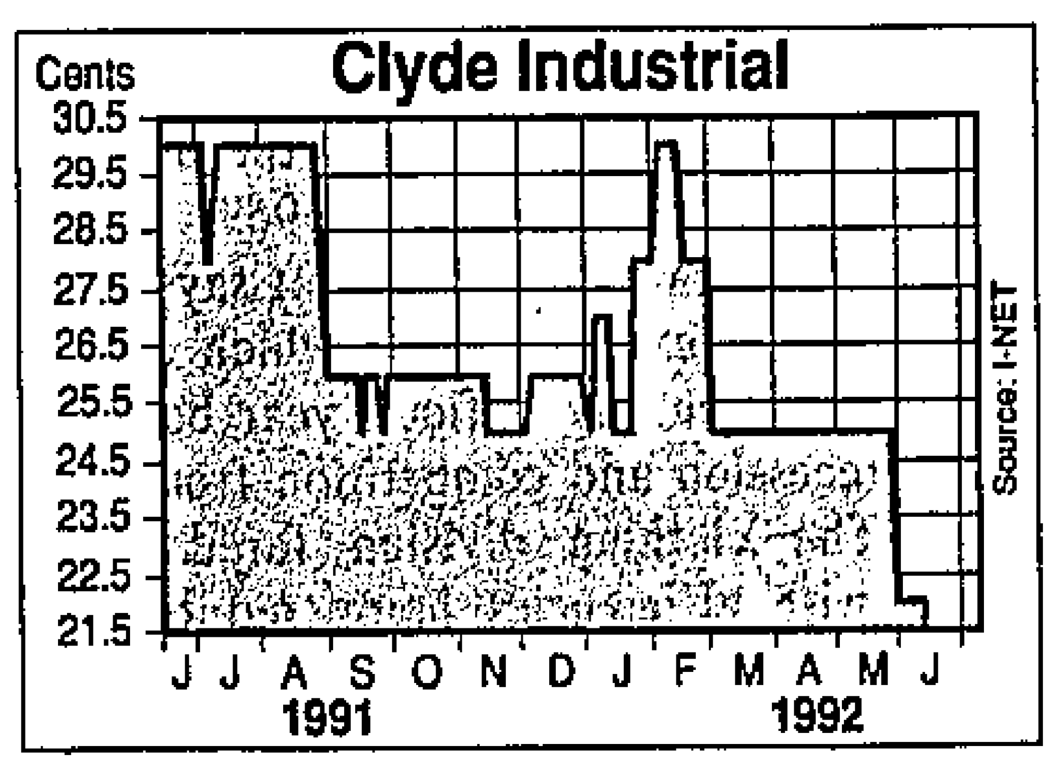
Mining trap (189E)

Chairman Gordon Wilson blames cost-cutting by the gold mining industry for Clyde's dip in net income on the back of a 20% increase in turnover. Trading margins were cut. The increased turnover and slump in the agricultural and engineering markets called for an increase in working capital, funded by short-term borrowings. Interest paid jumped from 1991's R400 000 to R1m.

This offset the benefits of the drop in the effective tax rate to 46%, from 50%, and the 6% improvement in operating income. Financial director Anthony de Klerk expects the tax rate to fall further this year.

Management is closely monitoring stock and debtors. Wilson expects the interest cover to return soon to the self-imposed minimum level of six times. De Klerk says management is determined to see wider margins.

Non-mining business now represents 31% (1991: 20%) of turnover, as Clyde is expanding further into engineering and agricultural



markets. This year it acquired the entire shareholding in Kalahari Steel Rolling Mills to strengthen its position in the rail and, possibly, fencing post markets.

EPS, after dropping in 1989 and 1990, were merely maintained in the past two financial years. Investor confidence is evidently lacking, as shown by the yield and the share's two-thirds discount to net worth. A more solid profit record and a drop in the gearing ratio would help to bolster market perceptions.

Kate Rushton

, June 26 1992

Recession harms Winbel's results

(189E)

Bdy 26/6/92

PETER GALLI

ENGINEERING group Winbel (formerly Danech Industrial Corporation) and its subsidiaries have fallen foul of the economic recession and high interest rates, according to its interim results released yesterday.

Winbel nearly trebled its attributable loss after extraordinary items to R467 000 in the six months to end-March from a previous R169 000 loss.

Management cited the low gold price, recessionary conditions, high interest rates and labour unrest at its platinum mines as reasons for the downturn in the group's traditional markets.

The investment holding company controls 61% of Winhold, which controls 61% of engineering equipment company Inmins (formerly Danech Mining Supplies) and 86% of polythene bag, sheeting and furniture manufacturer Plastall.

On the back of a 10% drop in turnover to R102,79m (R113,75m previously), the group saw operating income more than halved at R1,23m (R2,9m).

Winhold's net loss after extraordinary items soared to R838 000 from R291 000 previously as operating income fell to R1,09m from R2,8m.

"A protracted seven week strike at one of Plastall's major operations, the negative impact of the drought on the fertiliser bag market and the declining office furniture markets caused it to perform way below expectations," its directors said in a statement yesterday.

Plastall moved into the red, reporting a net loss of R784 000 in the period under review from a previous profit of R403 000, translating into a loss 5,5c per share from previous earnings of 2,8c.

Management said it did not expect any real improvement in business conditions until the economic climate improved, but was striving to optimise opportunities in the current depressed market.

In May, an agreement was reached with a consortium of financial institutions whereby R13,74m of interest bearing debt in Inmins was converted to variable rate cumulative redeemable preference shares and R13,74m of Inmins' interest bearing debt was converted to long-term debt and secured by a cession of its trade debtors.

Winhold also gave the banks involved an option to buy 20% of Inmins issued share capital.

"This strengthened shareholders' funds and reduced its interest burden," directors said.

The full impact had not yet been reflected in the balance sheet but would strengthen that for the remainder of the financial year.

Inmins reported a reduced attributable loss after extraordinary items of R543 000 from R980 000 previously, while net financing costs dropped to R1,73m from R3,3m.

Further improvements and rationalisations were being finalised, which would allow management to concentrate on optimising the current infrastructure so that any economic improvement would be felt immediately, Inmins said.

Haggie weathers recession

JOHANNESBURG. — Industrial engineering group Haggie weathered poor economic conditions as it maintained dividends of 157c a share for the year ended December 1992. CT 12/2/93

The group declared a final dividend of an unchanged 110c a share on top of the mid-year interim dividend of 47c a share.

Turnover was virtually static at R1,2bn but masked an improvement in export sales of 16% which lifted its contribution to total turnover to 18%. However, domestic turnover was depressed and dropped 2%.

Attributable income rose by 2% to R58,5m and Haggie said it at least expected to maintain earnings for the year given the prospect of a mild economic recovery this year. (189F)

SCHARRIGHUISEN
FM 5/2/93

Exhausting growth pace

New listing Scharrig Mining (Schamin) made an impressive debut when it was listed alongside holding company Scharrighuisen Holdings (Scharig) in the JSE's engineering sector last week. (189E)

Floated to separate the mining activities from the top company's diversified interests in engineering and other areas, through a dividend *in specie* of 100 shares in the new company for every 100 shares held in Scharig, Schamin first traded at 155c on January 25, rising to 210c during the day. This week the share was quoted at 190c.

But there is concern in the market about the share, for two main reasons. Some analysts question whether recent growth can be sustained, feeling Scharig has expanded too quickly through acquisitions, resulting in a loss of focus and over-extension of management. And they fear the thin export margins coal producers are having may lead to a drop in volumes this year.

With no mining rights and insulation from world prices for coal because of the contract nature of its business, Schamin has so far benefited from the downturn in the coal industry. As producers have been forced to cut costs, contract mining has become attractive, and though export margins are barely profitable (this year's average contract price for SA coal will probably be a shade under $30/t), producers have largely

Continue →

kept up volumes to keep mines going.

There is a feeling, however, that 1993 could be the year when export volumes drop, though early projections put the figure at about 50 Mt, slightly lower than last year. Coal mining costs are rising, capex budgets are being cut, and mines like Trans-Natal's Ermelo Mines are cutting production.

With about 90% of Scharig's income derived from opencast mining and mining services — though with the restructuring and listing of Schamin this will reduce to about 70% next financial year — a drop in export volumes or the loss of a few key contracts could hurt.

MD Laurie Fisher does not believe volumes will drop this year, but says if they do it should not affect the level of operations at which Schamin is involved in the industry.

"With cutbacks on the mines, contract mining remains the low-cost option, and even when mines close we often pick up the rehabilitation work," he says. "We concentrate on the blue chips and, though there is some volatility, we have a pretty even spread in our contracts. While the loss of a major contract would be significant it would not pull the rug from under our feet."

Fisher says contracts tend to be for two to three years, and Schamin's largest exposure to a single contract accounts for about a fifth of turnover.

He answers concerns about the pace of growth by citing the results. EPS nearly doubled between 1990 and 1991, and are forecast to increase by about 26% when results for 1992 are published next month.

Pre-listing documents forecast that the group's 75% interest in New Joules, a maker of mainly railway engineering products, will increase Scharig's NAV by 5c to 317c, and contribute 11c to EPS by the 1993 year-end. Norman Mining, in which Schamin has a 55% interest, is expected to add 7c a share to results by December 1993.

"If people think we are growing too quickly now, they will be even more concerned at the end of the year." Fisher says the group is looking at substantial new investments in mining and industrial sectors. While the head office structure is essentially run by three senior people, he says operational management has been expanding with the acquisitions.

Scharig's share price has made impressive gains, appreciating by 57% over the year, and has been rerated relative to its sector. Its yield has firmed from 5,1% when interims were published to 4%; the p:e has climbed from 5,6 to 7,4. Despite investor concerns, the new share will be worth watching.

Shaun Harris

Star 16/2/93

Trying times for Fralex

189E

By Derek Tommey

Fraser Alexander (Fralex) had a difficult six months to December.

Although turnover dropped only 2,5 percent to R168,6 million, net income fell 33,4 percent from R8,57 million to R5,7 million because of losses sustained by the colliery, underground contracting and offshore coal trading operations.

Earnings a share dropped a similar percentage from 54,5c to 36,3c. The interim dividend has been cut by 33,3 percent from 12c to 8c.

Chairman Peter Flack says the core waste and materials handling businesses all met or bettered earnings projections.

But the continuing decline in the domestic ferrochrome industry severely reduced the expected offtake of coal from the colliery. An unusually mild European winter resulted in lower-than-expected sales by the UK-based coal trading operation.

The general cost constraints maintained by the mining industry mean that some expected underground contracting work did not materialise and that existing contracts continued at lower-than-expected rates.

Gearing rose from 45 percent in June 1992 to 58 percent in December, partly as a result of expenditure on fixed assets.

Hudaco budgets for zero growth

MECHANICAL products group Hudaco Industries was budgeting for zero growth in 1993, but expected improved earnings a share as a result of its 1992 cost-cutting, CE Stephen Connelly said in his annual review.

The group experienced a profitable 1992, although earnings a share were diluted by a higher number of shares in issue. Operating expenses were held at the same level in rand terms as 1991 by containing wages and salaries and reducing staff by 12%.

TRACY SCHNEIDER (18?E)

The group planned to add leading international brands of industrial consumable products to its portfolio.

Turnover for 1992 increased 53% to R562,6m, and operating profit increased 22% to R61,7m. Connelly attributed this to the acquisition of Valard in December 1991 and tight cost control which restricted the fall in the operating profit margin from 13,8% of sales in 1991 to 11% for 1992.

'Competition from East poses major threat'

MAGGIE ROWLEY
Deputy Business Editor

INCREASED competition from the East posed a major threat to many South African companies who would have to meet this challenge or face the consequences, says Professor Robert Schrire, head of political studies department at the University of Cape Town.

Schrire said in an interview that during the years of political and economic isolation South African companies had hidden behind a high cushion of inefficiencies and high tarriffs.

Emerging from this isolation, he said, would be very painful, not least of all for organised labour which could as a result of this increased competition, become poorer.

Industries being and likely to be effected included the airline industry, textiles, electronic and communications and many service industries.

"Due to the hothouse of sanctions we have been engaging in activities which we should not have been trying to have a finger in every pie."

CT 25/2/93

Due to circumstances it was impossible for SA companies to be competitive in some of these areas and they country had to focus on areas of strength and possible future growth such as tourism, he said.

Addressing a luncheon of the Institute of Directors earlier, Schrire said with the demise of communism much of the old framework which had governed the global scenario had crumbled.

Star 1/3/93 (189E)

Hudaco moves into new fields

By Stephen Cranston

Hudaco's acquisition of Valard has reduced the group's dependence on agriculture and mining and enhanced its exposure to the manufacturing and automotive sectors, says Hudaco CE Stephen Connelly.

Mining accounts for 30 percent of sales and agriculture for 11 percent, but automotive's share is now 13 percent and manufacturing's 25 percent.

Writing in the annual report for the year to November, Connelly says that Valard's integration into Hudaco proceeded smoothly and is now complete.

Because of the Valard acquisition, group turnover increased by 53 percent to R563 million but the volumes on a like-for-like basis fell by seven percent.

Earnings per share fell by five percent to 106,8c. Cash generation amounted to R44 million or cash flow per share of 130c.

Connelly says that there was price-cutting in Hudaco's areas of operations which resulted in many smaller competitors not being able to survive.

The number of employees in the group was reduced by 12 percent and group operating expenses was held at the same level as in 1991.

The biggest sales slump was recorded by the belting and chain division, in which sales fell by R15,6 million to R98,0 million.

Cosatu unveils jobs plan

189E

JOHANNESBURG. — Cosatu yesterday unveiled its job creation proposals, including an appeal to the civil engineering industry to commit itself to labour-intensive construction methods on state projects.

Cosatu general secretary Jay Naidoo told a news briefing the construction and civil engineering sectors had shed about 70 000 trained workers in the past few years.

As a result, Cosatu had approached five civil engineering federations to secure agreement on labour-intensive building.

Job creation has been identified as the top priority by the National Economic Forum and by Cosatu's planned "reconstruction programme" with the ANC.

Cosatu hopes a national job creation programme will be launched by April next year.

Naidoo noted that the contraction in jobs in general since 1991 had cost Cosatu about 150 000 members. CT 4/3/93

The Cosatu civil engineering initiative formed part of its public works programme, proposed at the economic forum.

Otis sits out recession

B/DAY 5/3/93 189C

EDWARD WEST

OTIS Elevators was in a favourable position to weather the recession even though no growth was forecast in the equipment market in 1993, MD Roy Markham said in the group's 1992 annual report.

However, chairman Drew Gnodde said the economic climate would make significant improvements in profitability in 1993 difficult to achieve. Turnover in 1993 was expected to be lower because of less new equipment orders.

Turnover in 1992 climbed 59% to R186,3m from R117m in 1991 due to the acquisition of Melcorp and new equipment contracts sold in 1991. Markham said Otis would concentrate on productivity.

The construction downturn required rationalisation of new equipment sales by combining the sales forces of Otis and Melcorp, said Markham.

In the year to end-November 1992 Otis's earnings a share climbed 30,5% to 50c from 38,3c in 1991 and the dividend was raised to 25c from 19c.

Star 5/3/93

Cullinan cuts back losses and borrowings

(189 E)

By Stephen Cranston

Cullinan Holdings, the electrical power products and ceramics group, has reported improved results in the six months to December.

Although turnover of continuing operations was marginally down from R203,8 million to R191,7 million, operating income improved from nothing to R5,3 million.

Interest charges fell by 40 percent to R7,9 million, resulting in an attributable loss of R2,4 million, down from R10,5 million. No dividend has been declared.

Chairman Alan Clark says that the group has successfully reduced the average level of borrowings although the aggregate at the half year was only marginally down at R93,8 million.

In January, R15 million of short term debt was converted into 37-month redeemable cumulative preference shares, which have been taken up by the group's main bankers. Further reductions in borrowings are forecast in the second half of the year through continuing working capital management.

MD Ed Harbuz says that all divisions are operating well under the new group structure, and that morale has improved.

"Although the state of the economy continues to limit our immediate prospects, our drive to improve quality, efficiency and waste reduction, is already showing a positive effect on the bottom line," he says.

Cullinan Refractories has met and exceeded its budgets for the first six months, and there are medium-term prospects for increased local business.

The overseas operation is performing according to plan, and the level of contracting activity is increasing.

Throughout the group there has been a drive for new export opportunities and prospects are "encouraging."

EL Bateman looks to long-term diversification

189E

BDAY 8/3/93

DUMA GQUBULE

ENGINEERING, contracting and equipment group Edward L Bateman has reported a marginal increase in attributable income to R9,8m (R9,6m) for the half-year ended December.

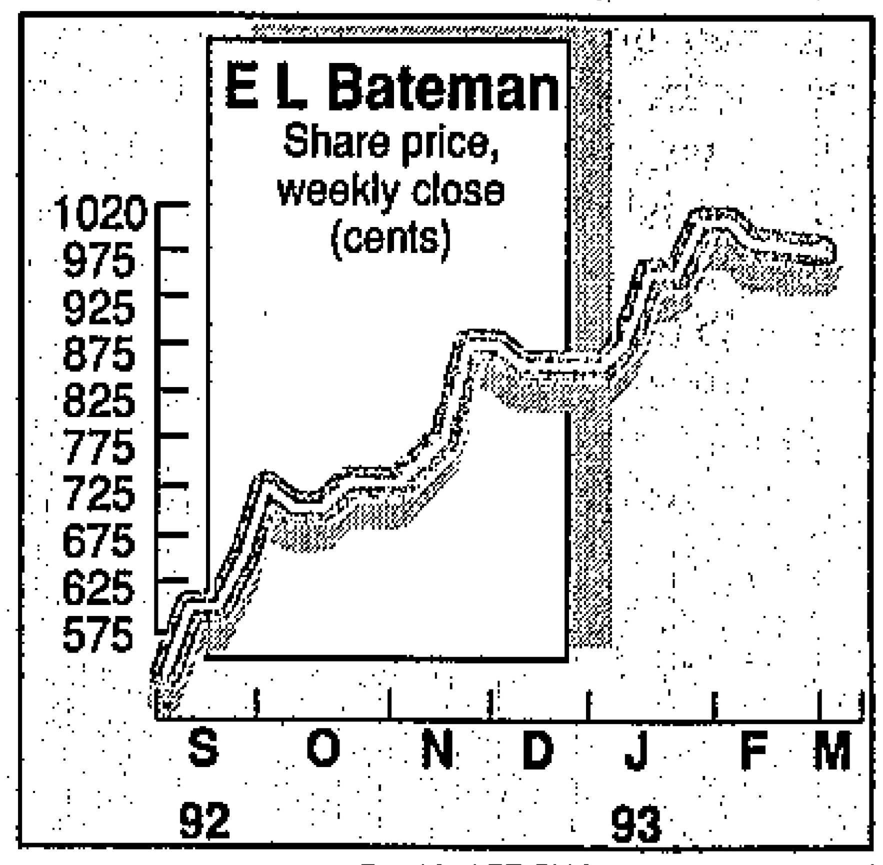
This was equivalent to earnings of 35,7c (35,2c) a share from which an unchanged dividend of 8,25c a share was declared.

Chairman Bill Bateman said the period was characterised by lower activity, particularly in engineering contracting. The group expected to benefit in the longer term from continued geographical and technological diversification.

But full year earnings were expected to be lower as these developments would not have an impact in the short term.

Turnover dropped 19% to R322,4m, but comparisons of year-on-year sales, or between sales and profit, were meaningless because of the nature of the contracts reflected in the figure, Bateman said.

Operating profit was up 14% to R15,2m (R13,3m), largely because of a drop in interest payments to R1,7m (R3,1m). The tax rate rose to 13,2% (11%), and outside shareholders absorbed R3,4m (R2,1m).



Graphic: LEE EMERTON Source: I-NET

Bateman said Bateman Industrial Holdings (BIH), the group's equipment supply arm, had made several important acquisitions in the computer industry, which contributed to the higher tax bill and the increase in outside shareholders' interest.

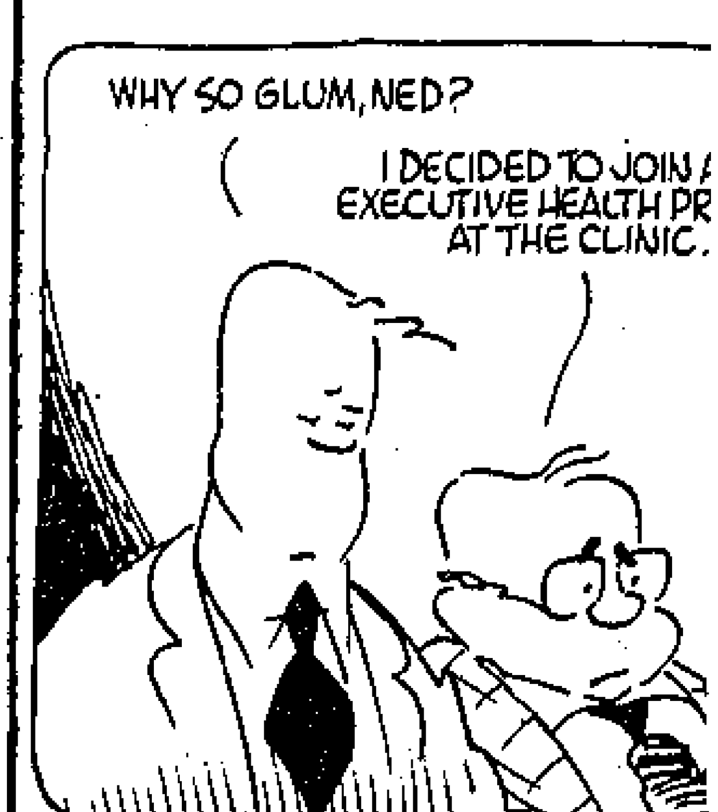
Net cash resources at the interim stage were lower than at the previous half because of the reduced level of contracting activity and the cost of the acquisitions.

Joint MD (equipment) Peter Brereton said traditional mining related markets had remained under severe pressure, resulting in rationalisation and retrenchment in certain areas. But recent diversification into high growth sectors in the computer industry had proved successful.

Batepro, the project management division, had wound down its involvement in Mossgas and Venetia. Local markets had deteriorated at the same time, resulting in a significant downsizing of the division.

Joint MD (engineering) John Herselman said the settlement of certain outstanding claims, including a significant one relating to Mossgas, could have a positive effect on the division's earnings.

EXECUTIVE SUIT



Bateman pays same interim

Star 8/3/93

Finance Staff

Engineering group Edward L Bateman posted a slight improvement in attributable earnings despite a 19 percent fall in turnover to R322,4 million (R397,8 million) in the six months to December.

Attributable income rose from R9,6 million to R9,8 million as the large drop in turnover was offset by slightly higher pre-interest income of R16,9 million (R16,4 million) and lower interest payments of R1,7 million (R3,1 million).

Operating income improved by 14 percent to R15,2 million (R13,3 million). (189E)

Earnings per share were up from 35,2c to 35,7c from which an unchanged interim dividend of 8,25c is being paid.

Chairman Bill Bateman says the first half was characterised by lower activity levels, particularly in the engineering contracting side of the business.

Haggie to boost capex to R154m

JOHANNESBURG. — The JSE-listed engineering group, Haggie, is to boost its capital expenditure from R62m to R154m during ~~their~~ current financial year.

(IG9E)

This was disclosed in the ~~group's annual~~ report for the year ended in December 1992, which was released last Thursday.

CT 8/3/93

An amount of R72m of the budgeted R154m is to be spent on expansion projects contrasting with previous years when expenditure was limited to essential replacement items in order to conserve cash.

About R45m will be spent on machinery for a new steel cord plant to be built in Boksburg following an agreement signed last week with the Italian company GCR Spa/Riva Steel.

The plant, scheduled to start production early next year, will produce mainly fine steel wire for use in tyre reinforcement. The capital expenditure drive follows an active year of investment in 1992. — Sapa

NEI describes results as extremely disappointing

B/DAM 11/3/93 (189E)

ANDY DUFFY

DRASTIC retrenchment and heavy contractual losses forced engineering group NEI Africa into a R52m retained loss for the year to December 1992, despite a slight improvement in its underlying performance.

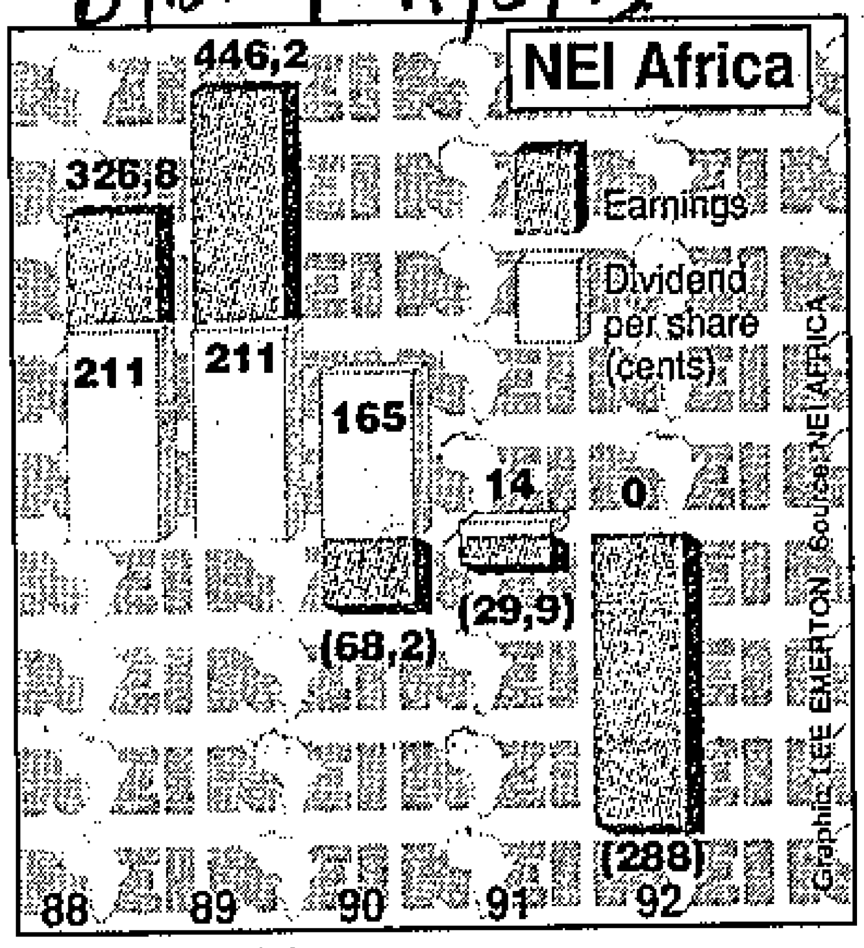
The UK-owned group took an extraordinary charge of R33,6m to cover cutbacks in which nearly 1 600 jobs — one-third of its workforce — were lost, one of its 11 divisions was sold and two others cut to the bone.

NEI was forced also to take a R30,5m charge above the line for losses on two contracts completed last May by its Ical division for Mossgas, and the devaluation of one-third of Ical's claims on the same work.

The company has now earmarked two other divisions for sale, and plans to restructure its borrowings through a R50m redeemable preference share offer at the end of this month.

The figures, which the company said were "bloody disappointing", overshadow a limited improvement in its pretax income.

Though the cutbacks and thinning order books cut NEI's turnover by 27% to R582,2m (R797,3m), NEI still managed a 4% increase in pretax income to R7,6m before the above-the-line charges. The group generated R64,5m to cut its borrowings on the year from R174,4m to R109,9m.



The final dividend was passed, and is unlikely to be restored before 1994. Losses a share amounted to 288,8c, against a 29,9c gain previously.

"This year will be one of consolidation," said MD Lawrence Hyslop. "The economy is not helping, and if it deteriorates further then we'll struggle harder."

The brunt of the cuts was borne by Ical.

The division, which at one time accounted for more than half the group's turnover, has seen orders for utility boilers — its core business — dry up. It will now pursue the boiler repair and maintenance market.

The damage NEI incurred on the Mossgas contracts is almost certain to draw fire from NEI's major shareholders, the UK-based Rolls Royce subsidiary NEI, and SA investment group Old Mutual.

Finance director Anthony Welton conceded that the contractual losses of roughly R15m should have been included in last year's figures, "if we'd had a good handle of what was going on".

NEI's shareholders may also have cause for concern about the group's decision to take to book its Mossgas claims. The R15m devaluation represents one-third of the total book value NEI had allotted to the claim.

Without the share offer — which was only cleared by NEI's parent yesterday — the group's debt-cutting would have been based almost totally on realising the outstanding book valued R30m claim.

The businesses closed or discontinued represented around 15% of NEI sales. It refused to name the two other divisions that were for sale.

Mossgas losses add to NEI woes

(189E) CT 11/3/93

Business Editor

ALTHOUGH some of its divisions were profitable, Northern Engineering Industries (NEI) Africa was badly hit by the recession, the cost of restructuring and losses on Mossgas contracts in the year to December 31.

It ended the year with a R52m loss which included writing off R33m on closing down unprofitable operations, and the dividend has been passed.

Turnover fell by 27% to R582m compared with R797m the previous year. Operating income was R34,2m compared with R36,24m.

Group borrowings have been reduced by 37% to R110m from R174m at the end of 1991. Net financing costs were R26,6m (R29,1m).

Income before abnormal charges was slightly higher at R7,6m (R7,3m). But there was an attributable loss of R18,1m following abnormal charges of R30,5m which, the directors say, relate "to amounts written off claims and losses on long-term contracts completed or substantially completed in the previous year."

They say "significant progress has been made in clearing claims both for and against the group. Currently two claims in favour of the group require finalisation."

The directors say the fall in turnover was due to "lower activity levels as major contracts came to an end and the elimination of non-profitable trading brought about by the downsizing of divisions."

They explain that in the second half of the year "the group embarked on an aggressive exercise of refocusing activities, restructuring and downsizing. Certain businesses and franchises were discontinued.

"The cost of this exercise amounted to R33,6m."

They say the current year will be one of consolidation "in what is expected to be a difficult economic climate".

But, they continue, "the group is in a healthier position than a year ago."

MD Lawrence Hyslop says that Ical and Probuilt are being trimmed down further.

"Propower, where accounting problems led to a write-down of R52,5m in NEI's net assets during 1990-91, has achieved a remarkable turnaround under new management and is in profit."

Boiler manufacturer John Thompson Africa, CHI Control, Power Engineers and A G-Walker all produced "good profits and solid returns", says Hyslop.

Meissner Power Systems and Kilber Automotive Products "achieved modest profits".

Star 11/8/93

NEI Africa losses worsen

By Stephen Cranston

Engineering group NEI Africa has reported a loss per share of 288,8c for the year to December (28,9c loss in 1991).

The loss attributable to ordinary shareholders was R18,1 million, but there was also an extraordinary loss of R33,6 million from the costs of restructuring and losses on Mossgas contracts.

In order to restructure NEI's debt level finance director Tony Welton announced that the group, with assistance from its UK parents and banks, would issue R50 million in redeemable preference shares. It was also looking at further selling off of loss making divisions.

Welton says the downsizing of divisions, lower activity levels resulting from long-term contracts ending, and the depressed economy led to a 27 percent fall in turnover to R582 million.

Net income before abnormal charges improved from R7,3 million to R7,6 million, but operating income was down six percent to R34 million.

Amounts written off claims and losses on long-term contracts completed in 1991 totalled R30,5 million.

Group borrowings have been cut by 37 percent to R110 million. The balance sheet is much stronger than 1991's and reflects a R100 million reduction in current assets.

Break-even

1898

Gearing, however, remains a high 120 percent.

For the first six months, NEI Africa reported a pre-tax loss of R27 million and the group achieved break-even before tax in the second half.

Only two divisions still need further trimming down, Ical and Propower, says group managing director Lawrence Hyslop.

Propower, the diesel operation, became profitable during the year, and should benefit from the expected change in the local content programme.

Meissner Power Systems and Kilber Automotive Products achieved modest profits.

Hyslop expects 1993 to be a year of consolidation in a difficult environment.

"However, the group is in a healthier position than a year ago and there are positive prospects for export orders in markets previously denied to us because of trade sanctions.

"In addition, the operating companies have reasonable order books and there are good prospects from several large capital projects being undertaken locally."

Pyramid NEI Africa Holdings, which owns 53,3 percent of NEI Africa's shares, recorded a loss of 144,4c (loss of 15c in 1991).

Headhunted Welton says: Hold on to NEI shares

S1 Times (Buss) 14/3/93.

(189E)

By JULIE WALKER

WHEN Len Abrahamse retired as NEI Africa chairman last year he noted as a matter of great personal distress that he would be leaving when the group was at its nadir.

He could not have been more wrong. The engineering group reported another R52-million loss for the financial year to December 1992.

He was replaced by Afrox chairman Peter Joubert, whose dedication to profitable business is perhaps the group's only real chance of fortune-restoration. In mid-1989, NEI shares were R40; now they are less than a tenth of that.

Baptism

The best news NEI's new financial director, Tony Welton, has for shareholders after 1992's loss is that now is not the time to sell the shares.

Mr Welton was headhunted from Dorbyl last June to strengthen the NEI management team.

His baptism has been no happier than that of Lawrence Hyslop, the chief executive headhunted from JCI's Lennings three years ago to try to restore NEI.

Mr Hyslop came in to face massive losses — which had earlier been reported as profits. Things have gone from bad to worse. Mr Welton arrived in time to write off another R65-million.

TONY WELTON ... 'still room for improvement'

Abnormal charges of R30,5-million relate largely to Mossgas-related contract losses and claims, much of which should have been written off in 1991. Only two claims are now outstanding, both in favour of NEI.

Another R33,6-million was written off below the line, arising from closures, retrenchments and losses on disposals. "Every discrete part of every business has been looked at," says Mr Welton. "Those making a loss have been closed, others sold. There is still room for improvement but we are getting there.

"Borrowings have been reduced to R110-million — they were R190-million when I joined. The interest bill should fall by about R9-million to R18-million this year. The gearing is still too high at 120%, but we will bring it down through tighter controls."

Mr Welton says that work has almost dried up at Ical, formerly the NEI gravy train. Downsizing there and at Probuilt are the order of the day.

Burden

Group turnover fell by more than a quarter to R582-million and income before all the charges are taken was R7,6-million.

Mr Welton organised a tax credit and, after the outside sharesholders took their share of the burden, the attributable loss was R18-million.

Cash generation turned positive at R64-million, compared with R52-million utilised in 1991.

The directors expect 1993 to be another year of consolidation in a difficult economy, but that the group is in a better position now than a year ago.

Savings on parts for pumps

ORBIT Engineering of Cape Town is overcoming the problem of the high costs of spares for imported pumps.

It is converting the original imported product into a unit compatible with rotor and starter sets manufactured in Johannesburg.

A director of Orbit Engineering, Mr Cliffie Steyl, claims that savings of up to 90 percent are being realised.

"We have had cases where the part from Orbit Pumps was priced at R190, compared with a quoted price of R2 000 for the imported part," he said.

Cape Times 14/3/93. 189E

Anglo offers talks with Namibia

WINDHOEK — Anglo American Corporation had offered to negotiate with the Namibian government over participation in the Namibian diamond industry, deputy chairman Peter Gush said in Windhoek yesterday. BDAY 18/3/93

"We believe these negotiations will be on sensible and reasonable bases and will not reflect past trends in Africa," he said.

Speaking at a conference on mining investment in Namibia, Gush said his company also had major exploration programmes in the country.

Gush told about 300 delegates from 25 countries that a central theme in successful economies was sensible and non-excessive regulation.

Entrepreneurship, he said, and a free market economy were robust in many spheres.

"But in some key areas they are delicate flowers which need to be nurtured and tendered with understanding."

Failure to recognise this had resulted in much of Africa being marginalised with little chance of foreign investment.

"There are some notable exceptions such as Botswana and, hopefully, Namibia," Gush said.

As well as a climate of confidence, foreign investors sought stability, a non-punitive tax regime, no super taxes and non-discrimination between existing and new investments.

"There must be free remitability of profits, no threat of expropriation whether by blunt nationalisation or other more insidious methods," Gush said, adding that companies were not looking for super profits but for a reasonable return on investment. — Sapa.

Excessive debt, losses drag Unihold into red

(189E)

BDAY 18/3/93

MARCIA KLEIN

AN EXCESSIVE debt burden and ongoing losses in two divisions caused Unihold to reduce attributable income by 78% to R1,9m (R8,8m) in what directors described as a bleak year to end-December.

The engineering supplies manufacturer reported an attributable loss of R18,2m (income of R8,8m) after a R20,2m extraordinary item, which reflected mainly management's decision to discontinue the operations of UniCast Steel Foundry.

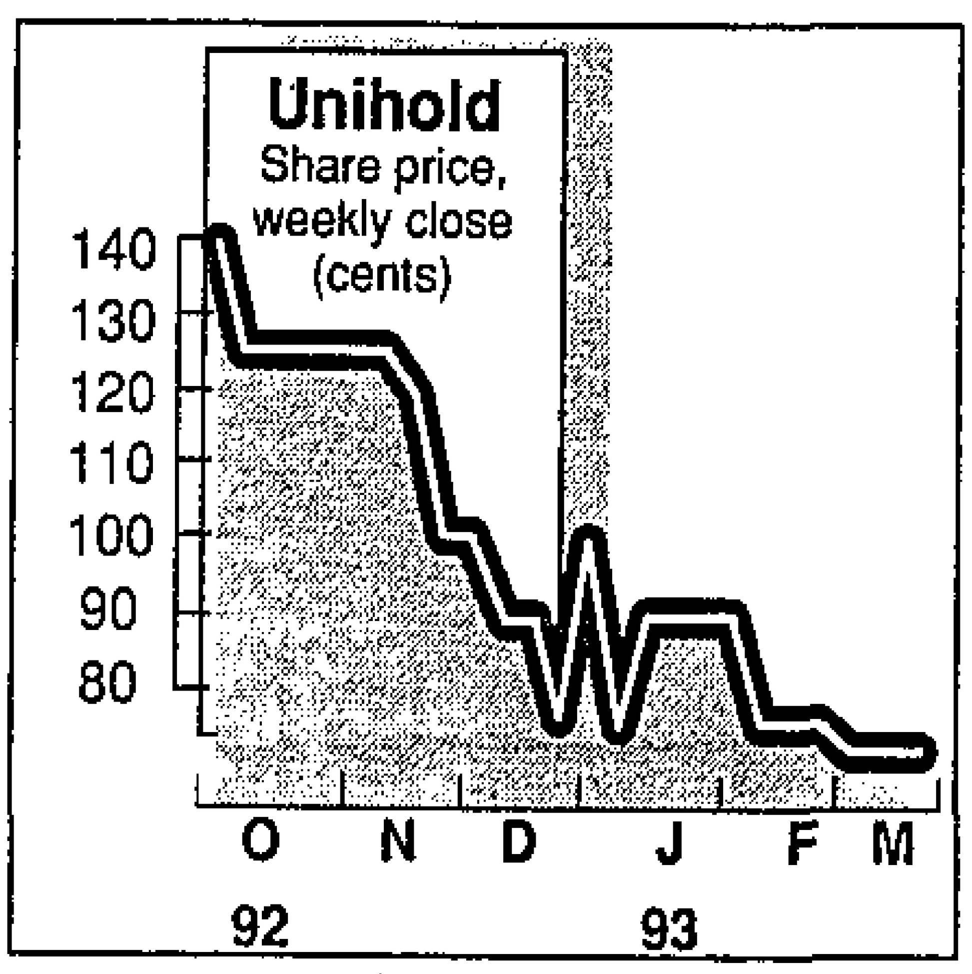
Turnover rose by 32,7% to R286,7m (R216,1m), but operating income declined by 40% to R11,6m from R19,4m previously.

Chairman Bob Arthur said despite additional turnover and the contribution from recent acquisitions, the group experienced substantial losses in the UniCast Steel Foundry division and the luminaire division of U-Lite Holdings.

Reduced profitability, acquisitions and high capex were reflected in a 44% increase in the interest bill to R10,5m (R7,3m), which resulted in a dramatic decline in pre-tax income to R1,2m from R12,1m in the previous year.

Earnings fell to 3,3c from 22,4c a share, and no dividend was declared. Arthur said the balance sheet was "unacceptably geared" at 106,5%. Since year-end steps had been taken to reduce gearing.

In a cautionary announcement, the group said agreement in principle had been reached for the sale of its wear parts division to Ozz Industrial. The sale of a parcel of group-owned properties for R24m was being negotiated.



Graphic: LEE EMERTON Source: I-NET

Arthur said gearing would be below 40% on completion of the deals.

The disposal of the wear parts division would enable Unihold to enlarge the remaining divisions. U-Lite's restructuring was almost complete. The division was trading profitably. Arthur said all divisions should operate profitably in 1993 and the group "should return to higher levels of performance" in the coming year.

U-Control, whose only investment was a 53,7% interest in Unihold, had not declared a dividend.

INMINS FM 19/3/93 (189E)

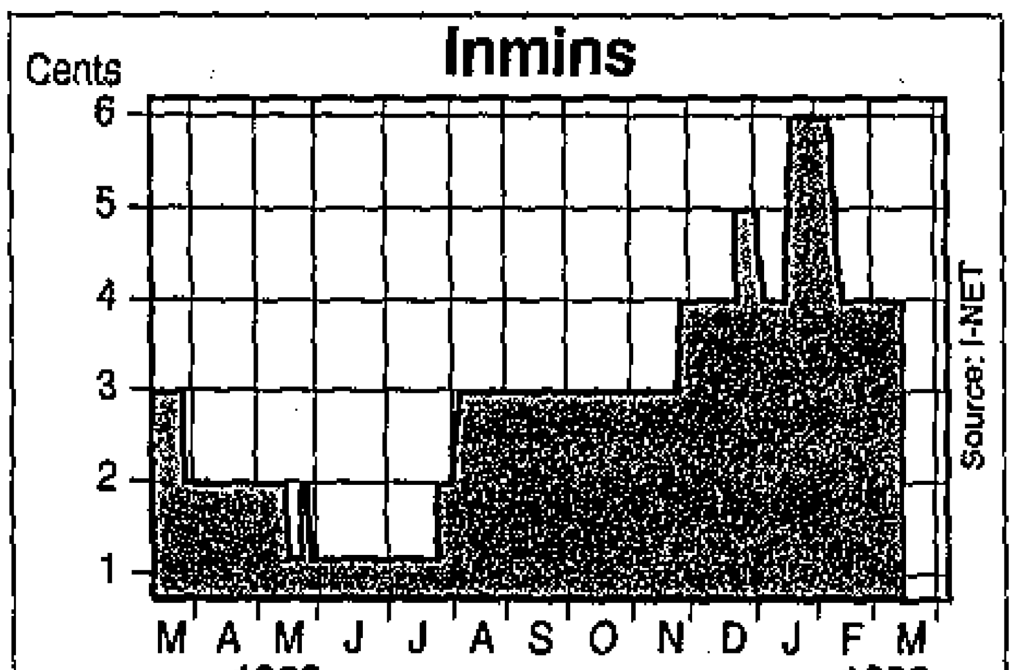
Looking more hopeful

Activities: *Mining and industrial suppliers.*
Control: *Winhold 73%.*
Chairman and MD: *W A R Wenteler.*
Capital structure: *26,5m ords. Market capitalisation: R1,1m.*
Share market: *Price: 4c. 12-month high, 4c; low, 1c. Trading volume last quarter, 17 000 shares.*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	18,9	22,9	22,6	0,7
LT debt (Rm)	10,1	8,8	8,8	22,0
Debt:equity ratio	0,97	12,7	18,4	21,1
Shareholders' interest	0,29	0,04	0,03	0,02
Int & leasing cover	1,7	0,01	0,75	0,80
Return on cap (%)	—	—	9,1	3
Turnover (Rm)	273	193	169	146
Pre-int profit (Rm)	14,6	(1,8)	5,5	1,9
Pre-int margin (%)	5,4	—	3,2	1,3
Earnings (c)	3,9	(38,4)	(6,3)	(2,3)
Net worth (c)	13	(29)	(32)	(34)

A few years ago Inmins looked as though it was fast disappearing down a mineshaft. It was making a pre-interest loss and EPS were 38c in deficit. But the good news for shareholders is that it appears Inmins is turning the corner. It's still making an attributable loss of R615 000, but that's nearly two-thirds down on the previous year's loss. Gearing has halved, though the balance sheet has not been strengthened as much as a casual glance would suggest.

That leads to what could be the bad news for shareholders. While management deserves credit for getting a grip on asset management and operating expenses, the biggest reason for improved results is what chairman Bob Wenteler says was financial restructuring in May — in effect a restructuring, accommodated by banks, of the debt which has crippled Inmins in the past.



One part of the agreement with the banks was to convert R13,7m interest-bearing debt, in main operating subsidiary Inmins SA (Pty), to cumulative redeemable preference shares. The holding company has decided to show the prefs as outside shareholders' interest, a decision passed by the auditor, which makes the R13,7m worth of prefs part of permanent capital.

One effect is to swell total shareholders' funds from R1,6m to R14,9m. That in turn influences the debt:equity ratio. Calculated the way Inmins presents the prefs, gearing is 0,69, rather than the 21,1 the *FM* gets if the prefs are not treated as permanent capital. Also, instead of growing, shareholders' funds shrink by more than R500 000.

As the prefs are redeemable, at least when the operating subsidiary starts to make a profit up to November 30 2000, it's difficult to see why they should be treated as permanent capital.

According to the notes, the plan seems to be to top up shareholders' funds by appropriating 50% of the subsidiary's net income for the redemption of the prefs, until the debt is repaid and replaced by funds from the subsidiary.

That's good for the balance sheet but less attractive for shareholders, particularly minorities who make up about 12% of the register.

For the next few years they will get only the benefit of half the subsidiary's net income, as the other half goes on what is essentially repaying debt now declared as part of shareholders' funds.

Wenteler disagrees, saying the financial restructure gives the group eight years' breathing space to concentrate on the positive aspects of the business. Most important, the recapitalisation has halved interest payments, Inmins's biggest problem in the past. Wenteler also points out that under Gaap, and according to the way Inmins has converted debt to prefs, the R13,7m can be regarded as permanent capital.

In any event, excluding the prefs, Inmins's debt *is* under better control, with a large portion of interest-bearing debt converted to long-term liabilities. With substantially increased cash holdings of R12,4m, net borrowings have fallen to R10,3m (R30,2m).

Unprofitable businesses have been sold or closed, partly reducing turnover but enabling the group to get back to its core business, which Wenteler says is performing well under difficult market conditions. Inmins depends heavily on mining activities and the fluctuating world prices and labour disputes which often go with them, but in its present form can capitalise on any improvement in the economy, and especially in the mining industry.

Which could make the share worth watching. It's moved in a band between 1c and its

cont →

COMPANIES FM 19/3/93 (189E)

present high of 4c over the past calendar year — an interesting situation for speculators.

Shaun Harris

Numsa's plans for engineering sector

BIDAY 19/3/93.

ERICA JANKOWITZ

NUMSA this week presented a broad programme of action for restructuring the engineering industry, focusing on productivity and quality improvements for the sector.

The programme is divided into four broad categories: industrial relations stability; training reform; productivity and quality; and industry development.

The most far-reaching proposals concern productivity and are based on introduction of quality management systems, world-class manufacturing techniques and less conventional supervision.

On stability, Numsa suggested the negotiation of longer-term benefits and conditions of employment; wage bargaining reform; and employment security. (189E)

The union proposed a multiskilling approach to training.

On industry development Numsa suggested a government-funded tripartite advisory body; measures to ensure maximum local content; and restructured tariff, tax and investment policies.

HUDACO FM 19/3/93 189E

Prospects look promising

Since mid-January, Hudaco's share price has risen from a low of R12,80 to its recent R14,30, shaking off the stigma of operating in recession-hit engineering markets where recovery is not expected for 1993.

The improvement in its p:e rating to 13,4 was despite a 5% fall in 1992 earnings — a disappointing result, given the promising interim result showing earnings growth exceeding 8%. In the light of the year-end figures, the acquisition of Valard in December 1991 will doubtless come under scrutiny.

Turnover jumped more than 50% because of the consolidation of Valard for the full year. But, according to Hudaco CE Stephen Connelly, product price increases of about 7% in both groups were offset by declining volumes, leaving turnover effectively static.

While pre-interest profit increased by a fifth, margins fell from 13,8% to 11%. According to Connelly, on a like-for-like basis, margins would have fallen from 12,5% (factoring Valard's margins into 1991) to 11%. Connelly attributes this fall to two factors: a 7% decline in volumes leading to competitive pressure on prices; and a time lag in reducing overheads after a 12% staff cut which cost R1m.

Financing costs, up 57% to R7,4m after the Valard acquisition, further eroded profits. Net borrowings rose sharply during the year, peaking at R58m, but were reduced to R23m thanks to a strong cash flow of R44m. Despite this, gearing remains low at 16%. The group aims to keep average borrowings lower than 50% of total shareholders' funds and interest cover at least five times.

The strong cash generative nature of the business — cash flow is 130c a share on earnings of 106c a share — and low gearing should enable Hudaco to acquire more leading international brand names of industrial consumer products, which it's keen to do if the opportunity arises.

Objective of the Valard acquisition is to reduce the overall risk profile by broadening Hudaco's businesses (notably in the auto-

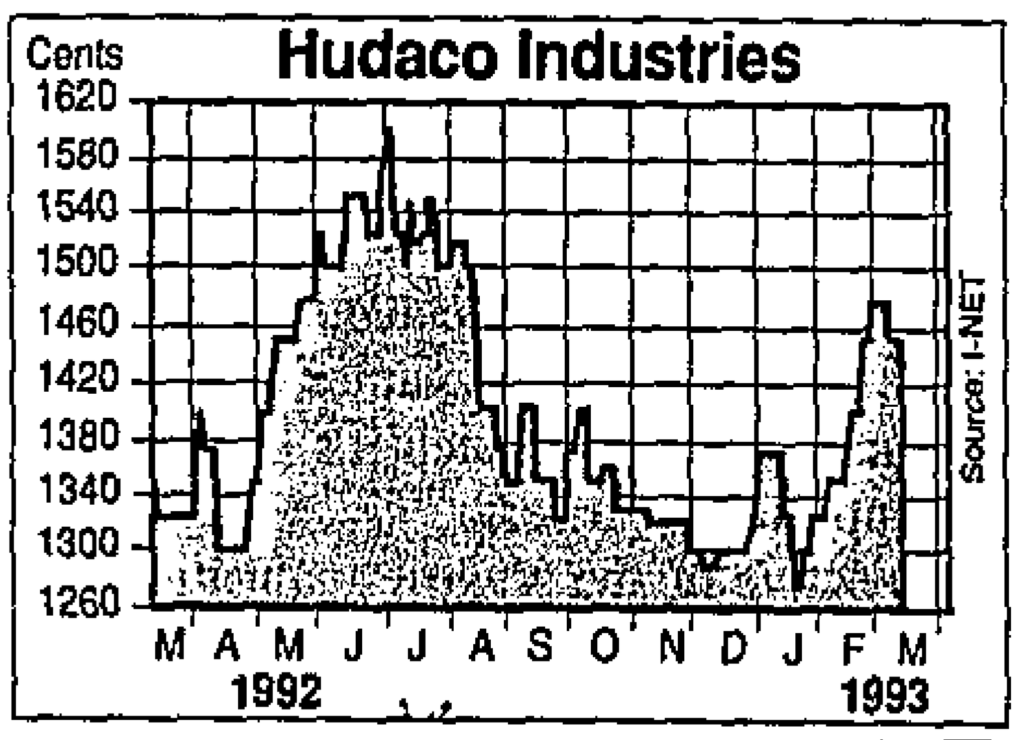
3/93. 189E

motive and manufacturing sectors) and reducing its exposure to the agricultural and mining sectors in particular. Since April, says Connelly, all divisions have been hit hard by the recession, though all have remained profitable.

Connelly is refreshingly optimistic about this year's prospects, forecasting a small nominal increase in earnings, assuming no change in the operating environment. This will be gleaned largely from reducing operating costs.

Merging of Hudaco and Valard appears to have progressed smoothly, spreading the risk in this engineering stock and the fundamentals of the enlarged group look strong. The share seems pricey now but is worth following ahead of an improvement in the economy.

Louise Randell



Hudaco's Connelly ...
all divisions profitable

Activities: *Distributes industrial products including diesel engines, bearings, hydraulic components, belting, seals, brake pads and power tools.*

Control: *n/a.*

Chief executive: *S Connelly.*

Capital structure: *28,5m ords. Market capitalisation: R407,5m.*

Share market: *Price: 1 430c. Yields: 3,7% on dividend; 7,5% on earnings; p:e ratio, 13,4; cover, 2,0. 12-month high, 1 600c; low, 1 275c. Trading volume last quarter, 463 223 shares.*

Year to Nov 30	'89	'90	'91	'92
ST debt (Rm)	15,3	9,1	11,5	31,7
LT debt (Rm)	20,0	21,4	8,4	1,4
Debt:equity ratio	0,44	0,3	n/a	0,16
Shareholders' interest	0,31	0,37	0,44	0,46
Int & leasing cover	6,3	6,0	10,8	8,3
Return on cap (%)	20,0	25,0	23,8	19,7
Turnover (Rm)	364,7	403,1	366,6	562,6
Pre-int profit (Rm)	43,6	54,5	50,7	61,7
Pre-int margin (%)	12,0	13,5	13,8	11,0
Earnings (c)	107,3	110,4	112,2	106,8
Dividends (c)	48,0	50,0	51,0	53,0
Net worth (c)	260,8	311,4	381,7	461,7

OZZ/UNIHOLD FM 19/3/93

Hammering out a deal?

The cautionary issued by investment company Ozz two weeks ago took the market by surprise. The company's year-end is March and a conjuring act by master wizard and Ozz CE Gary Zulberg wasn't expected ahead of the results.

Nor is Zulberg talking. Pressed for an indication of what's in the wind, Zulberg was first reported to be unavailable and then declined to comment.

189E

Potential synergies

However, it's been established that Ozz is negotiating with Unihold, which itself had issued a cautionary earlier. At first sight, it's difficult to see potential synergies between the two companies, until foundry activities are examined more closely. A Unihold spokesman declined to respond to questions.

Year-end results for 1992 showed most of Ozz's operating income was from its core businesses. Most of that, in turn, derived from the engineering companies, which focus particularly on supplying the mining industry. At the 1993 halfway stage, Zulberg told the *FM* (*Fox* December 18) he was especially pleased with the performance of the engineering companies which, he said, were increasing exports, primarily in finished manganese steels.

Last year, Unihold went on a buying spree which included the purchase of Buffcor, Dimbaza foundry from Lonrho, and the merger of lighting company Zumtobel with Thorn Lighting. While Unihold's latest results haven't been released, there is speculation that Unihold's acquisition campaign has left it cash-strapped. Analysts point out Unihold found it necessary to recruit Richard du Plessis from Venter Trailers to bolster the management team.

A broker who declines to be identified says the deal between Ozz and Unihold relates to the outright purchase by Ozz of all Unihold's foundry interests. The purchase price will be settled, apparently, partly in cash and partly in shares. That will ease Unihold's short-

cont

FOX FM 19/3/93.

189E

term cash flow problems.

The Unihold foundries — at least one was bought only last year — specialise in manganese steel production for use in the mining and crushing industries. It's thought their acquisition could lift Ozz's turnover substantially — perhaps to R200m.

That, in turn, could spell a remarkable surge in earnings for 1994. On the face of it, Zulberg may be on the verge of weaving another spell for his stockholders. Abracadabra!

David Gleason

Strong show by engineering firm

BDAY 24/3/93 (189E)

EDWARD WEST

A ROBUST performance by Standard Engineering in the six months to end-February 1993 boosted group earnings a share 12,1% to 53,8c from 48c for the same period in 1992.

Taxed earnings were up 21,6% to R22,9m (1992: R18,8m) on an 11,8% increase in turnover to R372,3m (R333,1m). The interim dividend was lifted to 15c (14c).

Operating profit increased 4,4% to R31,5m (R30,2m), reflecting lower margins. The pipe division contributed to lower margins because of a 40% drop in export volumes, stiff price competition and low sales at the beginning of the financial year.

Interest paid dropped to R4,4m (R8,6m) with borrowings falling to R51,5m (R91,3m) from improved stock management.

MD Terry Davidson said with gearing at 19,3% (36,5%), the group was in a strong position to make acquisitions should an opportunity with sufficient earnings potential arise.

Tax had climbed to R4,2m (R2,8m). The 15,6% (12,9%) tax rate — relatively low from export incentives and assessed losses in some group companies — was expected to average out at 17% this year.

The new company tax dispensation had resulted in a slight increase in tax paid, Davidson said.

He pointed out that profit growth had been achieved without the benefit of major export orders from its rolling stock division and any significant acquisitions. Bintech Mining and a minority interest in Drill Steels had been acquired in the interim period for R6,5m.

A number of rolling stock export contracts were in the tender or negotiation process and, if awarded, would benefit results in 1994 and the following years.

The absence of export orders was reflected in the division's declining contribution to attributable earnings at 7% (16%).

The automotive division had recovered strongly and its contribution to attributable earnings had climbed to 22% (10%).

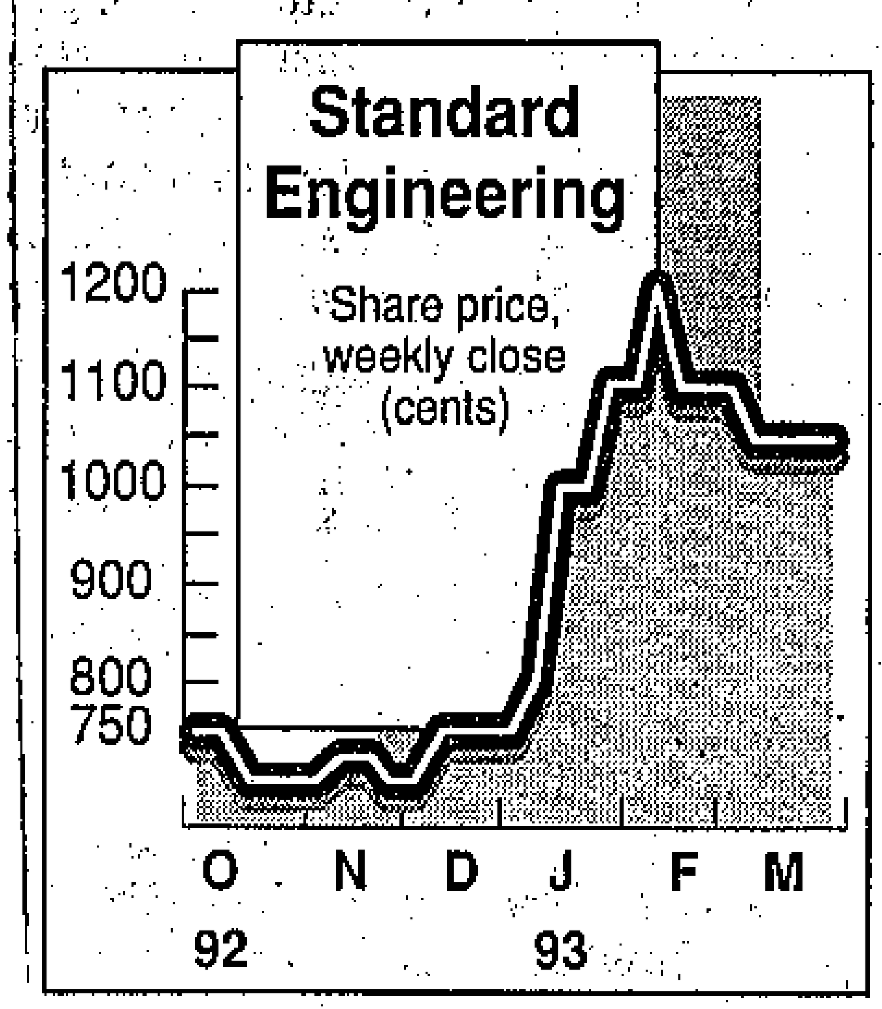
Davidson said the inventory overhang in the original equipment market for trucks had been cleared making way for healthier demand for AS Transmissions & Steerings products.

The fluid handling and measurement division had improved results with Protea Technology reporting higher profit and with the pump companies benefiting from the drought.

Davidson expected the first half's improved results to be maintained for the full financial year in spite of no foreseeable recovery in SA's economy. Borrowings were expected to decline further should no acquisitions take place.

All divisions, with the exception of rolling stock, had bigger order books than this time last year.

The pipe division was particularly well positioned for the next six months with export and local orders and was gearing up for a major Rand Water Board scheme to improve water supply to the PWV, he said.



Graphic: LEE EMERTON Source: I-NET

Business Report

Standard Engineering earnings up 21,6%

JOHANNESBURG. — A recovery in Standard Engineering's automotive division helped the group to boost after tax earnings by 21,6% to R22,9m for the six months ended February 1993.

Earnings a share rose 12,1% to 53,8c and an increased interim dividend of 15c a share (1991 — 14c) was declared.

Interest paid was almost halved to R4,4m, reflecting the impact on borrowings of a continued firm emphasis on asset management. The automotive division increased its contribution to group earnings from 10 to 22%.

"The inventory overhang which existed in the original equipment market for heavy commercial vehicles has been cleared, paving the way for a healthy growth in demand for the products of AS Transmissions & Steerings," MD Terry Davidson said. 189E CT 24/3/93

The fluid handling and measurement division also posted substantially improved results, with the pump companies benefiting from the drought and a considerably improved performance from Protea Technology.

Davidson pointed out that the growth in the group's profits had been achieved without the benefit of major export orders from its rolling stock division and any significant acquisitions.

A number of rolling stock export contracts were, however, in the tender or negotiation process and if awarded, would impact positively in 1994 and later.

"While we do not foresee a recovery in the SA economy, we expect that the improvement in the results in the first six months should be maintained for the full financial year." — Sapa

Star 24/3/93

Standard benefits from drought relief programme

By Stephen Cranston (189)

Standard Engineering has been one of the few companies to benefit from the drought.

Relief programmes and the search for boreholes pushed up demand for both pipes and fluid handling equipment in the six months to September.

This offset a reduction in pipe exports, which were cut back because the prices offered were below cost.

It increased earnings per share by 12,1 percent to 53,8c. The dividend has been increased by 7,1 percent to 15c.

Highlight of the results was a strong recovery by the automotive division, particularly transmissions and steerings manufacturer Astas. The division lifted its contribution to group earnings from 10 percent to 22 percent.

Group MD Terry Davidson says the inventory overhang which existed in the original equipment market for trucks has been cleared, paving the way for healthy growth in demand for Astas products.

Turnover increased by 11,8 percent to R372,3 million, but operating income was up just 4,4 percent to R31,5 million.

An emphasis on asset management, which brought current assets down from R310,3 million to R298,9 million, led to a reduction in gearing from 36,5 percent to 19,3 percent.

In turn, interest payments were virtually halved from R8,6 million to R4,4 million. Taxed income rose by 21,6 percent, but because of an increase in minority earnings from R1,8 million to R3,8 million, most of it accounted for by Astas, attributable earnings improved 12,1 percent to R19,0 million.

The most disappointing performer of the year was the rolling stock division, Union Carriage, which saw its contribution to earnings fall from 16 percent to seven percent. There were no major export orders, but a number of tenders have been bid for, notably in Taiwan.

Davidson says the group is in a strong position to make acquisitions, whether in present areas of operation.

He expects the improvement in results in the first half to be maintained.

Scharrig shareholders given some good news

(189E)

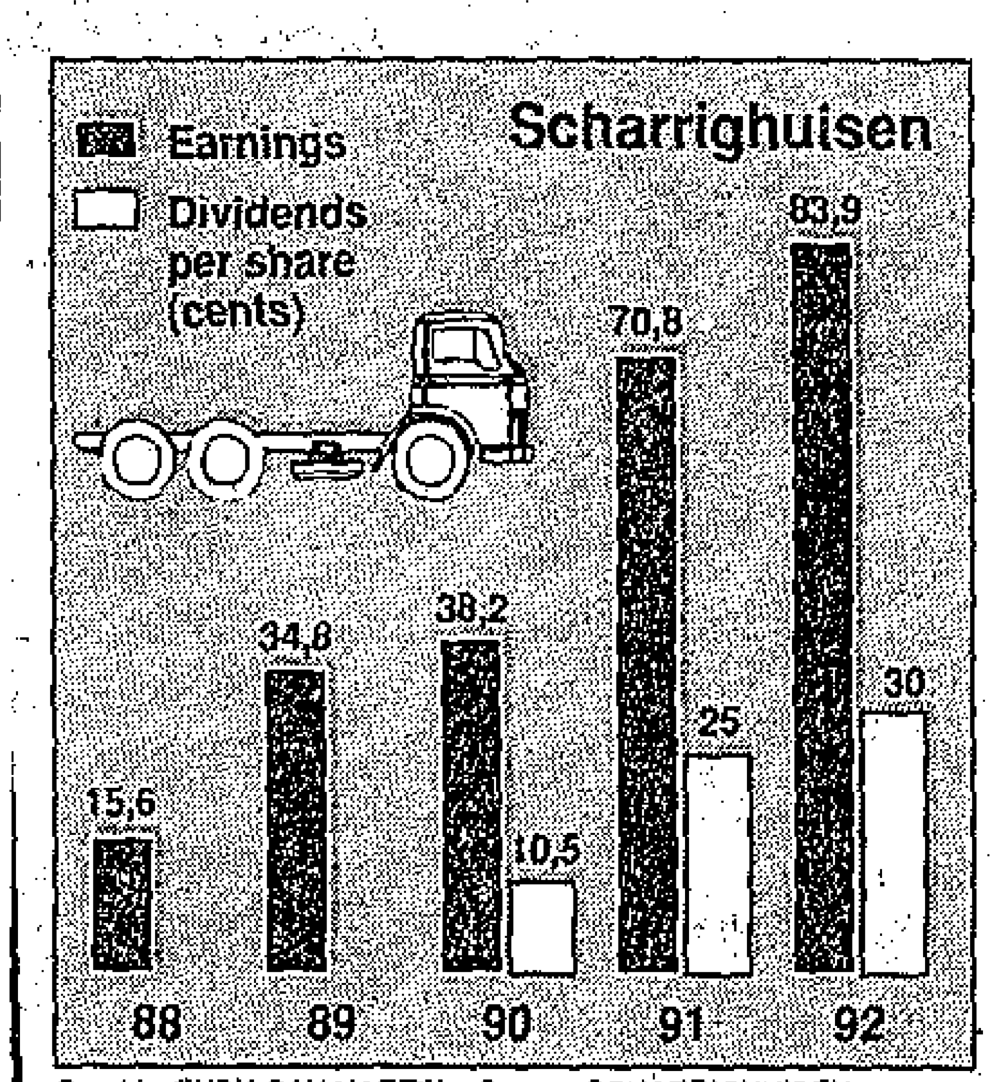
STAR 25/3/93.

JONO WATERS

CONTRACT mining group Scharrighuisen (Scharrig) reported a 29% rise in after-tax profit and increased its total dividend by 20% for the year ended December 1992.

Earnings rose 19% to 83,9c a share from 70,8c a share in the 1991 financial year. Scharrig declared a final dividend of 12c in February, bringing the total dividend for the year to 30c (25c) a share.

Turnover increased by 17% to R117m (R99,5m) and pre-tax profit rose to R26,9m (R21m). The company footed a higher tax-bill of R3,27m (R2,68m), resulting in after-tax income of R23,6m (R18,3m).



Graphic: RUBY-GAY MARTIN Source: SCHARRIGHUISEN

An extraordinary item as a result of the termination of the contract with Side Minerals boosted distributable income R33,1m (R18,3m). Net asset value rose to 314c (220c) a share.

Joint MD Laurie Fisher said earnings for the year had been diluted slightly by the acquisition of railway control equipment company New Joules, for which 1,78-million shares had been issued.

Scharrig had listed its mining interests in January and would list its industrial interests once it had made a further acquisition. Fisher said a few prospects were being considered.

He said the company was satisfied with New Joules and would look for export opportunities in the US and Europe.

There was about R33m in cash, but company debt had risen initially after a number of acquisitions. This had been reduced to long-term debt of R15,9m.

Its strong cash flow gave the company flexibility for growth and opportunities.

The company had secured a number of mining contracts which were expected to bring in an additional R20m in the current financial year, Fisher said.

UNIHOLD FM 26/3/93 (189E)

Turning assets to cash

No wonder Unihold, the listed multiple engineering company, is selling parts of its operations. With a debt:equity ratio which has jumped from 68% to 106,5% in a year and a bank overdraft which has nearly doubled to R61m, it's not surprising that new CE Richard du Plessis has instituted vigorous restructuring.

Turnover increased to R287m — a healthy rise of 33% in a bad year — but operating income slumped to R12m. Du Plessis says this was caused by a loss of more than R7m at the UniCast steel foundry, problems with the merger of Thorn, Zumtobel and Barlite in the lighting business which cost Unihold R1,5m and exceptionally difficult trading accompanied by severe competition.

Unihold is selling its wear parts division to industrial holding company Ozz for R35,5m (*Fox* March 19). "In fact," says Du Plessis, "we'll make another R10m net on the transaction because we haven't sold the debtors book and we'll collect against it for our own benefit."

Some properties are being sold in a deal which Du Plessis says will raise another R24m. In total, Unihold intends to collect about R70m cash — to be applied in retiring debt. When all the cash is in — not later than the end of June — Unihold's gearing will have fallen below 40%.

Du Plessis is confident about the future. All the divisions will operate profitably in 1993, he says. And, with less debt to service, shareholders should be able to look forward to a much better performance. They might even have cause to dream of a resumption of dividends.

David Gleason

Dorbyl recommended for the medium term

Star 26/3/93

By Stephen Cranston (189E)

Investors who require exposure to the engineering sector should hold on to their Dorbyl shares, says Davis Borkum Hare analyst Jacques Pickard.

He says earnings per share will fall 9,7 percent to 260c in the year to September, but will recover from 1994 onwards, improving 9,6 percent in that year.

An attraction of the share is that it offers a dividend yield of seven percent, and it is expected the dividend will be maintained at 108c.

Dorbyl will be hit by a further decline in gross domestic fixed investment of 4,3 percent this year and only a nominal 0,6 percent in gross domestic product.

Dorbyl is intent on minimising its exposure to the contracting field.

Dorbyl Structural Engineering has closed its operation in Germiston and Dorbyl Heavy Engineering its operations at Vanderbijlpark.

The split in turnover is now automotive 30 percent, contracting 20 percent, mining 15 percent, agriculture 10 percent and other 15 percent.

Dorbyl Marine (DM) will complete the third vessel for the overseas Columbia Group this month, but a pending contract of R200 million for the construction of a further two vessels was cancelled due to the withdrawal of approval by the Reserve Bank to finance the transaction through the financial rand.

Dorbyl Automotive Products intends to double exports by concentrating on niche markets. It is already a world leader in the manufacture of automotive jacks.

The joint venture seamless tube operation with Iscor is expected to be on line by September.

It has successfully produced its first tube and no further technical problems are expected.

STANDARD ENGINEERING (189E)

FM 26/3/93

Running a tight ship

An impressive February interim sees attributable earnings up by nearly an eighth on the previous first half, despite low capacity

FM 26/3/93 (189E)

usage and declining exports.

Operating results remained under pressure. Turnover rose by nearly an eighth, but margins narrowed to 8,5% from 9,1%. A near-halving of the interest charge, thanks to a major reduction in interest-bearing debt, aided a gain of a quarter in pre-tax profit, which, in turn, was trimmed by a rise in effective tax rate from 12,9% to 15,6%.

Tax is expected to continue rising over the next few years, as the R24m tax loss will be absorbed rapidly, says MD Terry Davidson.

Careful asset management helped chop interest-bearing current debt by two-fifths or nearly R35m. Says Davidson: "We cut interest costs; otherwise, we would have bled to death." Long-term debt has also been cut by R5m to only R1m. The ratio of debt to permanent capital is down from 0,37 to 0,19.

All five divisions — pipes (23% of attributable earnings), metal pressing (29%), rolling stock (7%), fluid handling (19%) and automotive (22%) — are operating at low capacity. Depressed markets have significantly cut export profits.

A low order book, especially from exports, more than halved the attributable contribution of the rolling stock division, from a sixth to 7% at the halfway stage. Automotive earnings jumped from a tenth to over a fifth of group earnings, thanks to an increase in orders — admittedly off a low base.

SQUEEZING BLOOD

Six months to	Feb 29 '92	Aug 31 '92	Feb 28 '93
Turnover (Rm)	333,1	355,3	372,3
Operating income (Rm)	30,2	40,6	31,5
Attributable (Rm)	17,0	26	19,0
Earnings (c)	48,0	73,5	53,8
Dividends (c)	14	28	15

Of other divisions, fluid handling and measurement benefited from a drought-related increase in pump orders. Orders are expected to fall in the next six months due to seasonal sales trends and the improved rains. Pipes had a slow start: volumes were badly hit because the group refused to sell at the suicidally low prices demanded by export markets. This situation has since improved. Margins on metal pressing fell slightly.

Budgeted capex of R35m for the year includes upgrading and replacement of plant and equipment; R17m was spent in the first half. Davidson says future growth strategy aims at export markets and focusing on light engineering goods. The group is keen to make an acquisition that will broaden its product base and exposure to exports and it has the advantage of a strong balance sheet.

FOX

FM 26/3/93 (189E)

The jump in earnings is testament to sound asset management and cost control. But how much scope is there for more of the same? Earnings growth may be a case of quality financial management rather than good organic growth. The business mix is vulnerable to recession — most products have low margins and depend on high sales volumes. The share, at R10, is rated on 9,8 times 12-month earnings and a yield of 3%.

Louise Randell

NEI FM 16/4/93 (189E)

Deepening trauma

If anything, it seems the trauma at NEI deepens as time goes by. Just a few years ago, new CE Lawrence Hyslop had the unpleasant job of telling the world and its unsympathetic aunt that a conspiracy to falsify NEI's accounts resulted in writing R52m off net assets.

FM 16/4/93. (189E)

Activities: *Makes and services energy conversion and distribution equipment.*
Control: *NEI Africa Holdings 53,3%.*
Chairman: *P G Joubert; MD & CE: L D Hyslop.*
Capital structure: *6,3m ords. Market capitalisation: R22m.*
Share market: *Price: 350c. 12-month high, 900c; low, 320c. Trading volume last quarter, 55 000 shares.*

Year to Dec 31	'89	†'90	'91	'92
Net interest-bearing debt (Rm)	71	109	174	110
Debt:equity ratio	0,41	0,61	1,17	1,17
Shareholders' interest	0,43	0,32	0,64	0,42
Int & leasing cover	7,3	2,0	1,3	1,9
Return on cap (%)	17,3	7,9	15,8	22,2
Turnover (Rm)	587	712	797	582
Pre-int profit (Rm)	69	31	36	49
Pre-int margin (%)	11,8	4,4	4,6	8,5
Earnings (c)	519,6	(68,2)	(29,9)	*(288,8)
Dividends (c)	211	165	14	nil
Net worth (c)	2 722	2 004	2 327	1 488

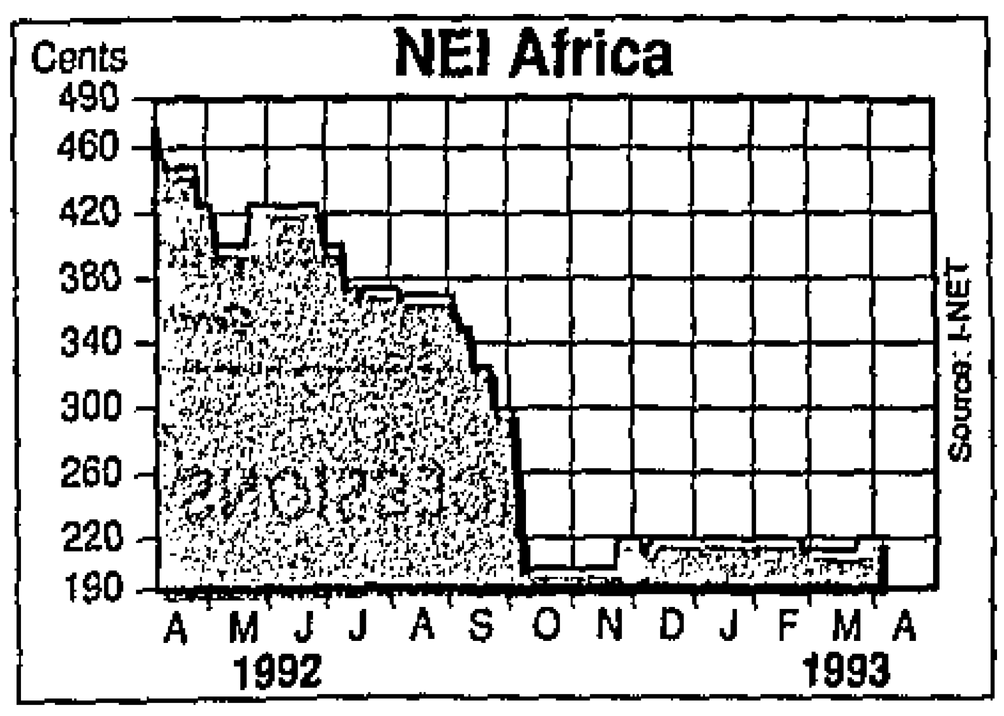
* Including extraordinary loss. † Restated.

Now, the annual report reveals a loss of R18,1m plus extraordinary losses — in other words, more written off — of another R33,6m. That makes the total loss R51,7m, or 289c a share. No wonder chairman Peter Joubert says, tersely, the year was traumatic and the losses unnacceptable.

When will this succession of bad news come to an end? Financial director Tony Welton says: "If there's any more which has been hidden away, I don't know about it." That may be some consolation to battered shareholders.

Meanwhile, Joubert lists the latest disappointments, and they're serious. Firstly, there is a dispute about work done on the Mossgas project. Hyslop says NEI knew little about the petrochemical industry. It has learnt much but the pain was considerable. NEI is still attempting to collect outstandings, believed to be substantial.

Secondly, Joubert goes on about problems



which should never have been allowed to develop in the first place had adequate controls been in place. Of course, he's only been chairman for a year, so he can afford to cavil about problems shareholders have been forced to live with for some time.

Where is this company going? Welton expects NEI to get close to breaking even this year. That means an effective improvement of about R18m above the line.

Maybe NEI will be restored to modest profitability in 1994. It may not sound much, but if management pulls that off it will be a happy ending to a journey made in circumstances of unusual hardship. *David Gleason*

NEI Africa expects brighter results

EDWARD WEST

16/4/93

EFFORTS were being made to restore NEI Africa to profitability and an improvement from 1992's R18,1m attributable loss was expected in 1993, chairman Peter Joubert said in his 1992 annual report.

Business activities would continue to be refocused in 1993. Further business units could be sold following the sale of the Masslift division after a re-analysis of core activities from the latter half of 1992, he said.

189E

The economy was not expected to improve and activity levels would continue unchanged from 1992. Much had to be done in "cleaning up group activities", improving asset management and reducing borrowings.

NEI's 1992 results were affected by losses in completing Mossgas contracts, slow progress in collecting claims in favour of the group and discovering inadequate controls which should have been addressed in previous years.

CE Lawrence Hyslop said 1993 would be a year of consolidation. The gearing ratio was unacceptable at 1,2:1 and borrowings would be reduced in 1993.

Progress was being made in clearing claims for and against NEI and two claims in favour of the group relating to Mossgas required finalisation. NEI's Ical division's Mossgas contracts — which resulted in a R30,5m write-off last year — have been completed. Further downsizing of the Ical division would occur as new power station contracts ended in 1993.

Losses available to be offset against tax were R101,9m, the annual report showed.

Exports improved in 1992, but represented only 4% of turnover.

SA firm awarded Chunnel contract

189E

EDWARD WEST

940

STANDARD Engineering's subsidiary Union Carriage had been awarded a R17m contract for rolling stock for the English Channel tunnel, Standard chairman Hugh Brown said yesterday.

Brown said rolling stock components would be shipped to a Spanish subsidiary of the German-based GEC Alsthom group for final assembly.

BDM

The contract, won against competition from overseas carriage builders such as GEC Alsthom, was difficult to procure, he said.

23/4/93

The contract for part of the rolling stock requirements of the Chunnel was said to have political implications. Apparently there was an unspoken agreement that contracts for the project would be awarded to European contractors only.

But according to reports, the EC wanted to encourage SA's political transformation. Various EC countries were believed to have lobbied for the contract to be awarded to SA in spite of the bids from European builders.

Brown declined to comment on this.

At Standard's interim stage in March, MD Terry Davidson said the rolling stock division had also tendered for contracts in Taiwan.

COMPANIES

Bright showing from Lion Match

MARCIA KLEIN

SIGNIFICANTLY reduced financing costs enabled SA Breweries subsidiary Lion Match to increase attributable earnings by 22% to R15,4m (R12,6m) in the year ended March.

The Durban-based group, which has interests in matches, packaging, shaving, home and garden products and appliances, achieved this increase despite the pressure of reduced consumer spending on both turnover and trading profit.

During the year there was a further decline in real private consumption expenditure, directors said.

Turnover increased by 6% to R294,5m (R276,9m) on a comparable basis, allowing for the January 1992 transfer of the appliances division to the equity accounted Amalgamated Appliances. Amalgamated Appliances is a joint venture with Tedelex.

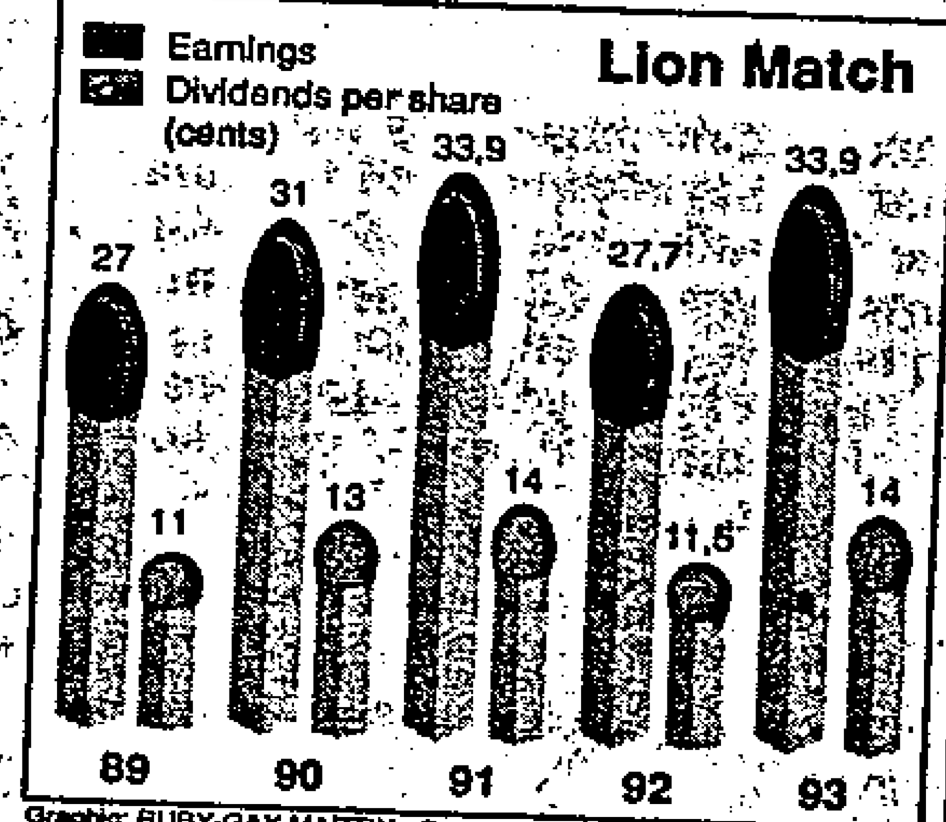
The 6% rise in trading profit to R41,8m (R39,3m) came from an improved contribution by packaging division Interpak.

Directors said cash flow from operations of R22,4m had helped to reduce borrowings as well as fund investment activities, and gearing was brought down to 19% from 31%.

The substantial reduction in financing costs to R6,9m (R12,6m) resulted in a 31% rise in pre-tax profit to R34,9m from R26,7m.

Profit after tax was 41% higher at R20,4m from R14,4m previously.

After the equity accounted loss of R5m (R1,9m) reported by Amalgamated Appliances, earnings rose 22% to 33,9c from 27,7c a share.



BIDAM 4/5/93

Directors said the rationalisation programme at Amalgamated Appliances was now largely complete, and this operation was expected to show a substantially improved performance in the coming year.

In line with Lion Match's policy of distributing about 40% of attributable earnings in dividends, a final dividend of 8,75c a share was declared. This brought the total dividend for the year to 14c (11,5c) a share.

Directors said the group was in a sound financial position and well placed to fund capex of about R23,9m in the current financial year.

Depressed economic conditions would continue to inhibit consumer demand. But Lion Match was financially sound and expected to achieve a satisfactory increase in earnings in financial 1994.

Yesterday the group's share rose 5c to close at 310c. It reached a high of 400c in May last year and a low of 170c in October.

Ozz to grow with Unihold deal

EDWARD WEST

189E

THE acquisition of Unihold's wearparts businesses would significantly expand Ozz's local and international operations, Ozz said in a statement yesterday.

Unihold has sold its wearparts businesses — Boksburg Foundry, Unicast and Dimbaza — to Ozz for R35,5m payable by R23,7m in cash and the issue of 1,58-million shares at 750c each. The deal takes effect from June 1 1993. BIDAM 4/5/93

Yesterday Ozz traded at a high of 800c, more than double its price a year ago, while Unihold was untraded at 75c, just off its 12-month low of 70c in March.

Ozz said it planned to increase its manganese castings capacity for local and export markets. Main users of the castings were manufacturers making crushers for industries such as quarrying and road construction.

The acquisition would enhance Ozz's international distribution capabilities and in the 1994 financial year exports were expected to constitute in excess of 20% of total turnover, Ozz said.

Unihold disposed of its wearparts businesses to put it in a financially stronger position in order to develop remaining divisions, take advantage of opportunities and reduce its debt and interest burden.

Unihold's earnings a share would climb to 13,6c from 3,3c while gearing would have dropped to 65% from 106,5% had the deal been effective January 1 1992.

Unicast incurred significant losses in the year to end-December 1992, dramatically reducing the profitability of the wearparts businesses. Had the most recent results of the businesses been included in Ozz's earnings for the year to end-March 1992, earnings would have fallen to 44,9c from 56c.

However, Ozz management believed Unicast's losses were of a non-recurring nature, and the acquisition was expected to improve earnings in the next finacial year, to end-March 1994.

NBS expansion and restructuring pay off

BIDAM 4/5/93.

ANDY DUFFY

RADICAL restructuring in its core business and the spread into new sectors helped Natal Building Society (NBS) to a 19% rise in shareholders' earnings for the 12 months to March.

Earnings a share rose to 137,6c from 115,6c, with attributable profit ahead 24% at R91,3m. The dividend edged forward 15% to 46c, with cover moving from 2,9 to three times.

MD John Gaffney said the figures reflected strong performances across the group. But the company was particularly dependent on healthier margins from its major contributor NBS Bank.

The division, which provided about 50% of group profit, cut 20% of its 2 300-strong workforce, clipping 9% from operating costs.

Retrenchment costs are believed to have exceeded R10m, though the bank said cost savings would continue group earnings.

Total income for the year rose from R75,4m to R119,9m. "It is anticipated that the group should be able to achieve real growth in earnings a share in the year ahead," Gaffney said.

Despite the improvement, management services director Mark Farrer said NBS was adopting a "more stringent view" in lending.

Bad debt provisions rose 35% to R70,6m. Though NBS Bank had made clear

Fraser Alexander sells contract mining arm

B/Dm 10/5/93 (189E)

ANDY DUFFY

WASTE management group Fraser Alexander has sold its loss-making contract mining arm and has opened talks to sell its UK coal trading operation, as it refocuses on its core activities.

The group, which at the half-year suffered a 33% fall in earnings, said yesterday it had sold 75% of the contract mining arm to its management. The business, to be renamed Econotrack, lost R0,9m in the six months to December, on sales of around R15m.

Fraser Alexander has also started talks with a prospective buyer for the UK operation. The business, which contributed about 15% to the group's R169m interim sales, lost R1,8m in the six months to December.

Group chairman Peter Flack said the struggling operation, set up in 1990, would have to be sold by June. After that, it would consider closure.

The disposals follow Flack's comments at the interim stage that Fraser Alexander would concentrate on its core environment-driven businesses. Waste management and materials handling had exceeded earnings targets, but the poor performance from mining had cut interim earnings from R8,57m to R5,7m, he said.

However, Flack said yesterday the group would retain its open cast colliery business. At the interim stage it lost R1,2m, mainly as a result of a decline in the ferrochrome industry.

Flack said it should break even at the year-end. A slight improvement in conditions would see Fraser Alexander better its first-half performance in the full year, he added.

Dorbyl earnings and dividend well down

Star 18/5/93 189E

By Leigh Roberts

Engineering group Dorbyl's earnings for the six months to March plunged by nearly half and the dividend has been slashed by almost a third.

Earnings a share fell 47 percent to 70,3c as the lack of fixed investment heavily affected group business.

Downsizing of operations and related retrenchment costs of R8 million, taken above the line, also affected performance.

Shareholders have been cushioned from the full extent of the earnings fall as the interim dividend has been cut 29 percent to 20c (28c) at the expense of cover, which is down to 3,5 from 4,8 times last year.

Slimmer margins and an eight percent lower turnover of R1,29 billion reduced operating income by 31 percent to R47,1 million.

Exports increased slightly to R211 million, comprising 16 percent of sales.

The manufacturing division contributed the bulk of pre-tax profit, although profitability declined on low demand for transport equipment.

The trading division reported a 35 percent increase in pre-tax profit off an eight percent rise in turnover.

The contracting division incurred a loss of R11 million after significant losses on the structural engineering side.

A higher interest bill of R20,5 million on increased borrowings further eroded profit.

On the positive side, the tax bill was 57 percent lower at R4 million, helped by export incentives. An STC liability of R1 million was included in the tax charge.

An extaordinary loss of R25,7 million arose from the closure of several ber of operations, particularly in contracting. A further R20 million loss is expected for the full year.

Gearing rose to 36 percent from 27 percent as borrowings jumped to R318 million from R235 million to finance capex of R101 million.

Lower earnings

Although results for the second half should improve, the group is forecasting lower earnings for the full year.

The share is trading at a year's low of R11,50.

● Metkor, which holds just over 50 percent of Dorbyl, showed a strong turnaround in earnings per share of 3,7c, compared with a loss of 0,55c previously.

An interim dividend of 5,41c (4,83c) is being paid.

While subsidiaries Aspas Gas and Usko showed improved performances, the cost of discontinued operations at Dorbyl led to a charge of R8,8 million.

Decline in Fenner's earnings

189E

B/DAY. 18/5/93

MZIWAKHE HLANGANI

FENNER engineering group reported a 24% decline in attributable earnings to R3,6m (R4,8m) for the half year ended February.

Earnings a share fell to 24,2c (1992: 31,8c) and a 20% lower interim dividend of 6c has been declared, maintaining a four times dividend cover.

Chairman Bob Arthur said the continuing economic decline, political uncertainty and drought had affected the group's performance.

The effect on profits was worsened by the completion of major projects which had been significant contributors to group performance in recent years.

Turnover rose 2% to R115,7m (R113,6m), but pressure on margins saw operating profit decline 27% to R9,84m.

There was pressure on margins in spite of growth in overheads held at below inflation level, Arthur said.

Finance costs were down 46% to R792 000 (R1,5m) in line with lower borrowings during the period and lower interest rates.

After-tax income declined 11,5% to R5,24m (R5,9m) after a 37% drop in the tax rate.

The company said its balance sheet remained healthy, with borrowings equivalent to 17% of shareholders' funds.

The company was confident it would enjoy its share of medium to long-term projects, Fenner's core activities, in future.

However, results for the next six months might not improve, Arthur said.

Dorbyl hit by high interest charges

(189E)

CT 18/5/93

Own Correspondent

JOHANNESBURG. — A lethal cocktail of charges and finance costs pushed engineering group Dorbyl to a *R9,5m bottom-line loss, against a previous* R33,8m profit, for the six months to March.

Turnover slipped 8% to R1,2bn, but Dorbyl's operating income dropped by nearly a third to R47,1m, hit by R26m losses in its engineering business and retrenchment costs of R8m. Interest charges leaped 21,5% to R20,5m as borrowings rose from R235m to R318m, leaving pre-tax profit early halved at R26,5m.

Closures within Dorbyl's contracting operation — which cut its staff from 3 100 to 450 and its divisions from three to one — led to below-the-line charges of R26m. A further R22m extraordinary charge is expected in the next six months as Dorbyl completes its contraction.

Earnings a share fell from 133,1c to 70,3c, on attributable earnings of R22,6m (R42,3m). The dividend was cut to 20c (28c).

The group said business conditions had "deteriorated to a greater extent than anticipated".

At the operating level, Dorbyl's trading arm raised profits from R20m to R27m. Manufacturing, heavily reliant on the moribund car market, suffered a drop from R45m to R32m. Contracting collapsed from a R5m profit to a loss of R11m.

The bruising spread to the balance sheet. Dorbyl's five-year modernisation programme was drawing to a close, but capital expenditure stood at R101m. The Tosa seamless mill, a joint venture with Iscor initially costed at R100m, accounted for R45m of Dorbyl's capex in the first half.

The capex bill combined with operating losses to push borrowings up from 28% of shareholders' funds to 37%. Group CE David Mostert said Dorbyl was comfortable with this level, but it would reduce.

Contracts

He said exports — which accounted for 16% of sales — had grown strongly.

The contracting business would concentrate on major contracts such as Columbus and Namakwa Sands.

Alusaf alone would provide Dorbyl with a workload worth R200m-R300m. A slight improvement in certain domestic trading would lead to a pick up in performance in the second half, Mostert added.

On the year, however, the group would sustain a fall in earnings.

● Metkor, Dorbyl's 52%-shareholder, raised attributable income to R4,5m for the six months to March, against a previous R0,6m loss.

Earnings a share stood at 3,7c (0,55c loss).

Associates Apsap Gas and Usko improved their performance, but Dorbyl's discontinued operations led to an extraordinary charge of R8,8m.

Finance costs drag Dorbyl into loss

189E

BDAY 18/5/93

ANDY DUFFY

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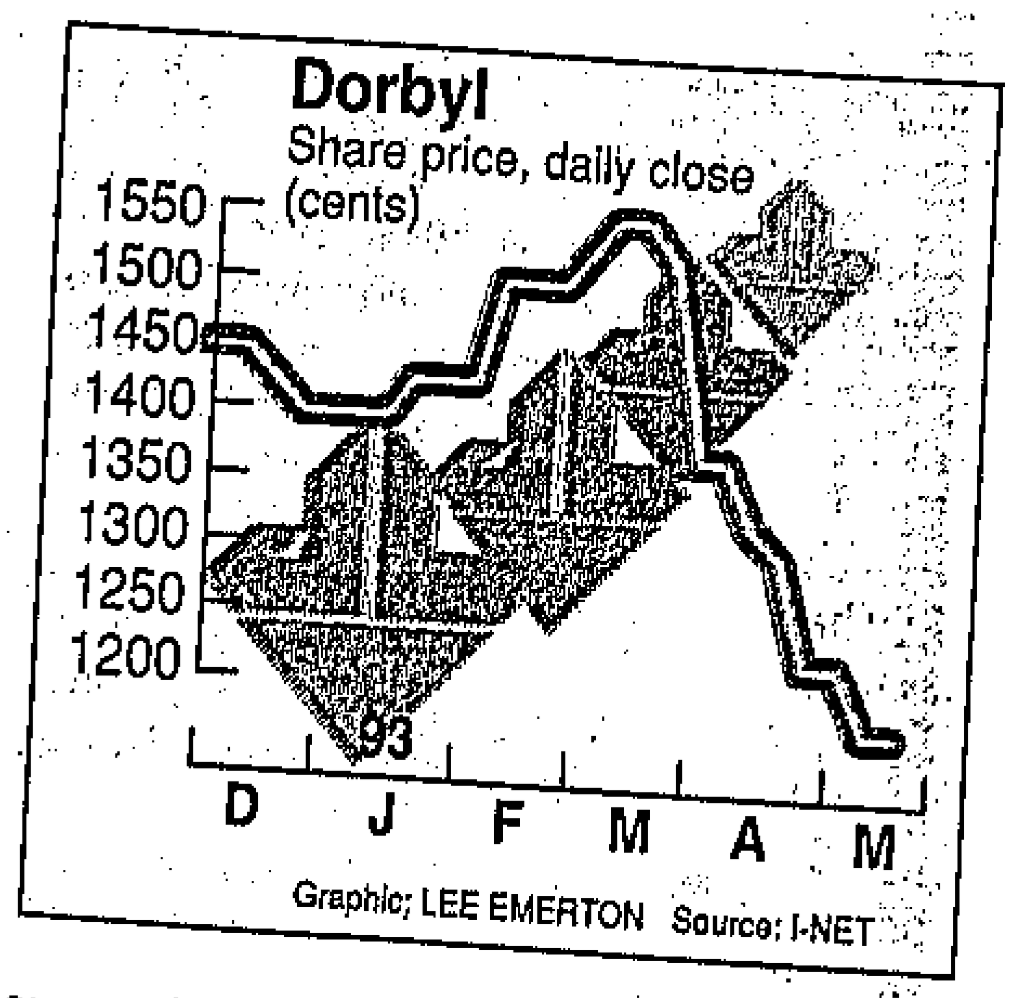

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☐ To Page 2

Dorbyl

BDAY 18/5/93

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189E

☐ From Page 1

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Petrel wins R5m Antarctic frame contract

Business Editor

CT 19/5/93

7L (189E)

CAPE Town-based Petrel Engineering has won a R5m contract to make the steel frames for three double storey buildings to be erected at the R28m SANAE Base Four research centre in the Antarctic.

The buildings, to be clad in fibre glass, will be 12 metres high, providing 3 000 square metres for living and working space for up to 80 people and storage space for generating plant, fuel, two helicopters in summer and six bulldozers in winter.

The steel frames have been designed to cope with intense cold and gales measuring up to 220km an hour.

They will be mounted on four metre high steel columns, which will be anchored 1,5 metres deep in rock and sealed for protection against fractures caused by temperature fluctuations.

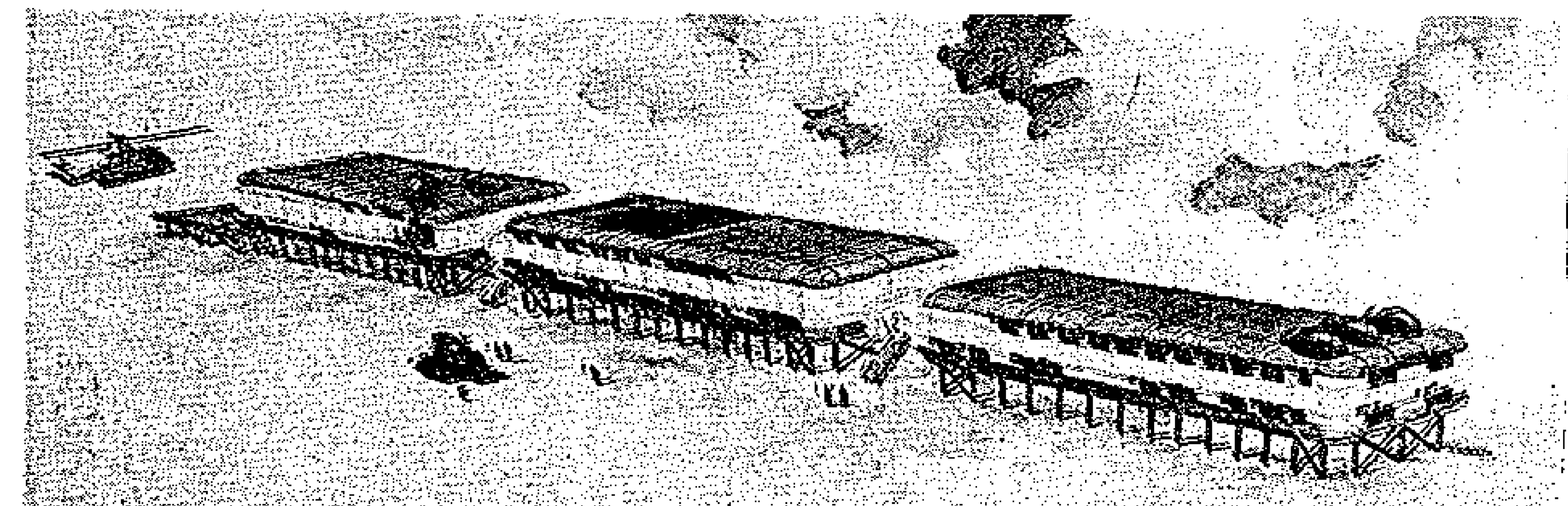
This means they will be the first buildings used by an Antarctic expedition to remain above the snowline in winter.

Petrel sales manager Richard O'Maloney said yesterday: "They will have to fit together perfectly when they are assembled in high winds in freezing conditions by men wearing thick gloves.

"The parts will have to be unloaded from the supply ship by helicopter and taken by sled to the site. So they will have to be packed in clearly identified, colour-coded units each weighing no more than two tons."

Petrel has also won a separate contract to design and manufacture two hoists, each driven by six gearboxes and spindles, which will be used to lift 23-ton bulldozers on to the helicopter platform.

Petrel MD Michael Franzen said: "A Cape firm winning such a contract shows there is excellent engineering infrastructure and capability on our side of the Hottentots Holland mountains."



SUPPORT FOR RESEARCH . . . This is how three inter-connecting double storey steel frame structures at the R28m SANAE Base Four research complex in the Antarctic will look. Cape Town firm Petrel Engineering has been awarded the R5m contract for the steel frames, which will leave on the Antarctic supply ship SA Agulhas in December.

UNIHOLD FM 21/5/93

Well, the signs are good

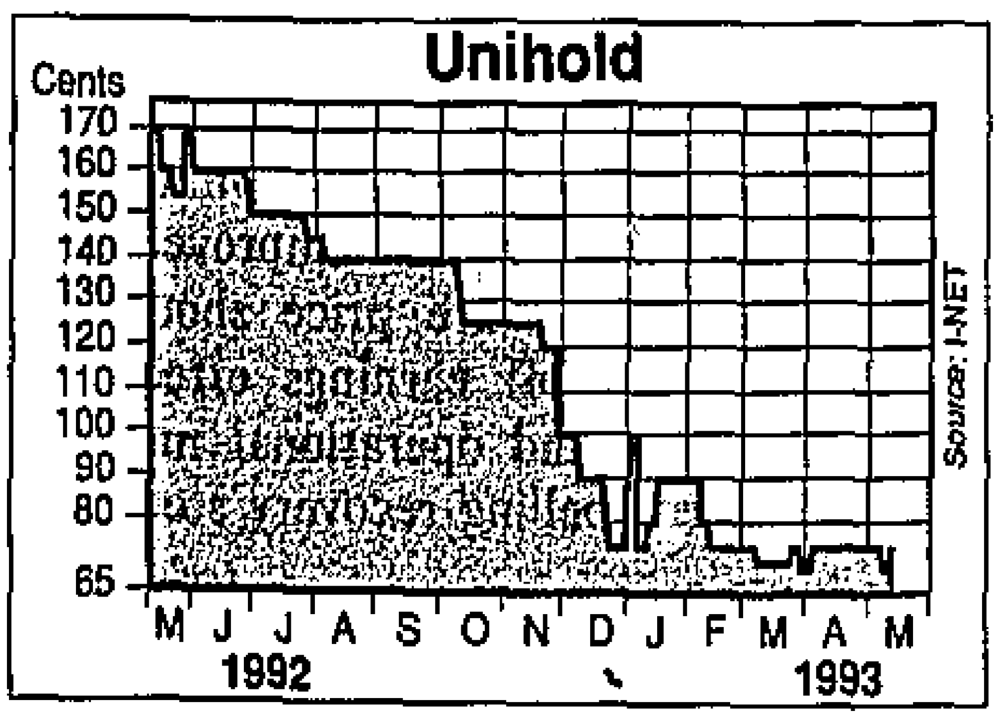
189E

Activities: *Manufacture and supply of industrial products for niche markets in the mining, lighting, automotive and general engineering industries.*
Control: *U-Control 53,7%.*
Chairman: *R A Arthur; CE: R du Plessis.*
Capital structure: *59,4m ords. Market capitalisation: R44,6m.*
Share market: *Price: 75c. Yields: 4,4% on earnings; p:e ratio, 22,7. 12-month high, 180c; low, 70c. Trading volume last quarter, 0,5m shares.*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	18,1	14,6	33,9	64,3
LT debt (Rm)	8,6	15,3	17,4	27
Debt:equity ratio	0,54	0,55	0,68	1,07
Shareholders' interest	0,51	0,48	0,49	0,40
Int & leasing cover	3,8	3,0	2,6	1,1
Return on cap (%)	22,3	20,3	12,5	5,4
Turnover (Rm)	159	197	216	287
Pre-int profit (Rm)	22,1	23,0	19,4	11,6
Pre-int margin (%)	13,9	11,7	9,0	4,1
Earnings (c)	37,9	22,5	22,4	3,3
Dividends (c)	12,0	13,5	13,5	—
Net worth (c)	123,2	131,8	163,0	121,4

Unihold, the listed multiple engineering company, is on track to reduce dramatically its gearing to below 40% from the demanding level of 106% at the date of the last annual report at end-December. Post-balance sheet events include the sale of the four foundries, including the major loss-maker Unicast, for a consideration of R35m. The interest is already accumulating on the sale price but the cash won't be booked to the accounts until June, says finance director Brian MacDonald.

Du Plessis ... *new man on the block*



189E

A further R8m-R10m is to come from the debtors' book of the sold foundries' businesses. Property sales are expected to provide another R25m, which MacDonald hopes will be booked next month.

The one-off earnings effect from the inflow of R70m into the accounts will be significant. The interest bill will be substantially reduced in 1993 but the full effect will be felt only in 1994. Says MacDonald: "It's possible that we can reduce the interest bill by about R3,5m in 1993." That saving will find its way straight to the bottom line. By 1994, he adds, "we hope to be in a net-cash position after releasing a further R20m by reducing stocks and better asset management."

These asset sales will affect the composition of Unihold. In 1992 the foundries division, the largest of the three, contributed more than R124m; in 1993 it will contribute less than R30m to make it the smallest division.

The remaining part of the foundries division is Rely Precision Castings. Turnover will be in the region of R28m, says MacDonald, but operating margins will be under continued recessionary pressure. He forecasts operating profit will be about R1m — unchanged from 1992. The contribution to operating profit from the sold foundry businesses was negligible in 1992.

The electrical division suffered losses in the lighting business: divisional turnover improved by a sixth but operating profits fell 85% to R75 000 from R5m. The deterioration in margins was partly due to the incorporation of Thorn lighting and high stock levels: stocks will be reduced through lower capacity utilisation and staff reductions (to be achieved through natural attrition) will improve margins, according to MacDonald.

Operating margins in the engineering division also came under pressure, falling from 16,2% to 15,4%. Unique Engineering's operating profits, less than a third of the divisional total, were affected by high stock holdings. It's intended the stocks will be reduced by the same method adopted in the electrical division. Uniplate — formerly Buffalo Corp, acquired in 1992 — supplies numberplates and road signs. It fulfilled expectations in 1992 and is expected to continue to perform well in 1993. Wilco Howard, in the mining industry, had a satisfactory year in 1992, contributing 40% of divisional group total.

Unihold's share price is 75c, a fall of nearly 60% since May 1992. It's on a high

cont

rating of 22,7. The 1993 earnings could rise to well over R5m, compared with R1,9m in 1992, taking into account the R3,5m interest saving, stock reduction and improved asset management. The share price should respond to the one-off earnings effect and tighter financial and operational management. It's a compelling recovery story. 189E

Louise Randell

Investors wait for Dorbyl export rise

S1 Times (Buss) (189E) 23/5/93

INCREASED exports are Dorbyl's best prospect in the domestic downturn.

The engineering concern's sales slipped 8% to R1,3-billion in the six months to March. But export sales rose to 16%. They were lower than 5% as recently as 1989.

Problems in the contracting division, which tailors jobs or products to order, led to a 31% fall in operating income. A higher interest bill of R20-million meant a near halving in pre-tax profit to R26,5-million.

Dorbyl's attributable earnings were 70c a share and the dividend 20c.

It took an extraordinary knock of R26-million through closures of some heavy, structural and general engineering works and the associated retrenchment costs.

The bill for the year will be R47-million, but chief executive Dawid Mostert believes group staffing is the right size at about 12 000.

Mr Mostert says the danger is having too few skills when demand for goods and services rises. This will not happen in the current year, but projects such as Alusaf and Columbus should bring orders.

Dorbyl's export successes have been in automotive parts, such as wheels, brake drums and jacks, railway axles and tubular products.

A feather in Dorbyl's cap is a R25-million-plus contract to build a bridge for the Kiel canal in Germany.

Export business is being built up slowly through the efforts of Dorbyl's London-based Kobus de Beer. Offshore drilling rigs are another area with potential.

Mr Mostert says: "The Geis export incentives will be with us for some years and open a window of opportunity for SA companies to become world competitive.

"In the sanctions era we tended to become inward-looking, but the challenge now is to update machinery and processes and achieve leaps in productivity."

Dorbyl spent R101-million, mostly on improvements to the Tosa tube works, in the half-year.

Shareholders cannot reasonably expect the share price to do much for a year or so because economic improvement takes time to filter through to the bottom line.

John Thompson Africa, ICAL announce merger

(89E)

CT 26/5/93

CAPE-based engineering company John Thompson Africa (JTA) and ICAL, a engineering contractor at the Mossel Bay project, are to merge, it was announced yesterday.

A statement from the board of Northern Engineering Industries Africa (NEIA) said it had decided to merge the operations of its two subsidiaries JTA and ICAL to maximise opportunities in the changing heavy engineering markets in southern Africa.

NEIA, JSE-listed and 57% owned by Rolls Royce, recently reported a R52m loss for 1992.

The NEIA statement said the merger was an exciting growth and business opportunity for the new-look JTA. JTA was one of the stars in the NEIA stable, chalking up 14 consecutive years of profit.

The unprofitable divisions of ICAL would be restructured. Areas where ICAL dominated would be retained as independent operating divisions.

JTA's current MD, Garth van Nierop, would become the CE of the new operation.

JTA, a leader in South Africa's boiler industry, recently received the SA Welding Institute's Gold Award for 40 years of service to SA industry.

St Helena to step up gold production

WELKOM — Gengold's St Helena gold mine plans to increase gold production by 55kg a month to 520kg a month by vacuuming gold underground.

The Transvac process, unique to St Helena, is currently allowing the mine to recover 65kg a month. St Helena wants to increase its Transvac recovery to 120kg a month by the end of 1993.

To achieve this, St Helena is counting on government granting its request to extend its working week to seven days.

St Helena says it plans to reduce costs to R22 000/kg from the current R29 000/kg by increasing the amount of gold produced per ton milled and by streamlining its management structure to improve productivity.

BDM 26/5/93.

However, St Helena geologist Gary Chapman says the mine has already cut its costs to the bone, and is relying heavily on the Transvac system to increase the amount of gold it produces.

"We can't rationalise any more unless we close shafts," Chapman says.

St Helena has reduced its workforce to 3 000 from about 12 000 in 1989. — AP-DJ.

W&A boss promises return to profitability

BDM 26/5/93

MARCIA KLEIN

THE W & A group would return to profitability and dividend payment in 1993 on its strengthened balance sheet and association with Trencor, executive chairman Jeff Liebesman said in the annual review.

Earlier this year the group announced an attributable loss of R11,5m (profit of R129m) for the year to end-December. It also announced a R650m rights offer, which would result in Trencor gaining joint control of the group.

Liebesman said the R650m raised and the Trencor deal had been appealing as the process of selling non-core interests "and applying the funds to group debt had proved a long, slow one".

The group received an immediate cash injection of about R650m and a partner, Liebesman said. Now degearing and focusing would proceed from a financially secure base and at a steady pace. Gearing after the rights issue was 44% from 139,6% at year-end.

He said the principle of acquiring underperforming assets and turning them into good businesses remained a sound philosophy. But as the group had started with no equity, it had to borrow to acquire and had needed quick returns on its investments.

High interest rates and the severe recession had placed strain on the group, and the debt burden was an obstacle to growth. In an attempt to degear the group and improve its focus, W & A began to dispose of non-core interests, but progress was slow.

Liebesman said financial results to end-December were poor, but it was a good year for getting the group into shape.

UK-based AAF, the tyre division of Gentyre, The Fabric Library, Form-Scaff/SGB, the housewares division and JD group had perfomed well.

The consumer distribution division's contribution to W & A had declined, and National Bolts had turned in a loss.

The motor dealership business had returned to profitability, and the automotive replacement parts investments had been incorporated into a new listed company Varex Corporation.

The offshore scaffolding, shoring and formwork operations were expanded through a R116,8m acquisition, and AAF had made a number of acquisitions. FSI Holdings was listed on the Zimbabwe Stock Exchange. The group sold its interest in Noristan and, since year-end, had sold Sembel-It for R18m.

Liebesman said the operating environment was unlikely to improve in the short term, but the group was confident about the future. Core businesses had the resources to withstand and even prosper in arduous circumstances, and the balance sheet had been strengthened.

NEI Africa merges two divisions

BDM 26/5/93. (189E)

ANDY DUFFY

ENGINEERING group NEI Africa has combined two of its 10 divisions in an effort to weather depressed market conditions.

The UK-owned group, which in the year to December suffered attributable losses of R18,1m, merged its troubled Ical division into boiler manufacturer John Thompson Africa.

The R120m-a-year company would be headed by JTA MD Garth van Nierop.

Ical MD Terry McGowan would leave, and further staff losses were expected as NEI salvaged Ical's profitable business.

NEI MD and CE Laurence Hyslop said closures and retrenchments would be decided by the division's management soon.

The combined operation would be profitable by the year end.

The merger was in line with plans outlined by NEI earlier this year to restructure after a deterioration in its performance.

Ical, which at one time accounted for more than half NEI's turnover, had seen orders for utility boilers dry up.

NEI planned to sell two other divisions. However, Hyslop said there had been no movement on these proposals since the company reported its results in March.

Once again

COMPANIES

Pared-down Titaco sees benefits

EDWARD WEST

TITACO more than doubled earnings a share to 6,6c in the 12 months to end-February 1993 from 3c in 1992 as measures taken to streamline the group bore fruit.

The group manages, designs, constructs and commissions engineering and construction projects. BIDAY

Turnover fell 19,6% to R31,31m (1992: R38,97m), but income before interest and tax improved to a R289 000 profit from a R379 000 loss in 1992, today's published results showed. 27/5/93.

MD Basil Smidt said Titaco benefited from a decision taken two years ago to refocus the group, close unprofitable subsidiaries and to stop operating in areas offering low profit margins.

As a result cash flow improved, substantially reducing interest and finance charges in the year under review to R137 000 (R702 000). A write-back of R244 000 (R1,26m) in deferred tax more than doubled income before extraordinary items to R396 000 (R183 000). (189E)

The year-end was revised to August 31 1993 and the interim dividend was passed in line with company policy and to conserve financial reserves, Smidt said.

Directors reported that advice of a new contract had been received. If confirmed the group order book would be healthy. Other favourable prospects were expected to continue the improvement in earnings.

FM 28/5/93 (189E)

DORBYL

How small is beautiful?

Dorbyl has suffered continuing deterioration in trading conditions. Interim results see turnover slip 7,7% and operating income fall by nearly a third: margins are down from 4,9% to 3,6%.

Trading conditions were difficult in all three divisions. Contracting was the worst hit by lack of gross domestic fixed investment and downsizing costs, including R8m retrenchment costs. Its turnover slumped 30% to R263m while operating profit turned to a loss of R11,1m. A core competence has been maintained for large capital projects like Alusaf and Columbus.

The trading division, the largest, improved operating margins, as losses at Stewarts &

FM 28/5/93. (189E)

Lloyds were curtailed. The manufacturing division suffered from further declines in demand for transport equipment, despite higher exports. Turnover fell by 5% but operating profit by more than a quarter.

Group operating income, which fell nearly a third, suffered from losses at the structural and heavy engineering businesses and retrenchment costs. Interest charges rose by over a fifth due to an increase in interest-bearing debt, primarily to fund modernisation programmes. Borrowings to permanent capital were 37% at the balance sheet date.

The tax charge of R3,9m (including R1m STC) fell by 57%, giving an effective rate of 15%. A R25,7m extraordinary charge reflects closure costs, including R10m on retrenchments. This is expected to increase to R47m for the full year.

The five-year modernisation programme is almost complete. Capital expenditure for

BLEAK HOUSE

Six months to	Mar 31 '92	Mar 31 '93
Turnover (Rm)	1 397,2	1 289,1
Operating income (Rm)	68,7	47,1
Attributable (Rm)	42,5	22,7
Earnings (c)	133,1	70,3
Dividends (c)	28	20

1993 is expected to be about R160m and "far lower" thereafter. The major component is the seamless tube plant upgrade, expected to be operational by September.

There are weak signs of improvement in some businesses though engineering, manufacture and especially the local automotive market remain depressed. Export markets are also weak. The directors expect second-half results will be better than the first half, though 12-month results will still be down.

The share price paints a gloomy picture, falling from about R28 last May to R11,80, on a p:e of 5,8. Dorbyl must be wondering whether small really is beautiful.

Louise Randell

COMPANIES

Sector crunch catches Woodrow

EDWARD WEST

WOODROW Holdings' earnings fell more than a fifth to 14,1c a share in the year to end-February 1993 from 18,1c as activity declined in the engineering sector.

The total dividend was lifted to 6,5c (1992: 6,3c) after a final dividend of 4c was declared. BDay 28/5/93

CE Graham Nel described the year as particularly difficult with trading severely affected by declining industrial activity.

Woodrow is involved in the manufacture and supply of fluid handling equipment.

Its subsidiaries' operations are spread across the industrial sector.

Turnover was 10% higher at R42,01m (1992: R38,17m).

However, income before interest and tax was slightly lower at R4,13m (R4,4m).

The interest bill climbed to R1,55m (R1,16m) leaving pre-tax profit a fifth lower at R2,58m (R3,24m).

Tax was decreased to R445 000 (R527 000). Attributable income was 22% lower at R2,06m (R2,65m). 189E

During the year Meter Systems Holdings was disposed of and reflected as a R1,03m extraordinary item.

Gearing fell to 22,7% (47,4%) because of the disposal, and interest bearing debt dropped to R1,8m (R4,14m).

Nel said Woodrow had concentrated on strengthening its balance sheet as a buffer against tough trading conditions.

A cautionary was issued on May 16 announcing that negotiations which could affect its share price were in progress.

Nel declined to comment on the negotiations. He expected trading conditions this year to remain much the same as last year's.

ADE launches Reef company

(189E)

ARG 29/5/93

MARC HASENFUSS, Business Staff

ATLANTIS Diesel Engines (ADE) has launched a new distribution company on the Reef to handle distribution of its engines used in the loose-engine and industrial markets.

The new distribution company — Powerhouse Engineering — will be based in Jan Smuts Park, Jet Park, in the same premises as ADE's regional office.

An ADE spokesman said Powerhouse Engineering would handle all existing industrial own equipment manufacturers and regional distribution.

■ ADE also has assembled its 1 000 th tractor since starting production in May 1991.

Managing director Mr Fritz Korte said the tractor line, which was set up to assemble Massey Ferguson 20 and 300 series tractors for Boeresake, reflected the group's flexibility.

"Diversification is the cornerstone of ADE's existence at present."

ADE has embarked on a new business development programme involving exports and potential acquisitions of companies involved in light or automotive engineering.

Malbak sells Standard stake

Star 4/6/93

By Sven Lünsche

Malbak has sold its 38 percent stake in Standard Engineering for R155 million to Murray and Roberts in terms of an option agreed to when M&R first made an offer to Standard minorities in 1991.

M&R, which will be paying cash for the stake, now owns 76 percent of Standard.

The purchase consideration of R154,4 million is based on a price of R11,47 per Standard share.

Malbak says the sale is in line with its objectives to focus its business on consumer related products and would have a minimal impact on earnings. In the six months to February earnings would have fallen 1,1 percent.

Standard's inclusion would have boosted M&R's earnings by 1,7 percent in the second half of last year. It fits well into M&R's focus on fixed investment related businesses.

189E

FM 11/6/93 (189E)

STANDARD ENGINEERING (189E)

FM 11/6/93.

Maintaining the strategy

In accordance with an agreement made in October 1991, Malbak has exercised its option to sell its holding of nearly 13,5m shares (38%) in Standard Engineering to Murray & Roberts (M&R). This leaves M&R with 76% of Standard Engineering.

The transaction appears to make a lot of sense. M&R has recently been focusing on fixed investment cycle businesses; this has included acquiring Blue Circle, Darling & Hodgson and buying out minorities in Genrec Holdings. Malbak has been concentrating on consumer-related products.

The purchase price — R11,47 a Standard Engineering share — totals R154,5m and has already been paid in cash. Malbak was no doubt pleased that the purchase price, previously agreed in the put option, was at a premium of more than 4% on the day's market price of R11.

Apart from injecting cash of R154,5m into Malbak's balance sheet, the deal fits with its strategic move into consumer products. At the interim stage (*Fox* April 2) the balance sheet showed all the attributes of strength and liquidity, with R675m held in cash. But it begs the question of what Malbak will do with all this cash, considering that lower interest rates are increasing the opportunity cost of holding it.

Had the transaction been in effect for the first half of the financial year (six months to December 31 1992), it would have increased M&R's EPS by 1,7% to 180c. Had it taken place on December 31 1992, tangible NAV would have fallen by 5% to R21,84 a share, but M&R's policy of capitalising goodwill means there would have been no effect on NAV.

M&R had R163m cash at the interim stage, enough to cover the purchase price. Assuming no major changes to the balance sheet since then, and excluding any consolidation effects of Standard Engineering, net gearing would increase from 21% to about 28%. With interest cover exceeding 5,0 at the interim stage, post-transaction cover should remain comfortable.

Assuming the deal had been effected during the first half of Malbak's financial year (six months to February 28 1993), its EPS would have fallen by a mere 1,1% to 54,9c. Tangible NAV at 28 February 1993 would have been 2,8% higher at 839c.

The strategic rationale makes sense for both M&R and Malbak. M&R appears to be in a strong enough position to make the purchase without jeopardising balance sheet strength. Indeed, its share price strengthened 7,1% to R45 since the announcement last Friday. Malbak's price has shown a 3,5% increase. *Louise Randell*

Lower tax bill lifts Ozz earnings

BiDay 14/6/93

ANDREW KRUMM

A LOWER tax bill lifted property and engineering group Ozz Limited's attributable earnings 24% to 69,7c a share (1992: 56c) on static turnover for the year to end-March 1993.

Ozz directors said a dividend of 26c a share (21,5c) had been proposed, but would be paid out only once final legislation in June had clarified the application of the secondary tax on companies (STC).

"The company will reduce its STC liability by postponing the declaration to coincide with the dividend declaration of subsidiary companies, which are receivable on September 30," directors said. (189E)

Despite adverse economic trends, core operations maintained turnover at an unchanged R124,5m, while operating profit rose marginally to R19,2m (R18,8m).

Net interest paid rose 14% to R3m (R2,7m), reflecting higher borrowings which stood at 8% of equity at March 31. "Since then, additional equity and borrowings have been arranged to fund the recent acquisition of Unihold's wear parts business," Ozz chairman Gary Zulberg said.

Pre-tax profit rose marginally to R16,14m (R16,1m), while a significant drop in the group tax bill lifted attributable earnings to R9,25m (R7,4m).

Zulberg said: "The 30% drop in taxation to R5,1m stems from an investment in dividend earning preference shares. However, the company has not deducted the reduction in the deferred tax balance — resulting from the drop in the corporate tax rate to 40% — from its tax charge."

Ozz's annual compound growth in earnings a share has averaged 20,5% over the past four years, while compound growth in dividends averaged 26,8%.

Ozz lifts earnings by 24%

JOHANNESBURG. — The Ozz group has lifted earnings by 24% to 69,7c a share for the year ended March 31, recording its fourth successive year of significant growth and an average annual compound growth rate in earnings per share of 20,5% over that period.

The group reported yesterday the bulk of the growth this year has come from a structured lowering of taxation.

Management has endorsed the quality of this earnings growth by raising the dividend by 21% to a 2,7 times covered 26c a share. Average compound annual dividend growth for the past four years now stands at 26,8%.

Over that same period, Ozz's share price has risen from the equivalent of 240c to 800c — a compound annual average of 35%.

(189E)

Predictably in a group whose "business activities are predominantly in the engineering and property sectors which have been severely affected by the current recession, growth in operating profit was modest at 2% to R19,2m."

Nevertheless, the overall margin improved slightly with turnover effectively unchanged at R124,48m.

CT 14/6/93

'Encouraged'

Executive chairman Gary Zulberg said he was "most encouraged" by the performance, particularly as it excludes any contribution from the recently acquired wearparts businesses which are now operating profitably.

Net interest paid has risen by 14% to R3,06m, reflecting higher borrowings which stood at 8,0% of equity at 31 March 1993.

The 30% reduction in taxation to R5,13m stems from an investment in dividend earning preference shares.

The result is 26% higher post-tax income of R11,02m which, after deducting associate company losses and outside and preference shareholders' interest, leaves attributable profits 24% up at R9,25m.

On an unchanged share capital in issue at the year end, this translates into earnings of 69,7c a share. — Sapa

LTA staves off the worst of recession

MATTHEW CURTIN

CONSTRUCTION and civil engineering group LTA has staved off the worst effects of the recession and reported a 4% advance in earnings to 119c (114c) a share in the year ended March 31.

The Amic subsidiary declared a 35c total dividend compared with 32,5c in 1992.

Good cost control and improved interest income were responsible for a 15% improvement in pre-tax profit to R62,6m (R54,5m) after the group's turnover crumbled to its lowest level since 1988.

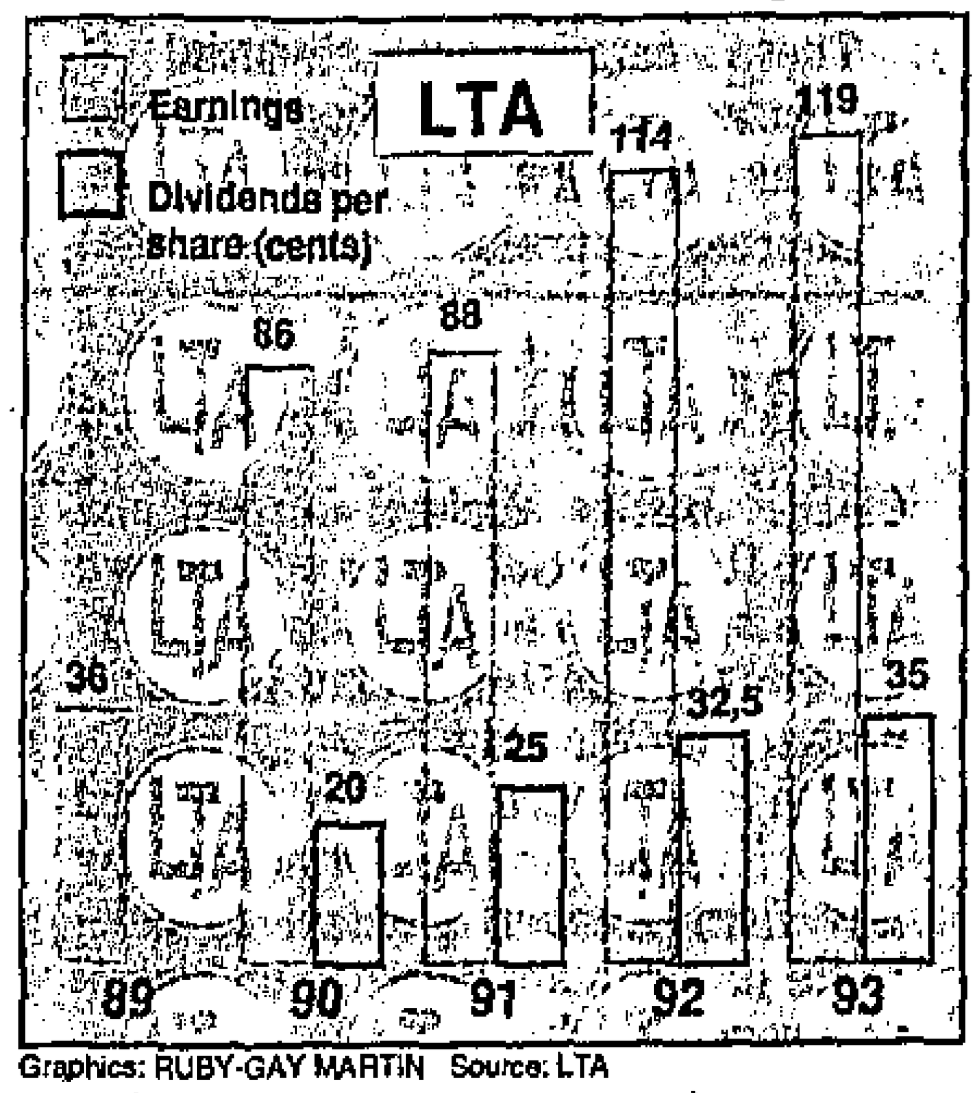
MD Colin Wood said yesterday the "disappointing" fall in revenue to R1,61bn from R1,88bn was directly related to the state of the economy.

The best LTA could do was to pick the most lucrative projects on offer.

Chairman Hilton Davies said Reserve Bank figures showed residential buildings, non-residential buildings and civil engineering works operated in 1992 at 74%, 77% and 66% of their levels in 1985.

He said the building division found conditions particularly tough and profits fell at structural steel and engineering business Steeledale. The civil and earthworks division, and the group's property, electrical and instrumentation activities improved profits. (189E)

Operating profit rose to R51,5m



Graphics: RUBY-GAY MARTIN Source: LTA

(R47,4m) due to hundreds of retrenchments in the year, low wage increases and reductions in overheads at the group's 50 profit centres.

Net finance income climbed sharply to R11,1m (R7,1m), in spite of an increase in LTA's long-term borrowings and reduced cash reserves, thanks to larger cash balances in the early part of the year.

The group fell under both old and new company tax regimes, contributing to a rise in tax provisions to R25,8m (R19,9m). After-tax profit stood at R36,7m (R34,6m),

☐ To Page 2

LTA

B/Day 15/6/93

☐ From Page 1

with attributable earnings improving to R32,4m (R30,3m). (189E)

Wood said shrinking volume of building work, a decline in down payments and capital investment in mining activities adversely affected group cash flow; but the swing was no cause for concern.

He added that LTA would do well to hold its performance in the current financial period, the nine months ended December 31 as the group brings its year-end in line with parent Amic after becoming a subsidiary in February.

Wood foresaw "no substantial growth" in sales or earnings until the economy recovered, an event which was proving impossible to predict.

Civil engineering contracts related to the Columbus, Alusaf and Namakwa Sands projects would bolster results for the rest of 1993, as would LTA's opencast mining operations and smaller businesses.

Davies said LTA remained active in southern Africa but had no large new projects in the pipeline on the scale of its abortive attempt to buy Angolan state contractor Constrei earlier this year.

Turnover dips, but Winbel moves back into the black

B/Day 17/6/93

EDWARD WEST

THE Winbel group moved back into the black in the six months to end-March 1993, as forecast at the past financial year-end.

Earnings a share climbed to 0,8c from a loss of 1,4c in the same period last year.

(189E)

Turnover was slightly lower at R99m (interim 1992: R102,8m), but operating profit improved substantially to R2,1m (R1,2m). Finance costs were lower at R690 000 (R2,3m). Tax was virtually static at R143 000 (R193 000) leaving attributable income before extraordinary items at R399 000 compared with a R730 000 loss last year.

After last year's restructuring, the group could look forward to maximising the potential of its profitable core businesses and the long-awaited revival in the economy, directors said.

Winbel, an investment holding company, owns 61% of Winhold, which in turn controls 73% of industrial and mining supplier Inmins and 86% of plastic bag, sheeting and office furniture manufacturer Plastall. All the companies are listed.

Winhold's operating income climbed to R2,1m (R1,1m) on the same turnover as Winbel. Earnings were 1,1c a share compared with a loss of 2c a share at the same time last year.

Inmins' earnings a share climbed to 3,3c from a loss of 2,1c at the interim stage last year. The improvement reflected benefits derived from rationalisation and the restructuring of Inmins over the past few years.

In spite of a 10% drop in turnover to R68,7m (R76,7m) — mainly because of closure and disposal of operations — operating income improved 8% to R1,3m (R1,2m). Finance costs fell by R1,9m compared with the same period last year after refinancing of Inmins in May 1992.

Plastall remained in the red at the interim stage with a loss of 5,1c (-5,5c) a share. Turnover increased to R31,1m (R27m).

Operating income was higher at R393 000 (R29 000), but the increase in financing costs to R949 000 (R620 000) whittled away profit.

Hudaco suffers blow as sales, margins plummet

B/Day 22/6/93

(189E)

EDWARD WEST

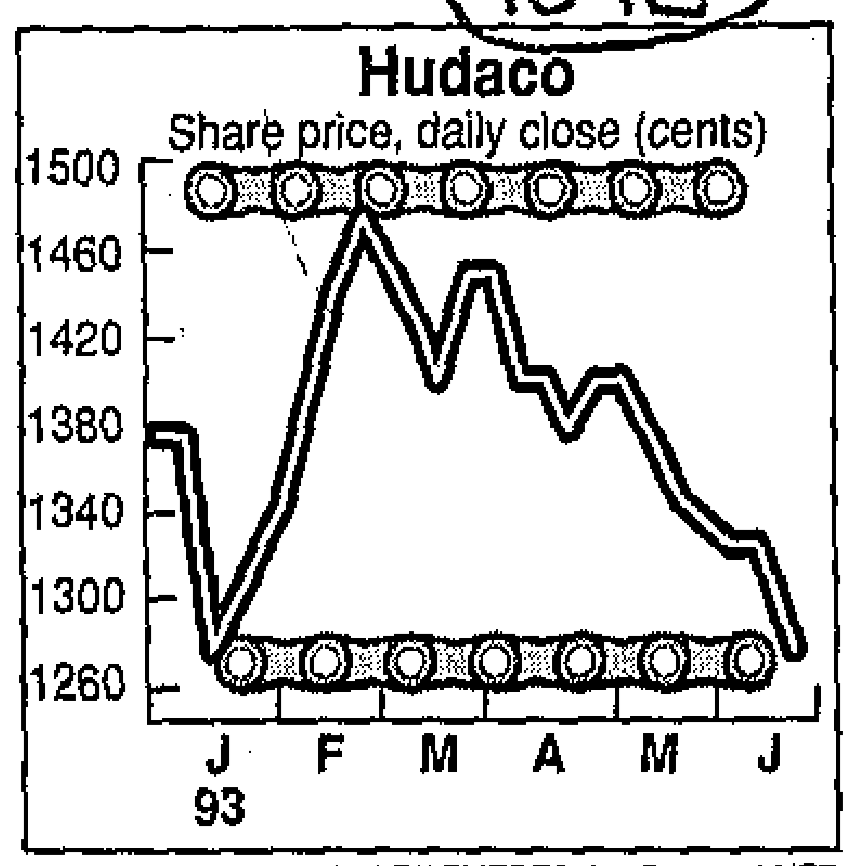
HUDACO Industries' earnings a share fell 10% to 46c in the six months to end-May from 51c a share last year as a result of declining sales and profit margins.

However, the group's main businesses were profitable and were generating cash, and with the strong balance sheet the interim dividend was maintained at 23c.

The group's main products include Deutz diesel engines, brakes and clutches, bearings, oil seals, abrasives, belting chain and hydraulic equipment.

These were imported or produced locally by the group or other local companies.

Today's published results showed turnover 5% lower at R265,5m (interim 1992: R280m) and operating income 18% lower at R25,4m (R31m). Directors believed the lower sales reflected the state of the market and not a drop in market share.



Graphic: LEE EMERTON Source: I-NET

Expenses were maintained at last year's levels, but gross profit margins fell to 9,5% (11%) as a result of competitive pressure and lower sales volumes.

The decline in operating profit was alleviated by a reduction in finance costs to R2,6m (R3,9m) — primarily from lower borrowings — and the reduced tax rate which brought tax payments to R6,9m (R9,7m). Taxed profit was resultantly 9% lower at R15,9m (R17,4m).

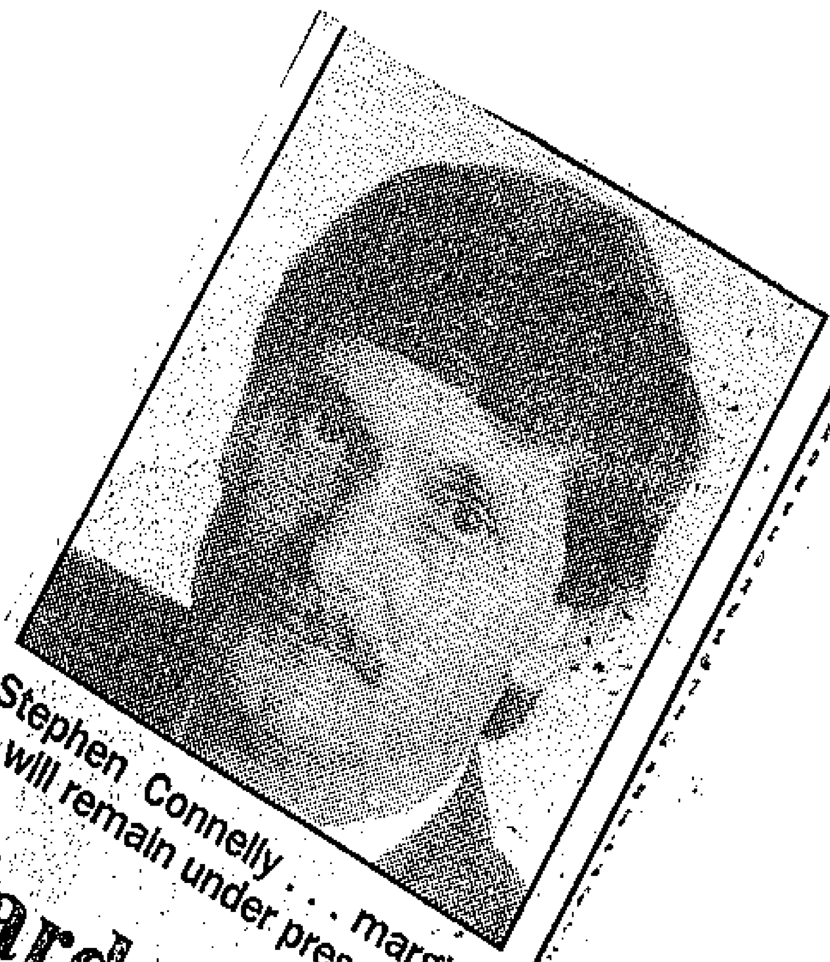
Gearing increased to 22% in the first half from 16% at the past year-end to November 30 1992 after a R10m tax payment made last month.

Operating cash flows were expected to be strong throughout the second half, directors said.

Sales levels and margins were expected to remain under pressure until the general uncertainty in the SA economy took a turn for the better and a tough approach to curtail operating costs would be maintained.

Hudaco's second half was traditionally better than the first, but it was likely the full year's earnings a share would be slightly lower than last year, the directors said.

The share price fell 50c to 1325c yesterday.



Stephen Connelly . . . margins will remain under pressure

Hard times for Hudaco

Star 22/6/93

By Stephen Cranston

A further deterioration of sales in April and May led to a ten percent reduction in Hudaco's earnings per share to 48c in the six months to May.

CE Stephen Connelly says he hopes the most recent decline was due to the uncertain environment and that trading volumes will be restored in future months.

He says that businesses serving the automotive industries with brake and clutch parts, ball bearings and diesel engines performed better than those serving mining and manufacturing.

An unchanged dividend of 23c is being paid, which recognises that the main business units are profitable and cash-generative.

Sales fell by six percent to R285,5 million, which Connelly says reflects the state of the markets rather than a loss of market share.

(189E)

Competitive pressures and lower volumes reduced the gross margin, but expenses were maintained at last year's levels.

The operating margin declined from 11 to 9,5 percent, below the 10 percent minimum in its target range.

Finance costs, however, fell from R3,9 million to R2,5 million because of strong cash flow and a reduction in interest rates.

Gearing, however, is up from 16 percent to 22 percent because of a R10 million tax payment on May 28.

Connelly says the economy will contract further this year and that sales levels and margins will remain under pressure.

Despite a tough line on operating costs, it is likely that the full year's earnings will fall slightly short of last year's results.

Fm 25/6/93
SCHARRIGHUISEN (189E)

Coal still the backbone

After a year of expansion and diversification, Scharrighuisen Holdings (Scharig) has produced a solid set of results and — for now — confounded criticism, including that from the *FM*, that it was growing too quickly.

Fm 25/6/93 **COMPANIES**

Activities: *Opencast mining, plant hire, construction, earthworks and engineering* (189E)
Control: *Scharrighuisen family 66%.*
Chairman: *C Scharrighuisen; MD: L Fisher.*
Capital structure: *29,1m ords. Market capitalisation: R167m.*
Share market: *Price: 575c. Yields: 4,2% on dividend; 14,6% on earnings; p:e ratio, 6,9; cover, 2,8. 12-month high, 620c; low, 290c. Trading volume last quarter, 2,3m shares.*

Year to December 31	**'90**	**'91**	**'92**
ST debt (Rm)	10,4	15,6	13,2
LT debt (Rm)	5,4	13,0	15,9
Debt:equity ratio	0,43	0,27	0,16
Shareholders' interest	0,52	0,52	0,60
Int & leasing cover	4,2	9,5	31,0
Return on cap (%)	30,5	23,3	18,9
Turnover (Rm)	66,3	100,8	116,6
Pre-int profit (Rm)	17,2	23,4	27,7
Pre-int margin (%)	25,9	23,2	28,8
Earnings (c)	38,2	70,8	83,9
Dividends (c)	10,5	25	30
Tangible NAV (c)	178	192	302

It's still early days, but so far there is little to suggest the broadly spread engineering group — the core business is opencast, contract coal mining — is taking undue strain after the number of acquisitions in 1992.

These include a 75% interest in New Joules Engineering, 55% of Norman Mining Company, and the consolidation of property interests in wholly owned Scharrighuisen Investments.

In addition, the mining interests were floated off in a separate listing of Scharrig Mining (Schamin) at the beginning of the year, after the holding company declared a one-for-one dividend in specie. The broader spread of shareholders appears to have increased tradeability of both shares. Schamin is quoted at 210c, 35% higher than its first trade on January 25.

A 19% increase in EPS, after dilution from additional issued shares, looks good compared with others in the engineering sector, while shareholders should be satisfied with the one-fifth increase in the dividend payout.

Cont'd

But the real strength is apparent on the balance sheet. Gearing has been reduced to 32% despite the acquisitions, which helped increase total assets employed by about 47% to R146m. Shareholders' funds are up a third to R92m.

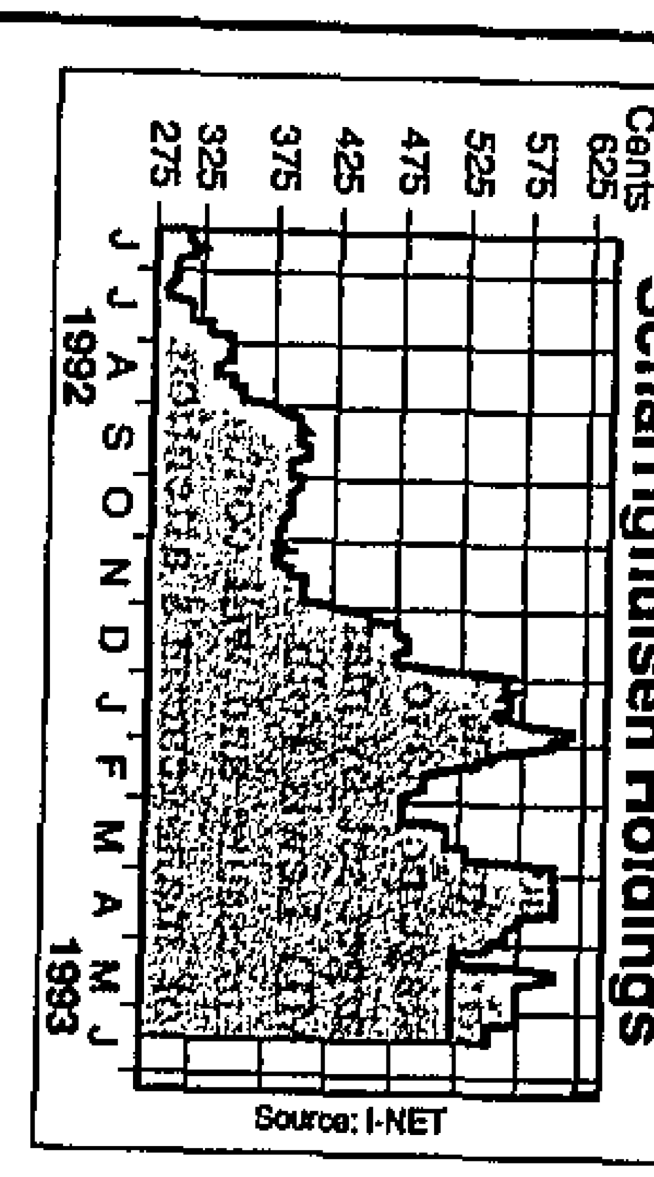
Chairman and joint group MD Casper Scharrighuisen says management countered a difficult year by reducing costs and streamlining operations, which improved profitability. "A foundation has been established for expanding the earnings base. The significant assets acquired during the year will produce greater returns when the economy recovers," he says.

Diversification includes a foray into opencast gold mining. In addition, Scharrighuisen says opportunities exist in the mining of gold, platinum, copper and other aggregates.

Opencast coal mining remains the backbone of the business, and apart from lower prices fetched on the world market and declining domestic consumption, Scharrighuisen says the volume of coal produced increased over the year. "It is not expected that production will decline," he says.

Contract mining has so far been the key to the group's success. The coal industry remains in the doldrums, but this works for Scharig as producers are forced to cut costs and increasingly see contract mining as one way of achieving this. Scharig is isolated from the direct effects of world prices, as it is paid per ton produced, and also does not have the long-term commitment of mining rights.

Scharrighuisen Holdings



In addition, the group has extensive plant, which it often employs when mines close and Scharig is contracted to do rehabilitation work.

It continues to expand its interests, which now include precision engineering services and the supply of speed control equipment to the railroad industry.

At 575c, the share has gained almost four-fifths over a year. Ratings have firmed considerably, the yield down from 8,2% to 4,2%, not far off the average for the sector. The p:e has improved from 4,3 to 6,9. With additional shares in issue, Scharig and Schamin are among the more interesting stocks in the engineering sector.

Shaun Harris

FM 25/6/93 (189E) **FOX**

HUDACO FM 25/6/93 (189E)

Optimism misplaced

The refreshing recent optimism of CE Steve Connelly has been followed by a disappointment after poor trade in April and May. Connelly estimates that group volume sales have fallen by about 14% in the first half. Hudaco distributes a range of branded products — diesel engines, bearings and seals, belting and chain, brakes and clutches — primarily for the mining and manufacturing industries.

Comparing the 1993 first half with the 1992 interims, turnover fell 5% but operating profit bore the brunt of slack demand, falling 18%. Though expenses were maintained over the period, competitive pressures and low volumes caused margins to narrow from 11% last year to 9,5% this year.

The fall in volumes in April and May, says Connelly, was a reaction to uncertainty after Chris Hani's assassination. Though there were few disruptions over the period, orders for new parts were probably inhibited. Competition remains tough but this is largely due to low volumes; there have been few instances of severe price cutting.

Interest charges were reduced over the year as average gearing declined and because of the fall in interest rates. However, a tax payment of R10m on May 28th has increased gearing from 16% at the November 1992 year-end to 22% at the May 1993 interim. The lower interest charge coupled with a lower tax rate (after providing for secondary tax on companies) resulted in a 9% fall in post-tax profit. EPS fell by a tenth to 46c.

DIVIDEND HELD

Six months to	May 31 '92	Nov 30 '92	May 31 '93
Turnover (Rm)	280,0	282,6	265,5
Operating income (Rm)	31,0	30,7	25,4
Attributable (Rm)	14,5	15,8	13,1
Earnings (c)	51,0	55,8	46,0
Dividends (c)	23,0	30,0	23,0

The rise in the gold price hasn't yet increased orders from the gold mining industry. Connelly says the gold price must be sustained at higher levels before mines will be prepared to invest more. At just under a third of sales, mining is the largest contributor to group sales. Half of this comes exclusively from gold mining. Manufacturing accounts for a quarter of sales; automotive for 13% and agriculture accounts for a tenth.

Hudaco has maintained its interim dividend due to confidence in the cash generative nature of its businesses, all of which are profitable. Cash flow was 130c per share in 1992 — though Connelly is reluctant to quantify it for 1993, he says it will be about the same as earnings. Cuts in working capital requirements are being sought through continued reduction in stocks.

It's unlikely that staff cuts, like the 14% cut in 1992, will be a feature of 1993. Connelly doesn't want to be caught short when the upturn in the economy begins. He doesn't expect an upturn in 1993, estimating that 1993 EPS will be slightly down on the previous year's figure of 107c, despite the traditionally stronger second half.

The share price has fallen from R14,30 to R12,75 since March. It is now on a p:e of 13, quite ambitious given its high gearing to capital investment. The balance sheet is strong; the maintained dividend shows confidence in cash generation. The share price is unlikely to slide much further given that much of the bad news is already on board. The growth potential will be unleashed when the economy improves.

Louise Randell

Table Top moves into the Gulf

Star 25/6/93

Foodcorp's Table Top division, has spearheaded the group's latest export initiative with the successful launching of a number of its products in the Arabian Gulf region. (186)

Branded garden peas, mixed vegetables, cut and sliced beans, baby carrots, sweetcorn, corn-on-the-cob, broccoli and potato chips were introduced to the retail, wholesale and catering trade in Abu Dhabi, Bahrain, Dubai, Kuwait and Muscat in Oman.

"Follow-up orders have been good," says the group's exective director for international marketing, Gert Schoonraad. "In fact, retailers in Bahrain were sold out on the first day.

"Our aim is to capture at least a 10 percent share of their frozen vegetable category in the first 12 months and then to grow this over the next three years to 25 percent," said Schoonraad.

Vietnam appoints SA firm to plan R75-bn export zone

Star 25/6/93 (189E)

By Tom Hood

A South African firm of engineers and planners has won a contract to prepare the master plan for a R75 billion development at Hai Phong, the largest harbour in North Vietnam.

The firm, Van Niekerk, Kleyn and Edwards (VKE), claims to be the country's first to undertake consulting work in Vietnam.

It is acting for a giant Hong Kong investment company, Verygood International, which will invest about $25 billion (R82 billion) in a joint venture with the Vietnamese government to develop an export processing zone.

Other South African companies could also become involved, says Shirwell Kipps, a partner in VKE.

About 540 factories are to be built in steel, prefabricated and shipped to Vietnam and South African firms could be asked to make them.

"We might also export our bricks there as well," he said.

The Hai Phong development covers about 3 000 hectares. The first phase includes 200 ha of industrial factories and 100 ha of bonded warehousing.

The other 700 ha will contain commercial, business and residential areas, with recreational facilities such as a holiday resort, hotels and a golf course.

Model built

Today the firm completed an architectural model of the project and airfreighted it to Hong Kong.

Kipps said the investment group had been invited by various other governments to develop similar projects.

He and town planners Nico Malan and Alan Simonic returned recently from a visit to Hanoi, Hai Phong and Ho Cho Minh City (formerly Saigon).

Vietnam was poised for tremendous growth, with Japan and Taiwan also planning huge investments there, said Kipps.

A Chinese contractor was expected to build the development.

The Cape company will supervise the construction, civil engineering and other works.

Kipps said Vietnam was a poor country that had seen no development since the war started in 1966 and the communist government was encouraging capitalism to develop the country so it could compete in the Pacific Rim.

VKE was experienced in this planning work through developing 10 new towns, including Khayelitsha, he added.

"In terms of sheer capital investment, South Africa has had nothing to touch this development."

COMP

LTA actively seeks new work

BDay 28/6/93

DUMA GQUBULE

LTA expects to maintain earnings in the year ahead, but will continue to draw down its cash resources to invest in new projects.

MD Colin Wood said in the company's 1993 annual review that LTA remained in a strong financial position with funds on deposit and at the bank exceeding borrowings by R44m at the year-end.

But the funds would continue to diminish over the coming year as LTA made further investments in its businesses.

LTA's funds on deposit had fallen sharply to R64m at end-March, which had contributed to a R196m deterioration in the group's working capital position.

Chairman Hilton Davies said at the weekend he did not expect LTA to move into a borrowing position under present economic conditions.

The position was that normal work had been declining, which had forced LTA to look for new projects to replace completed projects.

LTA was looking at a number of new projects which would absorb cash resources in the year ahead, he said.

Wood said the value of work contracted for and remaining to be completed at the end of the year had increased slightly to R1,56m (R1,53m).

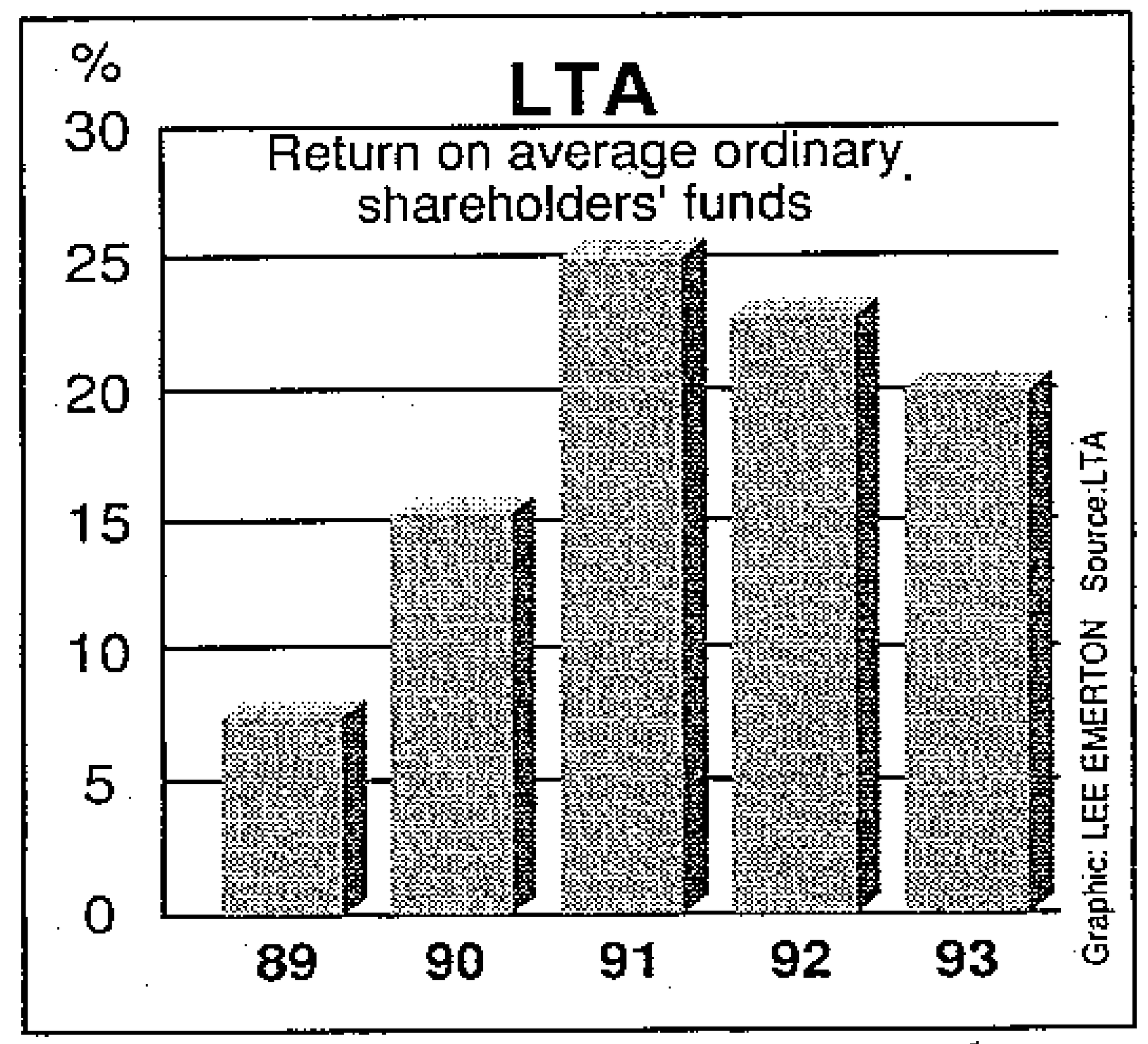
LTA remained committed to its belief that meaningful opportunities would be secured in other countries although its increased marketing efforts had yet to produce a return.

In his review of operations, Wood said LTA's Aftecon division, after beating its profit forecasts in the past year, expected its margins to come under pressure in the year ahead. The division had, however, identified sufficient opportunities to maintain market share, in spite of expected lower volumes of work.

Prospects in the chemical sector and in mining and infrastructural projects and current work on hand would enable the division to maintain satisfactory profit levels.

(189 E)

The building division, whose contracts included the Bank City development and the SA Reserve Bank complex in Johannesburg, had



taken rationalisation measures. These would enable the division to secure the reduced turnover required to achieve satisfactory profit levels in the current year.

Civil engineering and earthworks operations remained active in neighbouring territories and were involved in the Lesotho Highlands water scheme on a joint venture basis.

The division's opencast mining and heavy earthworks activities were continuing successfully in SA and neighbouring territories.

The Steeledale division, involved in property project management and development, regarded its forward commitments as satisfactory in spite of the increasing caution of institutional investors.

Manufacturing and subcontracting had met forecasts despite losses recorded in factory manufactured buildings and structural steel operations.

The reasons for the losses included a drop in turnover in manufactured buildings to 65% below forecasts, the effects of a strike in August 1992 and a highly competitive market in structural steel activities.

Suitable corrective measures had been implemented in both areas and a return to profitability was expected for the current trading period, Wood said.

Generally, all operations had dealt with declining turnovers and resulting pressure on margins. Where necessary companies had been restructured and refocused in line with changing market conditions.

SA engineering industry set for streamlined development

By MAGGIE ROWLEY
Property Editor

189E

CT 1/7/93

THE SA engineering industry is set to undergo a major transformation, says Geoff Cork a director of consulting engineering firm Hill Kaplan Scott.

Cork said that the reshaping of the industry would see a move away from traditional approaches to more innovative ways of undertaking work in future.

Major changes were taking place within the consulting profession itself. External competition from organisations other than consulting engineering firms would lead to a revision in the manner in which consultants charge for their services with a great stress on cost containment and effectiveness.

Cork said a cornerstone of the consulting profession had been its ability to retain independence of judgment. This aspect was likely to be severely tested in the years ahead as consultants become more aligned with either contracting or client organisations and it was possible that in future consultants would have vested interests in projects.

The consultancy profession, he said, would have to become more commercially orientated and look to offering turnkey proejcts.

The whole thrust will be to shorten the chain of delivery, to get the most out of the rand.

Cork said that an prerequisite for development in future would be consultants planning with people rather than for them. In this regard it was imperative that engineers get acquainted with the needs, attitudes and values of the people affected.

Expectations that a transitional government would be like a magic wand opening the flood gates or that a flood of money from overseas would be forthcoming were unrealistic.

"It is time to be active, pro-active. There is no time to be timid. The industry has to start initiating its own projects. While we might make mistakes along the line we have to move forward."

In this regard, he said HKS had been a pioneer initiating projects after consultation with communities.

He said the country had more than enough money to finance the infrastructural and housing needs of the country.

However the institutions controlling the contractual or collective savings of the nation were hesitant to get involved in these areas due to the perceived level of risk and were still preferring to opt for more traditional investment opportunities which they perceived to be safer.

Cork and Andy Miles, national marketing manager of HKS, argued that in the long run policyholders funds' could well be at more risk by not investing in these perceived high risk areas.

"Unless we get the housing situation sorted out, and help create peace and prosperity in the process through the creation of employment institutional funds will be at risk.

"And it would surely be far preferable for institutions to take the initiative rather than find themselves being prescribed to down the line," they said.

They said the institutional involvement in electrification programme was to be welcomed and would hopefully pave the way for a similar scheme for housing.

● HKS has won two major awards — the prestigious Fulton Award in the Building Structures category and the Regional Award for Excellence in Civil Engineering for 1992 from the SA Institute of Civil Engineers — for their participation in the upgrading of the Newlands cricket ground.

High-growth Ozz is 'cautiously optimistic'

B/Day 9/7/93

(189 E)

DUMA GQUBULE

DIVERSIFIED engineering and property group Ozz says it is cautiously optimistic and expects growth in earnings and dividends in the year ahead.

Ozz reported a 25% increase in earnings to R9,2m (the fourth year of strong growth) on an unchanged turnover of R124,5m for the year ended March.

In the 1993 annual review chairman Gary Zulberg said Ozz had a sound consolidated balance sheet with a borrowings-to-equity ratio of 8%.

The group had been able to view and, where appropriate, exploit investment opportunities from a position of strength.

The recent acquisition of the wearparts businesses of Unihold adds to the engineering portfolio and significantly expands the group's international operations.

The acquisition offered exciting opportunities to develop the group's engineering interests organically and through rationalisation.

Cost control, customer service and product innovation, factors of sound commercial practice, had contributed to produce excellent profitability in the group's engineering divisions.

On property interests, he said the Fishermans Village development at Bruma Lake had reported increased profitability and was now recognised as one of Johannesburg's premier entertainment and specialty shopping complexes.

A highlight of the property activities was the development and syndication of a R6,7m shopping centre at Mondeor.

Zulberg said non-core operations — gas production and supply, and brickmaking — had, throughout the year, been operating below potential.

A satisfactory outcome — considering adverse conditions associated with the operations' industries — was nevertheless achieved with both operations contributing to group earnings.

SA patents 'may be worthless'

EDWARD WEST

PATENTS registered in SA may not be valid in court, and the onus was on the inventor to research patent validity, Spoor and Fischer patent attorney Chris de Villiers said yesterday.

The value of SA patents were questioned by inventors who claimed they were worthless and incapable of protecting patentees in a court of law, Engineering News reported. 6/Day

De Villiers said the SA Patent Office did not conduct research into the merits of inventions or the validity of inventors' claims. This could result in patents being proved invalid in court. 14/7/93

The onus fell on the patentee to do his homework before registering a patent. Unlike big companies, inventors with limited financial backing were often unable to research the validity of patents, De Villiers said. (179E)

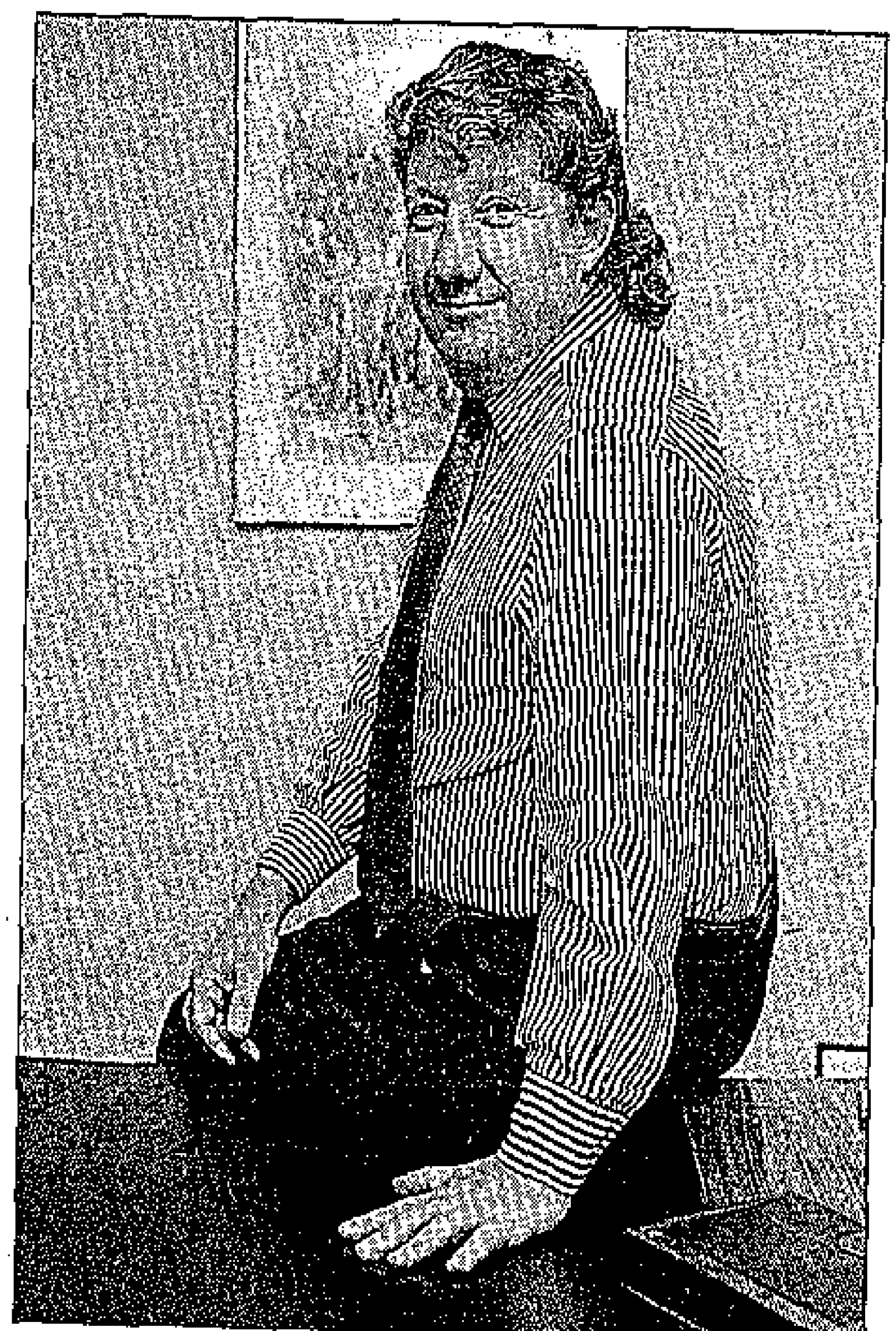
More than 10 000 patent applications a year were filed in SA. Engineering News reported several smaller countries such as Taiwan had poor quality examination systems and patents were gained on an arbitrary basis. The British Patent Office and European patent offices conducted research on request.

OZZ FM 16/7/93 .

Three-wheeled bike (189E)

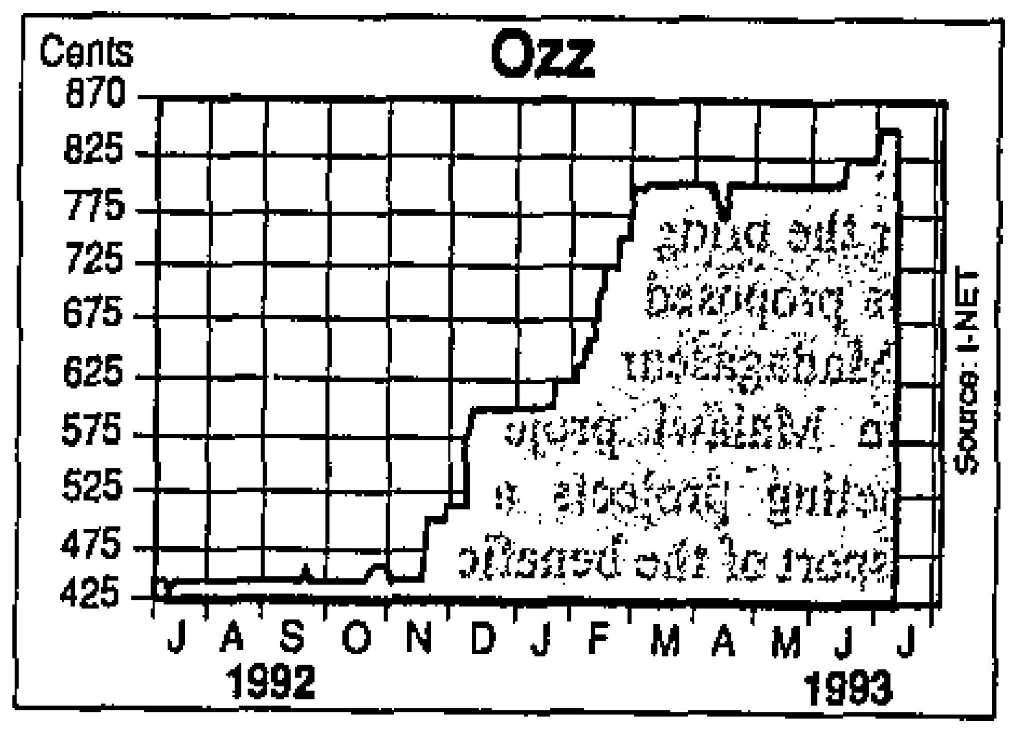
Activities: *Investment holding company with core activities in foundries and specialised engineering works, and in construction, development and fixed property. Other activities; production and distribution of gas, manufacturer of bricks.*
Control: *Directors 41,2%.*
Chairman: *G Zulberg.*
Capital structure: *13,3m ords. Market capitalisation: R113m.*
Share market: *Price: 850c. Yields: 3,1% on dividend; 8,2% on earnings; p:e ratio, 12,2; cover, 2,7. 12-month high, 850c; low, 370c. Trading volume last quarter, 182 000 shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	3,8	0,39	nil	nil
LT debt (Rm)	25,3	16,9	7,5	13,8
Debt:equity ratio	0,71	0,39	0,23	0,08
Shareholders' interest	0,40	0,49	0,56	0,56
Int & leasing cover .	29,5	4,0	6,5	4,3
Return on cap (%) ..	10,3	19,8	16,8	14,8
Turnover (Rm)	86	114	125	124
Pre-int profit (Rm) ...	9,8	18,0	18,8	19,2
Pre-int margin (%) ..	11,4	15,8	15,1	15,4
Earnings (c)	38,1	46,1	56	69,7
Dividends (c)	3,4	17,0	21,5	26,0
Tangible NAV (c)	281	310	420	473



Ozz's Zulberg ... *cutting operating costs*

FM 16/7/93 (189E)



It's unlikely Ozz chairman Gary Zulberg will have a problem getting a job if he should ever retire from his present occupation: I can think of half a dozen business schools which would give much to have him along for the odd semester.

This extraordinary company with the unusual name — we all enjoy poking fun at it — produces an annual report which must make most other CEs either envious or somewhat off-colour. Zulberg has husbanded his company to another record profit — nearly 70c a share.

Ozz's earnings growth since 1989 has never been less than 16% and was 24% in the past financial year. Dividends have grown since 1989 at a rate consistently higher than 20% (in 1990 the dividend increase, off a low base, was 36%). In this time of recession, change and uncertainty, that speaks of dedication and a cool head.

A feature of the year's results is the way they were achieved: turnover was within R100 000 of 1992's, but the trading margin increased to 15,4% on the back of a genuine reduction in operating costs. Zulberg is emphatic the improvement wasn't achieved by raising selling prices — there's too much competition for that.

The year-end balance sheet remains strong, with R8m cash, no short-term borrowings and a conservative debt:equity ratio of 8%. However, long-term debt has increased to R14m, paltry in the scheme of Ozz's affairs, but still worthy of note.

The big news of the year was the post-balance sheet purchase of the foundries and wearparts businesses of Unihold for R35,5m, effective June 1. Ozz paid R23,5m cash and the remaining R12m by issue of 1,6m Ozz shares at R7,50 a share. That leaves the subscribing institutions, First National and Fedsure, in the happy position of having made an almost instant profit of R1m on the shares.

Zulberg financed the cash portion by drawing on Ozz's own reserves and by raising a long-term financing facility. The effect, he says, if this had been in place at the financial year-end, would have been to increase gearing to 28%. If there's any caution about this group, it is in this area.

In 1990, Ozz's debt:equity was 71% and one of the company's most impressive achievements has been to reduce that in three years to a negligible level. Investors will want to know that management won't let this run away.

Zulberg is confident he can turn his latest purchase to good account once his operating disciplines take hold and produce the efficiencies which characterise Ozz's business. The purchase of the Unihold assets may see a significant growth in Ozz's exports.

Zulberg is mealy-mouthed about prospects. "With cautious optimism," he says, "we anticipate growth in earnings and dividends for the following year."

When I last wrote about this company (*Fox*, June 18), I confessed the only thing that worried about me about Ozz and Zulberg is that the Wizard, as he's referred to in the financial community, for some wholly unexpected reason, will one day fall off his bicycle. "What you don't understand," I was told by a JSE analyst in what I took to be a rebuke, "is that he rides a tricycle."

That probably says it all. *David Gleason*

Haggie to save 'millions'

Star 29/7/93

By John Spira

Haggie Rand, the steel wire and rope subsidiary of the Haggie group, has embarked on a major cost-cutting and rationalisation programme.

Managing director Gordon Russell says the programme will be measured in "tens of millions of rands" over the next two years, with the benefits likely to impact on the bottom line as early as the 1994 financial year.

In the year to December 1992, Haggie's steel wire and rope division, of which Haggie Rand is a major component, accounted for 55 percent of the group's R1,2 billion turnover and 80 percent of its operating profits.

Haggie has been contending with a stagnant local market — particularly in the mining industry — and continuing overcapacity in the increasingly competitive international market.

189E

Recognising these negative fundamentals, the market has placed Haggie on a well-above-average 7 percent dividend yield.

With the rationalisation programme slated to boost earnings by a not insignificant margin and with the mining outlook brightening, the shares could enjoy a positive revaluation, though the market might prefer to see the results in black and white before pushing Haggie markedly higher.

Picture: BRENTON GEACH, The Argus.

WINNER: Petrel Engineering scooped the Weekend Argus/Cape Chamber of Industries Western Cape Exporter of the Year Award at a banquet last night. Petrel's managing director Michael Franzen seen here with, left, Andrew Drysdale, Editor-in-chief of The Argus and Len van Zyl, chief executive of the South African Foreign Trade Organisation.

Storming export win for Petrel

ARGT 23/7/93

MARC HASENFUSS
Business Staff

PETREL Engineering is the overall winner of the Weekend Argus/Cape Chamber of Industries Western Cape Exporter of the Year Award.

Petrel — which exports hydraulic equipment for the fishing industry — won the award because of a successful export drive into the South American fishing industry.

Petrel also won the Seifsa Trophy — awarded to an engineering company which has excelled in exporting.

Mr Len van Zyl, chief executive of the South African Foreign Trade Organisation (Safto), said last night at the award dinner that there was great enthusiasm all over the world to trade with the new South Africa.

"It's a tough world out there but marketing opportunities exist for those who have the drive and will to capture world markets."

However, he warned that South African business was suffering from "too low a profile and too negative a reputation" to simply walk out and compete on an equal footing with other countries.

- Blind chain component manufacturer Louvreflex Agencies won the Safmarine Award for outstanding achievement in export. The Safmarine Trophy is awarded to exporters whose total turnover is less than R10 million.
- More reports and pictures in Weekend Argus Business Section tomorrow and Sunday.

Ovcon MD expects lower earnings

ARG24|7|93

MARC HASENFUSS
Business Staff

CIVIL engineering and construction group Ovcon was set to post lower earnings this year, managing director Mr Jan Kaminski said in an interview before the group's annual meeting yesterday.

"Margins are very tight with not much work around."

Mr Kaminski said trading in the first quarter since year-end had been satisfactory and was in line with expectations.

He said it was too early in the new financial year to predict whether the dividend would be cut in the year ahead.

Regarding Ovcon's recent moves into Abu Dhabi, Mr Kaminski said it was taking longer than expected to win contract work.

However, there was a lot of activity in Abu Dhabi and he was confident that the group would penetrate the market.

Ovcon has also struck a deal with an international trading house to explore further opportunities in markets in the Middle East.

Retrenchments easing up in civils industry

CT 26/7/93. (189E) (335)

From EDWARD WEST

JOHANNESBURG. — Large civil engineering and steel companies have reported a slow-down in the rate of retrenchments for the first time in three years.

SA Federation of Civil Engineering Contractors (Safcec) economist Henk Langenhoven said civil engineering retrenchments had slowed this year.

He said the rate of retrenchments would continue to fall because tender awards and industry turnover were showing a slight improvement, Alusaf and Columbus projects were being awarded, and there had been a resurgence in advertising for senior civil engineering personnel.

Benefit

Employment levels differed regionally, with Natal expected to draw the most benefit because of the large amount of site and service work in and around Durban and the capital project works in northern Natal.

Langenhoven said in the past improved construction activity had tended to lag behind a general economic upturn by between 12 and 18 months.

However, the takeoff of the economy after this recession was likely to result in virtually immediate benefits for the construction sector because of the backlog of infrastructural, housing and capital expenditure commitments, he said.

In the first quarter of 1993, employment in the civil engineering sector was 49 700. Langenhoven estimated employment would stabilise at 52 000 this year, a 5% drop in employment over 1992.

In 1992 employment in the sector fell 18,5% over 1991. In 1991 it fell 20,5% over 1990, while in 1990 employment fell 8% over 1989.

Outlook

Steel and Engineering Industries Federation of SA (Seifsa) economist Michael McDonald said over the weekend that while the outlook for steel engineering activity was still bleak, the rate of retrenchments had fallen to about 2 000 a month from about 2 500 last year.

The industry reduced its workforce by about 110 000 from January 1989 to December 1992. McDonald said most big companies in the sector — for which labour was a major cost — had already trimmed staff numbers for the recession.

However, retrenchments in the sector were expected to continue this year, mostly from smaller companies which had tried to maintain skills and employees through the recession.

Both economists said any real improvement in trading activity would be contingent on political stability and developments over the next year.

COMPANIES

Unihold plunges into the red

MARCIA KLEIN

UNIHOLD fell into the red in the six months to end-June as lower operating results were exacerbated by downsizing costs and a high interest bill. B/Day

The engineering supplies manufacturer reported a loss of 2,3c a share, from earnings of 3,4c last year. 3/9/93

Directors said the 13,5% reduction in turnover to R121,4m (R140,4m) was largely due to the exclusion of the wearparts businesses, which were sold to Ozz in March for R35,5m. Turnover in the remaining divisions rose. But margins came under further downward pressure, and operating income dropped by 14,7% to R5,8m from R6,8m previously. (189E)

Downsizing of the U-Lite Holdings division, on the back of continued losses in the luminaire operation, was reflected in an abnormal item of R4,2m. Directors said that conditional agreement had been reached with Power Technologies for the sale of U-Lite.

Operating income after the abnormal item had declined by 76,3% to R1,6m from R6,8m. Although the interest charge of R4,1m was 19,3% lower than the previous year, directors said the charge was "disappointingly high" due to the trading results.

Gearing had been reduced to 76,4% from 106,4% at the December 1992 year-end, but was marginally higher than the 73,3% at the 1992 interim stage.

The attributable loss of R1,4m compared with income of nearly R2m in the previous year.

Trading conditions were not likely to improve in the second half, directors said.

NEI Afr sheds Propower, AG Walker to cut debts

Business Editor (189E)

LOSS-MAKING Northern Engineering Industries Africa (NEI Afr) will reduce its debt by R40m by selling its Propower and AG Walker operations, UAL Merchant Bank announced yesterday.

They will be bought by a management consortium led by Propower MD Mike de Beer and a financial consortium, including institutional investors, led by FirstCorp Merchant Bank.

The sale must still be approved by NEI Afr shareholders. But this is expected to be a formality because NEI Africa Holdings (NEIA), which holds 53% of shares, and ultimate holding company Rolls Royce, are in favour of it.

NEI Afr wrote off R52,5m in 1991 after the uncovering of serious accounting irregularities in its diesel division.

The recession, which has hit the engineering industry particularly hard, hampered efforts to recover. The group ended the six months to June this year with an attributable loss of R4m — a substantial improvement on the loss of R26m in the first half of last year — and with debts of R102m.

CT 14/9/93

The UAL Merchant Bank announcement says the effective consideration for the disposal amounts to R42m. The buyers will pay R13,5m — R11,5m when shareholders approve the deal and R2m on a deferred basis — and will take over liability for R28,5m worth of interest-bearing debt.

NEI Afr chairman Peter Joubert said yesterday that, in addition to reducing the level of debt, the sale would refocus group activities. It would now concentrate on its core activities of industrial and packaged boiler manufacture, related mechanical engineering and electrical engineering.

Propower is the sole SA distributor of Cummins diesel engines and Navistar parts. AG Walker manufactures, instals and maintains service station petrol pumps.

Mike De Beer said there would be no change in the staffing and structure of either company.

The overseas principals had entered into new distribution agreements with Propower and AG Walker. "They, like us, are looking forward to developing business opportunities in the changing SA," De Beer said.

EL Bateman ups income after cut in interest, tax

(89E) CT 14/9/93

JOHANNESBURG. — A lower tax and interest bill as well as a modest increase in turnover helped engineering firm Edward L Bateman to lift attributable income almost 5% in the year to June 1993.

Attributable income rose to R25,2m (R24,1m) as turnover rose 5,3%, and the tax charge fell 28,7% while the interest bill was 25% lower.

Although the results were pleasing given the tough conditions in the mining and construction sectors which Bateman supplies with management services and products, the firm has made provisions for losses arising from the disposal of largely loss-making, non-core subsidiaries.

Earnings a share in the year to June 1993 were up 4,4% to 92c (88,1c) a share. Bateman declared a final dividend 1,5c higher at 23,75c a share lifting the total for the year to 32c (30,5c) a share. — Sapa

TPN earns, pays more

Star

Reduced exports caused engineering holding company TPN Investments' turnover to fall 19 perc ent, but cost containment lifted profits and led to a higher dividend in the year to June. 21/9/93

Attributable earnings rose 10,3 percent to R2,33 million.

An unchanged final dividend of 4c is being paid, resulting in a total dividend of 6c (4c).

A company spokesman says the group declared an increased dividend as it had adequate cash resources and no capital projects were planned. — Sapa. (189E)

Pressure no sweat for JTA chief

MARC HASENFUSS
Business Staff

WITH the economy looking to come on the boil again, chief executive Garth van Nierop has heavy engineering firm John Thompson Africa (JTA) all set to handle any increases in business pressure.

He is confident the NEI Africa subsidiary's strong engineering base will see it through the remaining rough days and also allow the group to secure early footholds in viable markets both domestically and internationally.

"We have focused on the industrial boiler market — an area we believe we are the best in."

Although JTA — the largest supplier of industrial boilers in South Africa — has seen domestic demand squeezed to half the "boom" levels of the early 1980s, a successful export strategy and product diversity ensures the production lines keep rolling.

Mr Van Nierop estimates the Bellville-based group's export projects being worked on to be in the region of R250 million.

He says JTA has been successful in winning boiler supply contracts with South American countries, most notably Colombia and Chile.

Trade in the African market has been static but Mr Van Nierop indicates that JTA is working on securing a number of contracts in East Africa.

Export revenue makes up about 25 percent of JTA's turnover. This is set to grow in the short term and the group is aiming to shift export sales to 40-50 percent of total group business in the next few years.

Most encouraging is the group's ability to compete successfully against the best in the world. In fending off international competition to win lucrative contracts in Israel and the United States, JTA has bolstered its reputation as a global player in the boiler industry.

Confirming this status was a recent inquiry for boilers by a Spanish firm — which came on the back of market talk that identified JTA as "one of the best boiler manufacturers in the world".

Locally, the group is well positioned to latch on to any upswing in the economy.

Mr Von Nierop points out that local demand has been flat for so long that any economic uptick should realise substantial amounts of new investment. "We are ready for this and can double our output at short notice," he said.

The group should benefit from infrastructural development around the country, especially in buildings like hospitals, hotels and prisons.

In addition, the group has scooped the entire boiler contract for the Columbus Project — worth R3,5 million.

Diversity, Mr Van Nierop emphasises, has paid dividends for the group. JTA has used its engineering abilities to break into the fish, poultry and meat processing industries, supplying industrial dryers and cookers.

(189E) ARC 9/10/93

A licence agreement with an US-based firm, ABB Raymond, to manufacture and supply metallurgical dryers has also seen the group break into the platinum and copper industry.

The group's heavy engineering capabilities, particularly in heavy fabrication like zinc baths, pressure vessels, autoclaves, manifolds and tube manipulations also provides additional scope for increasing business.

JTA has merged with NEI Africa stablemate International Combustion Africa (ICAL), a rationalisation move that Mr Van Nierop believes will have a huge impact on the group's heavy engineering business.

ICAL gives JTA direct access to the tube manipulation market — a lucrative business area, in which there are only three main players.

Own Correspondent

Standard Engineering nets 26% profit jump

(189E) CT 13/10/93

JOHANNESBURG. — Standard Engineering has reported a 26% jump in pretax profit to R69,5m (R55,3m) in the year ended August as improved cash flow on the back of real sales growth took a large chunk out of the group's borrowings and interest bill.

The automotive component, rolling stock and pipe supplier, owned by Murray & Roberts, turned in earnings of 136,4c (121,5c) a share and declared a 5c increase in the total dividend to 47c (42c).

MD Terry Davidson said yesterday that the 15% climb in turnover to R795m (R688m) had been achieved. Growing export volumes were making up for declining domestic sales.

The best performance came from the automotive division, particularly in supplies to heavy vehicle manufacturers.

The pipe division had a good year thanks in large part to last year's receipt of an American Petroleum Institute licence to manufacture piping to its specifications. Standard's product could be used for petrochemical piping as well as water, enabling it to win a contract to supply the Columbus stainless steel project and improve export orders.

Davidson said no large tenders had been won this year by Union Carriage, but the company would soon hear whether electronics group Siemens, for which the company was a subcontractor, had won a new R1,3bn long-term contract to supply rolling stock.

Operating profit rose a more pedestrian 10,8%, reflecting all-round pressure on margins.

Finances charges were reduced to R8,96m from R15,5m, contributing to improved pretax profitability. But a higher tax bill — Standard has exhausted tax losses which have boosted results in recent years — cut aftertax profit to R58,6m (R48,1m). Attributable earnings rose to R48,3m (R43m).

Borrowings were reduced to R33,1m from R61,2m.

ly, October 13 1993

Standard hoists profit by 26%

B Day 13/10/93

MATTHEW CURTIN

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MD Terry Davidson said yesterday that the 15% climb in turnover to R795m (R688m) had been achieved without any significant improvement in the markets the group's divisions served. Growing export volumes were making up for declining domestic sales.

The best performance came from the automotive division, particularly in supplies to heavy vehicle manufacturers, a market which benefited from the clearing of high stocks in the year. Davidson said that overall sales continued to decline in the sector.

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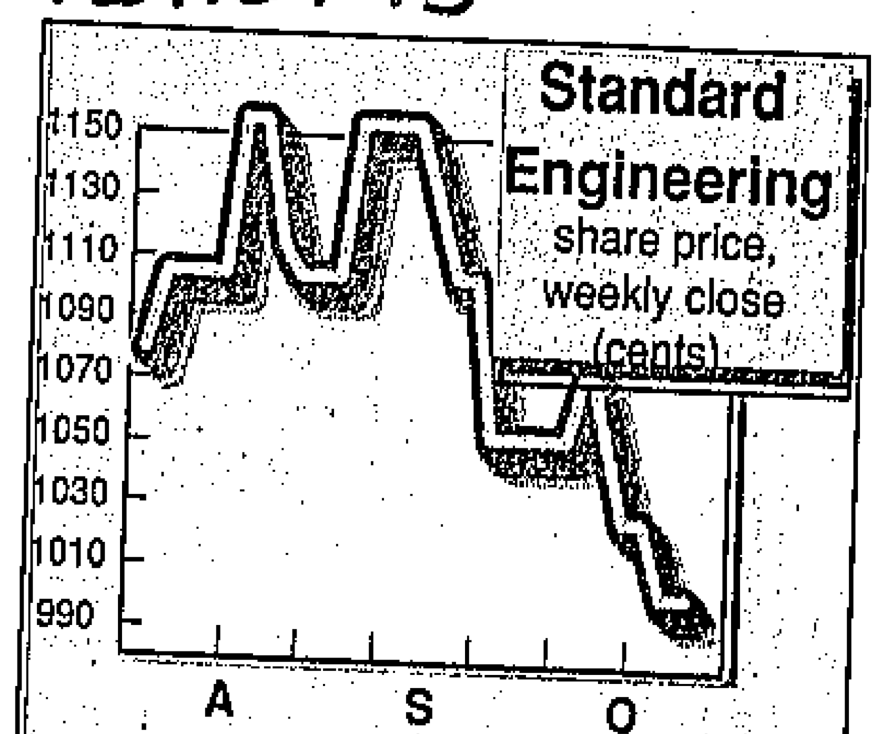
Operating profit rose a more



Graphic: KAREN MOOLMAN Source: I-NET

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Borrowings were reduced to R33,1m from R61,2m, with much short-term debt converted to long-term. Davidson said the improving debt profile reflected the decline in the group's working capital requirements in the recession. Most of Standard's businesses were working at an average of only 40% of full capacity, which had enabled some cost savings.

He added Standard expected better pretax profit in the current year, but it would be hard to maintain earnings as the group's effective tax rate had increased.

The change in group control from Malbak to M & R was strategically sensible, given that the construction and civil engineering group and Standard were both "in the long-term contracting business".

Malbak exercised its right to sell its 38% stake in Standard to M & R in June, leaving the construction group with a total 76% holding.

STANDARD ENGINEERING
FM 15/10/93

Staying on track

Standard Engineering stock has been favourably rerated during the past 12 months — and for good reason. In an industry haunted by stayaways and lack of investment, Standard Engineering increased attributable earnings by a meritorious 12% in the year to end-August — the fourth consecutive annual increase. The market rewarded these efforts by boosting the share price 43%, to R10.

True, Standard Engineering did not grow through acquisition during the 1993 year. And no, the effective tax rate didn't change. The reason for the improved results lie in effective operational management. Pre-interest income rose 10,8% to R78,5m on a 15,5% rise in turnover to R794,9m.

Operating cash flow increased from R61,3m to R84,4m, allowing repayment of debt; net borrowings fell from R62m to R33m, gearing from 24,1% to 11,6%.

Changes in divisional contributions to attributable profit varied: pipes 21% (1992: 23%), fluid handling 16% (18%), metal pressing 27% (28%), rolling stock 11% (19%), and automotive 25% (12%).

MD Terry Davidson says the major issue of the year was the turnaround of the automotive division. An inventory overhang, present in the heavy commercial vehicle market since 1990, was cleared. Together with productivity improvements and tight expense control, this division's earnings rose significantly off a low base. (189 E)

Another notable achievement during the 1993 year was the 120 km Columbus gas pipeline contract won by subsidiary Hall Longmore which also secured two Zambian contracts worth R4,2m just before year-end.

Group export turnover fell R2m to R88m. This was mostly due to the timing of contracts from subsidiary Union Carriage. In the 1991 year, Union Carriage, the largest manufacturer of railway rolling stock in the southern hemisphere, completed a R95m contract for luxury trainsets for Taiwan — an order book difficult to maintain. Union Carriage has, nonetheless, been granted a R20m two-year contract to produce coaches for the English Channel tunnel project.

Order books for the other four divisions

FM 15/10/93

are marginally ahead of budget for the months ahead.

Davidson argues exports are the only markets now offering opportunity. But once the domestic market picks up, the working capital requirement will increase substantially. A heavily geared balance sheet is not conducive to such growth; this could be one reason for the aggressive debt reduction.

Though operating income should improve this year, EPS probably won't: with tax losses exhausted, the effective tax rate will rise from 15,8% over the past couple of years to around 30%. Shareholders — the major one being Murray & Roberts after it bought a further 38% stake in June, lifting its stake to 76% — should receive dividends at the existing cover if the balance sheet remains underborrowed. (189 E)

Considering the group seems able to cope with tough trading conditions, the p:e of 7,3 and dividend yield of 4,7 makes the counter worth watching. *Kate Rushton*

Unihold is streamlined

BDay 22/10/93

EDWARD WEST

ENGINEERING group Unihold had sold off operations outside its traditional focus areas and the remaining interests were expected to perform strongly in the 1994 financial year, Unihold MD Richard du Plessis said.

This followed a deal in which the automotive interests of the group would be merged with the similar interests of listed engineering group Femcotec. The merged company, Auto Cable Industries, would be jointly owned by Unihold and Femcotec. (189E)

Unihold's decline in profitability from 1990 to 1992 and the small loss reported for the first six months of 1993 were attributable to rapid diversification without necessary financial and managerial resources, Du Plessis said yesterday.

However, in the past few months the company had sold its wear parts and lighting businesses. The merged operation with Femcotec would be more broadly based in terms of customers to improve and stabilise earnings growth.

Fenner feels recession

EDWARD WEST BDay

AFTER five years of uninterrupted growth, engineering company Fenner Group SA has been hit by the recession with earnings dropping 35% to 47,4c (73,1c) a share in the year to end-August 1993.

Turnover was only slightly up at R241m (R233m). Margins came under pressure and operating profit slid by just more than a third to R18,78m (R28,67m). Finance costs fell to R1,83 (R2,31m) and pre-tax income was 36% lower at R17m (R26,36m). Tax nearly halved to R6,62m (R12,65m), but taxed profit was nonetheless down by a quarter to R10,34m (R13,71m).

Attributable income was 35% lower at R7,12m (R10,97m). A final dividend of 11c was declared, lowering the dividend for the year to 17c (23c). A R97 000 extraordinary loss was related to a write-off of goodwill on acquisition of business. (189E)

Major projects, which helped cushion the effects of the general downturn within the group's markets in recent years, mostly reached completion and the power transmission division in particular — traditionally the major contributor to group profits — felt the effects. 8/11/93

Chairman Bob Arthur said while there were more positive signs in the economy, no significant improvement was expected until after April's election.

Selloff aids Cemenco's fourfold earnings rise

BiDay 17/11/93

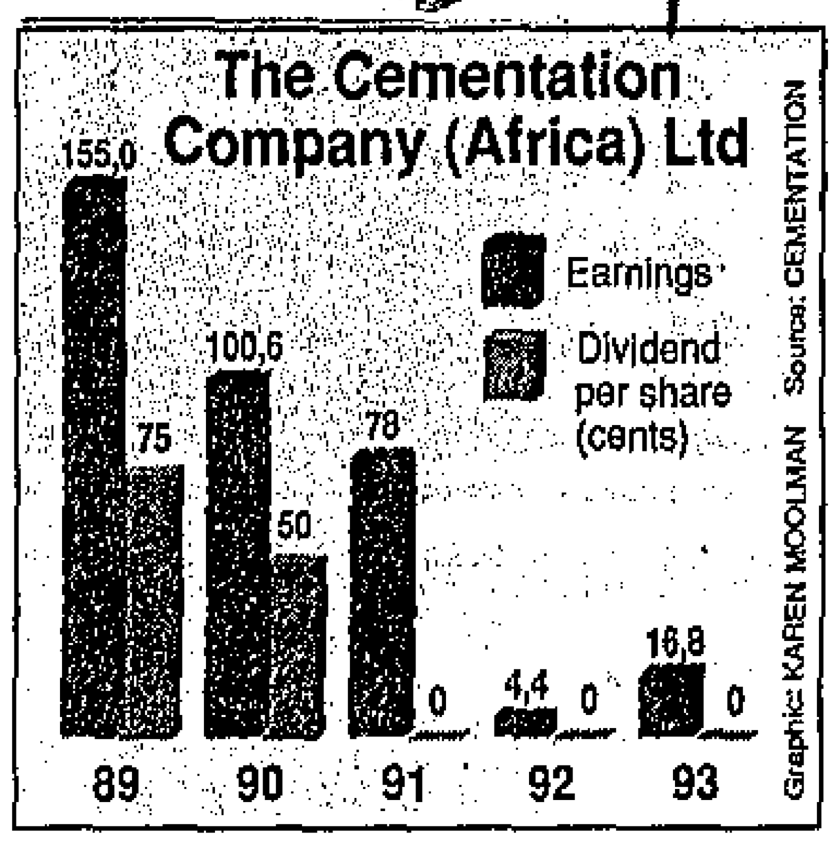
ROBYN CHALMERS

ENGINEERING group Cementation Company Africa (Cemenco) took a turnover knock to R263m (R265,3m) in the poor business climate in its core sectors of mining and engineering.

For the year to end-September, net income before interest and tax slid 12,5% to R7,4m (R8,5m) but a halving of the interest bill to R2,8m (R5,6m) saw net income before tax rise to R4,6m (R2,9m).

However, earnings a share rose fourfold to 16,8c (4,4c) after the boost from the lower interest bill and income from the sale of 50% of the group's metal forgings operation. The dividend was passed.

The tax bill was marginally reduced to R1,46m (R1,49m), leading to income after tax of R3,1m (R1,4m). The share of associated companies' losses rose to R1,4m (R1,2m).



After paying R18 000 in preference dividends, Cemenco's attributable profit before extraordinary items was R1,5m (R397 000). (189E)

An extraordinary item of R8,5m relating to disposal of half the metal forgings operation lifted net income sharply to R10m (R316 000).

The group continued its recovery from 1991. Net worth a share of 801c (667c) was the highest since 1989 and borrowings of R10,4m (R22,5m) the lowest in the past decade.

The interest-bearing debt to equity ratio improved to 15,1% (37,4%) and the order book improved R43m to R243m by year-end.

Directors said the group's mining division was particularly hard-hit, with a number of long-term contracts which ended not being replaced.

With the exception of Cemenco Steel Structures, which secured a good fabrication workload from the Alusaf project, work available for the engineering division remained low.

Directors expect a breakeven bottom line in the first half of the financial year to March 1994, and sufficient profits in the remainder of the year to maintain this year's earnings.

Cemenco is owned by UK-based Trafalgar House, which has 37,3% of the shares; SA Mutual (27,6%); Gold Fields of SA (23,9%); and other investors (11,2%).

Star 17/11/93

Cemenco coming in from cold

(189 E)

BY THABO LESHILO

Graham Lotter ... hopeful about the future.

Company:	Cemenco
Sector:	Industrial Engineering

SHARE PRICE: 200c
YEAR HIGH: 210c
YEAR LOW: 180c
Net asset value: 801 cents/sh
MARKET VALUE: 17,9m
PE RATIO: 12,5
Dividend yield: —

Year to	Turnover Rm	Operating Profit Rm	Attributable eps (c)	Dividend per share (c)
1991	325	-4,7	-7,0	—
1992	265	8,5	4,4	—
1993	264	7,4	16,8	—
% Change	-0,4	-12,9	28	—

Cemenco realised significant improvements in earnings per share, attributable earnings and net income for the year to September despite harsh conditions in two core sectors.

Earnings per share rose to 16,8c from 4,4c, attributable income to R1,5 million from R397 000 and net income to R10 million from R316 000.

However, the group has passed the ordinary dividend for the third year in succession.

Chairman Graham Lotter says R8,5 million of the rise in net income came from the sale in April of the group's 50 percent holding in metal forgings operation La Forge.

Lotter says the mining division was particularly hard hit, with a number of long-term contracts ending and not being replaced.

Work available in the engineering division, with the exception of Cemenco Steel Structures, which secured a good fabrication workload from the Alusaf project, remained at a "low ebb".

"We have gone through a very, very difficult time for the past four years."

Turnover fell from R265 million to R264 million, but net income before interest paid and tax dropped 12,5 percent.

The group was hit by an increase of R245 00 million in its portion of the losses of associates.

The consolidated balance sheet continued to improve, with the net worth per share of 801c being the highest since 1989. Borrowings of R10,4 million were the lowest for the past decade.

Gearing fell from 37,4 percent to 15,1 percent.

Lotter does not expect the company's prospects for the year ahead to change much.

He says the make-up of the company's order book, showing an improvement of R43 million over the year to R243 million by year-end, helped by positive developments on the political front, should lead Cemenco to a break-even by March 1994.

The company, he says, has tendered for several shaft-sinking operations and needs to secure only one of these to break even.

The rest of the year, he says, should produce sufficient profits to enable this year's earnings per share to be maintained.

Substantial losses by Dorbyl division

B/Day 22/11/93

CHARLOTTE MATHEWS

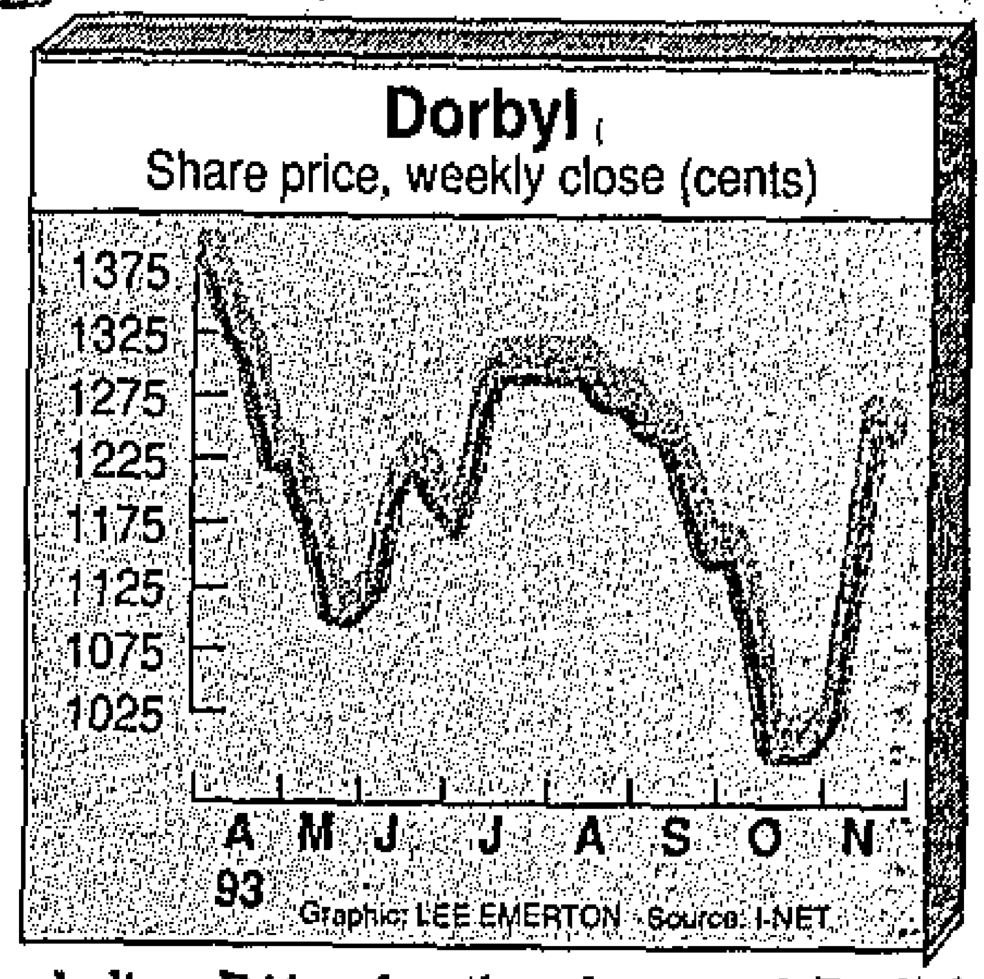
ENGINEERING group Dorbyl's attributable earnings fell sharply in the year to September following substantial losses in its structural engineering division and continued declines in the heavy engineering and trading divisions. (189E)

The end-year decline in profit is, however, an improvement on the interim stage, when profit was 47% lower than the previous period.

For the year to end-September, turnover fell 13% to R2,59bn from R2,98bn but operating income slid a third to R97,26m (R141,10m), partly because about half of total retrenchment costs of R27m were taken above the line.

Attributable earnings were R54,61m (R92,31m), but after the deduction of an extraordinary item of R59,62m (R10,78m), a loss of R5,01m against a previous profit of R81,53m was made.

The extraordinary item was incurred on the closure of a number of divisions, including R44m for the closure of Dorbyl Heavy Engineering Vanderbijlpark. This was partly offset by an extraordinary credit on the realisation of some properties and businesses.



On earnings of 169,3c (287,6c) a share, a dividend of 60c (108c) a share was declared.

Dorbyl CE Dawie Mostert said no ex-

To Page 2

Dorbyl

B/Day 22/11/93

From Page 1

traordinary items were expected to be incurred in 1994.

"Most of the reductions were driven by the drastic drop in gross domestic fixed investment pending and we do not see the necessity of dropping capacity further along these lines," he said.

Borrowings, at R272,08m, were down from R318,38m at the half year but up on R229,73m at end-September 1992, with the ratio of borrowings to permanent capital climbing to 34% (27%). Interest cover was 2,7 *times* (3,8). (189E)

Mostert said Dorbyl had an "active plan" to reduce debt. "We have quite a few initiatives but our focus is on interest cover and not so much on the debt:equity ratio. Obviously we want to get interest cover up to acceptable levels."

Divisional chairman Louis Taljaard said the contract division, which consists of Dorbyl Heavy Engineering, Dorbyl Structural Engineering and Dorbyl Marine, reduced its exposure to general engineering and jobbing activities during the past year.

Although gross domestic fixed investment expenditure was expected to remain low in 1994, specific products such as Alusaf, Columbia and Namakwa Sands would continue to provide opportunities.

The Tosa Seamless Tubes Plant, part of Dorbyl's manufacturing division, was still being commissioned but this process was due to be completed by January 1994.

Manufacturing division chairman Mike Smithyman said export and local orders for seamless tubes had been extremely good but international prices were still not satisfactory. In the long run the plant would focus on the local market.

In the trading division, Baldwins had a good year despite intense competition in the steel industry and Dorbyl Light and General Engineering had a static year. Stewarts & Lloyds showed satisfactory improvement as manufacturing controls were tightened, new products were introduced, unprofitable branches closed and new branches opened.

Titaco nurses R0,5m loss

B/Day

ROBYN CHALMERS

ENGINEERING group Titaco made an attributable loss of R0,5m for the 18 months to August, as tough market conditions continued to hold the company back. 24/11/93

A fall-off in orders cut pro rata turnover for the pared-down organisation to R40,7m, while thinning margins left operating losses at R0,35m (R0,37m loss). (189E)

But a drop in finance charges to R0,34m (R0,7m) cut pre-tax losses back to R0,69m (R1m). With a tax credit of R0,16m, this left Titaco nursing losses a share of 8,9c, against 3c earnings last time. There was no dividend.

MD Basil Smidt said the group had been re-engineered over the past 18 months and was a much smaller, more focused organisation.

He said Titaco had recently secured a R30m deal from one of SA's largest ferrochrome producers to extract ferro-alloys from dumps. The project was a joint venture with Mintek and Humsa which could unlock R3bn worth of ferrochromium from various slag dumps around SA.

Smidt said Titaco's results included the full capitalisation and development of the process to extract ferro-alloys from dumps as well as other new process development.

The company had closed contracts in Zimbabwe and Namibia and was negotiating a ferro-alloy expansion project in Saudi Arabia.

"The group has also been approached by Chinese, Russian and Australian producers to investigate ferro-alloys from slag plants. The value of new projects secured is in excess of R60m."

W Cape firm on the acquisitions trail

(189E)

ARG 26/11/93

BRUCE CAMERON
Business Staff

WESTERN Cape-based high-tech engineering company Aerodyne Technology has bought a major local manufacturer of pressed glass fibre panels Rimm Engineering in a deal believed to involve about R1,5 million.

Confirming the purchase Aerodyne Group executive director David Butlion said Rimm's specialised engineering skills would complement those of Aerdyne.

"Our reputation is based on the moulding and winding of composites while Rimm enjoys enormous credibility as a manufacturer of pressed, high-tech glass fibre products."

Rimm supplies glass reinforced panels for petrol pums in garage forecourts and has contracts for supply switchgear boxes to the electrical trade.

Mr Butlion said the purchase of Rimm was important to the future development of Aerodyne in the composites industry as the company was entering fields requiring the the specialised skills of Rimm Engineering.

Aerodyne has recently been involved in high-profile projects such as the cone housing for South Africa's first communication satellite and in the supply of seat frames for the British Airways Concord fleet.

■ Mossgas has got its R25 million liquid petroleum gas (LPG or camping gas)) project up and running. The project is expected to yield a 20 percent return on investment.

The plant is designed to produce 32 000 tons of LPG a year.

■ Pietermaritzburg-based manufacturer of commercial refrigerators, Freezewell, has established a factory showroom in Paarden Eiland after winning a lucrative Pick 'n Pay contract for its new ozone friendly range of refrigerated display cabinets.

The company believes the Western Cape market is worth R15 million a year.

■ With information technology growing rapidly in sophistication and extent, disaster recovery is becoming an increasingly important facet of business life, reports John Spira from Johannesburg.

Which is why First National Bank's specialist disaster recovery operation, First Recovery, has recently been awarded two major contracts — by the SA Post Office and Eskom.

Both organisations are critically dependent on technology and a computer disaster could have severe implications across the entire spectrum of South African life.

Quintin McGrath, general manager of information technology at the SA Post Office, says: "The cost to the country of our systems going down could be extreme, so we need to be guaranteed of a comprehensive and totally reliable recovery service.

"The cost to the Post Office of setting up an in-house disaster recovery service facility with the capacity to cater for our existing needs would be cost-prohibitive.

"Thus, outsourcing our disaster recovery operation was the obvious solution."

Eskom has similarly outsourced its disaster recovery activities to First Recovery — for much the same reasons.

According to Theuns Botha, Eskom's disaster recovery manager: "Having opted to outsource with First Recovery, and with Eskom's strategic decision to upgrade its entire installation and equipment, we've been able to cut our operations from two computer centres to one."

Other services offered by First Recovery include off-site bulk data storage and full disaster recovery consultancy.

BUSINESS

Murray & Roberts aims for control of Dorbyl

189E

ARG 27/11/93

MARC HASENFUSS
Business Staff

MURRAY & Roberts (M&R) is negotiating for a controlling stake in rival engineering group Dorbyl and its holding company Metkor, according to a cautionary notice just released.

Dorbyl — one of the bluest engineering listings in its heyday — sits in the Rembrandt stable and cash-flush M&R is held by Sanlam's muscular investment arm Sankorp.

Negotiations will be finalised probably only well into the new year — because of the sheer scale of the takeover. A further notice will be published at the end of January.

The joint cautionary said the respective boards of directors had agreed to investigate the "potential and mechanism for gaining global competitive advantage and sustainable value for the stakeholders."

However, a Johannesburg-based market watcher said M&R would probably pick the 'eyes' out of Dorbyl and shut down unproductive operations, leading to serious job losses.

He was also quick to point out that in spite of some strong export-orientated businesses, Dorbyl did not have an array of profit-spinning operations.

In spite of inroads internationally, Dorbyl has been unable to fend off falling domestic fixed investment. Operating profits were slashed by a third in the year to end-September.

However, the analyst said there would be considerable synergy between M&R's Standard Engineering and Dorbyl's Union Carriage.

Weak Dorbyl and Wispeco hurt Metkor

ROBYN CHALMERS

ENGINEERING holding group Metkor posted a sharp fall in turnover to R2,8bn (R3,2bn) for the year to September, hit by the poor results of 36,5%-held Dorbyl and wholly owned subsidiary Wispeco.

Income before finance charges fell to R90,6m (R131,1m). Lower interest rates cut finance charges to R41,5m (R47,3m). B/Day

Pre-tax income dropped to R49m (R83,8m), with a lower tax bill at R7m (R11,9m) leaving post-tax income of R42m (R71,9m).

Net income attributable to shareholders fell to R37,8m (R63,8m) while net income retained by associated companies rose to R3,2m (R2,7m). 30/11/93

This left attributable profit down a third at R7,5m (R10,8m), equal to earnings a share of 6,22c (9,64c). (189E)

Metkor took an extraordinary loss of R18,2m on the costs of discontinued operations in Dorbyl. A final dividend of 3,61c (9,01c) brought the total for the year to 9,02c (13,84c).

Directors said comparative 1992 figures had been restated by R3,9m to account for Wispeco contracting losses not previously included.

The group is involved in talks with Murray & Roberts Holdings which could lead to M & R acquiring a controlling stake in Dorbyl. Dorbyl posted a 41% fall in attributable earnings to R54,61m (R92,31m).

Window and door frame manufacturer Wispeco continued to make losses, and was being restructured.

But industrial gas company Apsap Gas performed well.

The group had cut back during the 1993 financial year, and further rationalisation was expected.

Star 9/12/93

Ozz payout first in years

Ozz yesterday declared its first dividend in many years at 9c a share, covered 4,4 times by interim earnings of 39,2c.

"We are particularly proud of our performance in that it includes a significant contribution from the ex-Unihold wearparts companies we acquired this year," says chairman Gary Zulberg. (189E)

"Integrating these companies into our management systems and culture has been achieved in a remarkaby short time and we are confidnt that there is a good deal more synergy to be gained."

Growth at the pre-tax level was 17 percent at R9,35 million.

But a 25,2 percent lower tax bill saw post taxed profit rise 56 percent to R6,9 million.

After allowing for assodated companies, outside shareholder and preference shareholder interests — substantally reduced by the deal to buy out OIL — attributable profit was 46 percent up at R5,62 million. — Sapa.

B/Day 9/12/93

Ozz to hold rights issue

CHARLOTTE MATHEWS

ENGINEERING and construction group Ozz will hold a R40m rights issue to help fund its R65m Randburg Waterfront lake development, the company said yesterday, releasing financial results for the six months to September.

Interim attributable profit rose 48% to R5,6m (R3,9m), which translated into earnings of 39,2c (29,0c) a share on an increased number of shares in issue. Ozz declared its first interim dividend for many years at 9c a share. (1896)

Turnover jumped 56% to R96,6m (R62,1m), while the tax rate dropped to 30% from 47% previously. Gearing rose to 22,2%, partly as a result of buying Unihold's wearparts businesses, and paying R5m for land and preliminary expenses for the new development.

Ozz chairman Gary Zulberg said the wearparts businesses had contributed to profitability.

The Randburg development would be primarily an entertainment centre, with cinemas, restaurants, an electronic games pavilion and a flea market.

Ozz bought out Firstcorp's investment in Ozz Industrial by issuing it with 2,1-million Ozz shares at 750c a share, with effect from November 22.

Zulberg said "material growth" was likely in the second half and organic growth would result from increasing demand for its products.

Ozz shares closed untraded at their 12-month high of 950c on the JSE yesterday, with buyers offering R10,00.

OZZ FM 10/12/93

Detailing lake project

Engineering and property company Ozz has outperformed even its own exacting standards. Armed with another set of excellent interim results, chairman Gary Zulberg has announced the company is to proceed with its Randburg waterfront scheme, to be financed through a R40m rights issue and access to borrowings of R25m. (189E)

The Randburg waterfront project, first revealed in the *FM* last year (*Companies*, July 24 1992), will comprise a lake development about four times larger than Bruma and will concentrate on waterfront entertainment — about 100 assorted restaurants, cinemas and shops will be provided.

It extends across 22 ha and is on Republic Road, between Hans Strijdom Avenue and Hendrik Verwoerd Drive. The lake will be fed from the Jukskei River, which will be diverted for a short distance. Chain stores are being avoided (Zulberg says the Bruma experience proves they aren't necessary) and shopping facilities will be provided by small owners.

The scheme will cost about R65m in its first phase and is scheduled to be in operation by next October. Zulberg says every

SPELLBINDING

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rm)	62,1	62,4	96,6
Operating income (Rm)	9,5	9,7	12,6
Attributable (Rm)	3,9	5,3	5,6
Earnings (c)	29,0	40,7	39,2
Dividends (c)	—	26,0	9,0

FM 10/12/93

effort will be made to finance the project without recourse to borrowings. (189E)

Fine-tuning is necessary for the rights issue, details of which Zulberg expects to announce in January. My guess is that he will use a ratio of 3,5:1. That implies issuing 4,8m shares at around R8,25 each. The share price is now R8,50, so this presumes a lively increase over the next two months.

Considering the latest interims, that is not an unreasonable supposition. Turnover has increased 56%, much of it due to the recently purchased Unihold foundries, and the R5,6m attributable profit is 46% better than last year. This is dramatic stuff. Even more compelling is that it is achieved despite a 1,1m increase in issued shares. EPS of 39,2c permits an interim dividend of 9c, covered 4,4 times.

The balance sheet remains strong. Despite making a cash payment to Unihold of R35m and pumping R6m into working capital, Ozz has about R4,2m cash. Borrowings have declined to 22% of equity, though that is conservative by most standards.

These factors suggest the share price should improve, perhaps to as much as R10. Based on that, a subscription price for the rights issue of R8-R8,50 would be generous and Zulberg could be tempted to tighten the terms.

If he appears unduly relaxed about the project, he has cause to be. "The rights issue is already fully underwritten," he says, "and we have already received letters of intent for more than all the shops we intend constructing." Letting agents J H Isaacs won't have much to do.

Meanwhile, Ozz's core business — its manganese steel production for wear parts in the mining and quarrying industries — continues to perform well. "All the foundries are operating at maximum capacity," says Zulberg, "and exports to the US, Europe and Australia are exceeding our expectations."

Zulberg is adamant he can better this performance in the second half. If so, full-year EPS will probably be around 90c, which will put it on a forward p:e of 9,4 (at R8,50) and an EY of 10,6%. No wonder Zulberg figures the counter's price will move up sharply. *David Gleason*

DIAGONAL STREET

A touch of wizardry at Ozz

S Times (Buss) 12/12/93

OZZ shares, now 1 050c, were around 330c last time I visited the company in January 1992. I am glad to see I recommended the shares be bought then and even more pleased that they are still a buy now.

The chairman of Ozz is Gary Zulberg, whose entrepreneurial flair has seen the group grow from the sceptics' favourite to a company big enough to make acquisitions of R35-million and embark on a R65-million waterfront venture in the same year.

The core of the group remains engineering and property development and there is also a brickworks and a gas business.

Earnings for the six months to September are buoyant enough for Ozz to have declared its first interim dividend in several years, of 9c a share. This plus-factor is further endorsed by the comment on prospects: "Material growth in earnings is forecast for the following six months."

Unlike much of SA's engineering facilities, Ozz is able to claim that its operations are running almost at full capacity. During 1993, Ozz bought the loss-making wear-parts businesses of listed Unihold for R35-million, including the Dimbaza foundry.

The products include mill liners, jaw crusher parts, mantles and so on. "Without the acquisition, we would have been able to grow the exports of our existing businesses from nought to R14-million," says Mr Zulberg, "but the new operations will lift that figure to above R70-million."

Since the purchase became effective on June 1, integration and restructuring have been completed such that all the divisions are running profitably.

A positive six-month outlook might be reason enough to buy the shares but the new waterfront development in Randburg

WITH FLAIR: Gary Zulberg and the waterfront development he's building on the Jukskei Picture: CHRISTINE NESBITT

promises to be every bit as successful as the Bruma Lake development of which Ozz was the mastermind and still owns 50%.

What is remarkable about the Randburg development — on the Jukskei River in Republic Road, is that although Ozz has not even formally announced the project it has already received letters of intent amounting to more than 100% of the letting space of 28 000m² — four times that at Bruma.

Mr Zulberg says there will be ten cinemas in an entertainment complex, a family supermarket and every branded restaurant.

The cost of the project will not exceed the estimate of R65-million because the tenders have already been received. So far, R6-million has been spent on the land itself and project costs. There will be 3 000 parking bays, hopefully to overcome one of the original shortcomings of Bruma.

Ozz had an option on the land for several months, but would not exercise it until the land had been rezoned for commerical use. It cost about R4-million.

By making a few assumptions about retail rentals, the earnings potential of the Randburg Waterfront can be estimated.

Prime retail rental is about R50/m² — especially where the demand has already manifested itself. Multiply 28 000m² by R50, for 12 months of the year and this project has the potential to deliver nearly R17-million a year before tax. In its last full financial year, Ozz's pre-tax earnings were R16-million. (89E) (62)

Ozz will raise R40-million in a rights issue and the other R25-million will be generated internally or borrowed. Terms of the offer have not yet been made known but it is likely that one share will be issued for every four held, to bring the total number of shares in issue to about 21-million.

In the past 12 months Ozz has earned 80c a share. Earnings for the current financial year should top 90c, and in the year to 1995 there will be five months of rental income from the Randburg Waterfront to be added to the organic growth of the other core businesses in a recovering economy.

Mr Zulberg says Ozz will be able to maintain a conservative level of gearing throughout the development phase.

On November 22, FirstCorp exercised its right to convert its 17,5% holding in Ozz subsidiary Ozz Industrial Investments Ltd into 13,3% of Ozz itself.

Ozz has achieved average earnings growth of more than 20% a year through well-managed businesses and well-planned deals. Its mix of engineering and leisure-centred property looks good for 1994 and beyond.

Haggie misses out on industrials' bull run

BIDAY 13/12/93

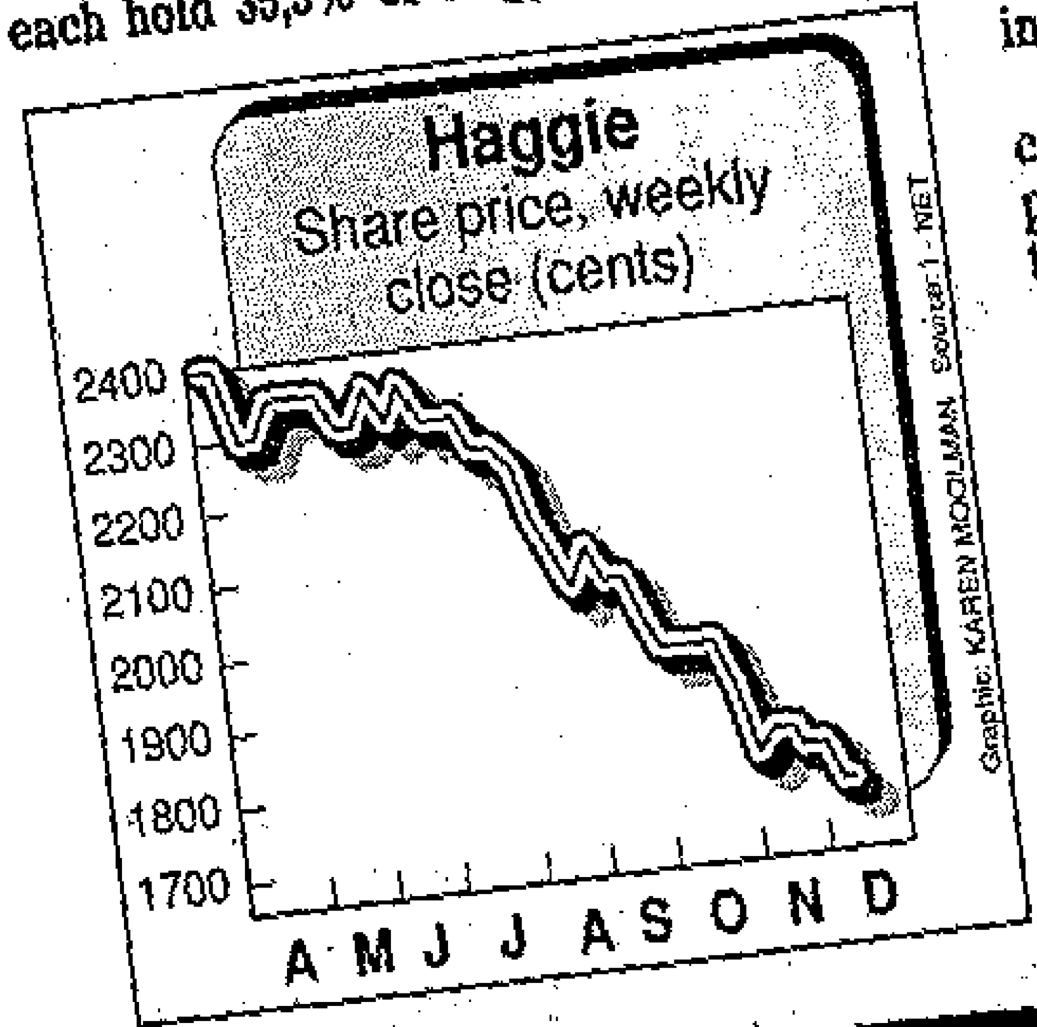
EDWARD WEST

HAGGIE, the engineering group whose biggest shareholders are the Anglo American Industrial Corporation and Malbak, has missed out on the JSE bull run in industrial counters, with its shares sinking to new lows amid gloomy analysts' forecasts about the company's short-term prospects.

Shares in the steel wire and rope, copper products and engineering products group were untraded on Friday after sinking to a 12-month low of R17,50 on Thursday. Since touching a mid-year high of R24, the shares have fallen steadily in sharp contrast with the booming industrial index.

Analysts cited poor earnings performance in 1992/3 and poor marketability of the stock as the main reasons for the poor performance of the share price.

Amic and Gencor — through Malbak — each hold 35,3% of Haggie. Earnings fell 35% to 110,8c a share in the six months to June — in contrast to its 1992 forecast that earnings would improve modestly.



Haggie financial director Bill Smart said the 1992 forecast was based on the assumption that the recession, particularly domestic fixed investment (GDFI), had bottomed out. However, GDFI continued to fall in 1993.

(189E)

Smart attributed the share's low tradeability to the fact that investors viewed the group as having good long-term potential and were thus reluctant to sell. He said the group was undergoing rationalisation and investors were probably waiting for the results of this process before buying.

At the interim stage the group forecast second-half earnings to be better than the first half, but lower than the 300,4c a share in the 1992 financial year.

Analysts said failure to meet the forecast dampened perceptions of group prospects. Furthermore, the shares were tightly held.

Wire rope and cable sales to the mining sector constituted the biggest chunk of Haggie's sales, but higher commodity prices had not yet translated into higher capex by the mining sector.

One analyst said in spite of the limited volume of tradeable shares, the counter was cheap in relation to the group's prospects from 1994 onwards. Haggie's balance sheet was healthy while there were signs the local economy was turning.

Engineering sector shows signs of improvement

B/Day 20/12/93

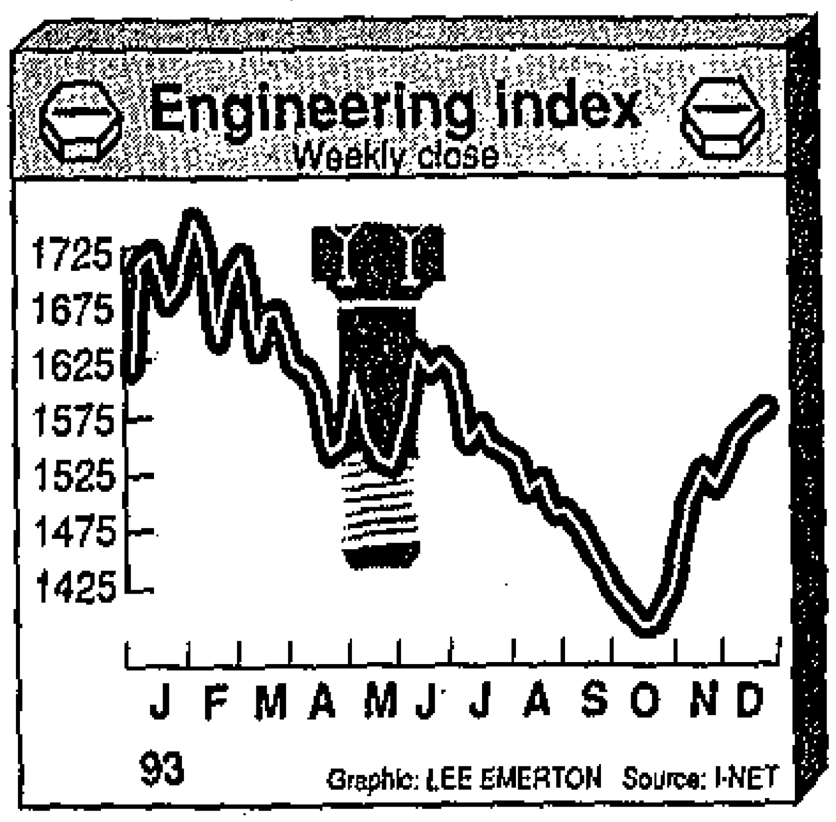
CHARLOTTE MATHEWS

THE engineering sector of the JSE, which is dominated by Afrox, has shown signs of picking up in the fourth quarter and analysts are optimistic that shares will make further gains in 1994.

Afrox makes up about 65% of the weighting of the engineering index, followed by Dorbyl with 11%, Haggie with 8%, Hudaco 8% and Standard Engineering 8%. The index slid from about 1 625 at the beginning of July to 1 425 at the beginning of October, but has since recovered to nearly 1 575.

Analysts said the decline represented mainly a drop in Afrox and Haggie shares in the third quarter of the year. Afrox shares dropped from their 12-month high of R112 in January to a 12-month low of R87 on September 28 but have recovered to about R98. Haggie shares have slid from R24 in December 1992 to their present 12-month low of R17,50.

An analyst said that, although Afrox was generally in demand as a recession-proof share, it had underperformed relative to other shares since the beginning of the year. This could reflect the fact that, as the economy picked up, other shares looked more attractive than they did previously.



However, analysts agreed that Afrox's prospects were good. One of its strong areas was the health care market, which had been relatively unaffected by recession, and it also had long-term gas contracts.

Haggie shares fell on the publication in August of results for the six months to June showing a 35% drop in earnings and a forecast of lower earnings for the full year.

Another analyst said the decline in the third quarter reflected nothing specific in Afrox or Haggie, but general market conditions. Many investors took profits on fears of a market crash in September or October.

Subsequently the lifting of sanctions as well as the good performance of overseas exchanges had boosted the JSE. This trend was expected to persist into 1994.

"Engineering shares are coming off a very low base," an analyst said. "A number of engineering businesses have had a bad time for the past few years. Companies such as E L Bateman and Afrox will always continue to do well, but we will almost certainly see a kick-up in that sector."

The sector was also closely linked to gross domestic fixed investment, which had fallen in real terms every year since 1989. According to Reserve Bank figures, in the third quarter of 1993 it rose to R5,06bn at constant 1985 prices from R5,01bn in the second quarter, although it was still below the R5,17bn recorded in the third quarter of 1992.

(189E)

An analyst said gross domestic fixed investment was expected to continue improving in 1994 with increasing overseas and infrastructural development, but he warned that this improvement had been predicted frequently in the past 18 months.

Hudaco sparks speculation

CHARLOTTE MATHEWS (189E)

THE withdrawal of engineering group Hudaco's cautionary notice last week suggested some hard bargaining on a possible acquisition had taken place, analysts said.

The company withdrew the cautionary because it had become apparent that the contemplated acquisition would "not be significant and therefore would have little impact on the group's profit and net assets".

JSE listings and equity markets GM Richard Conellan said the phrasing of the withdrawal of the cautionary announcement was unusual, but the decision on whether an acquisition was of sufficient size to warrant a cautionary was at the discretion of the company's directors. BDAY

"There are no exact trigger points at which a cautionary has to go out but the JSE urges companies to put out cautionaries at a critical point in transactions which could affect the share price." 27/12/93

Analysts were unable to name particular companies that might be the subject of Hudaco's negotiations but some said it would probably be an acquisition of a complementary business in the automotive sector.

Hudaco spokesmen were not available for comment on Friday.

Hudaco makes and markets a range of engineering products including diesel engines, bearings, oil seals, chains and abrasives.

Its market capitalisation at Friday's closing share price of R12,75 was R363,4m. In the six months to May its turnover declined 5% to R265,5m from R280m and earnings a share were 10% lower at 46,0c (51,0c).

An analyst said Hudaco was an "excellent company", but as a trading company its margins had suffered from the recession. As the economy recovered he expected those margins to improve.

Another analyst forecast growth of 16% in Hudaco's earnings in 1994 although a small decline in earnings was likely to be reported for the year to November 1993.

Hudaco had a dominant market share in most of its businesses, an analyst said, and the only way it was able to grow its business was through acquisitions. For example, the bearings market was dominated by Hudaco and Anglovaal's Bearing Man.

Hudaco's shares shed 25c to R12,75 on Friday, offering a dividend yield of 4,15% and an earnings yield of 7,98%, compared with engineering sector averages of about 3,6% and 8,6% respectively. The shares are about midway between their 12-month low of R10 and 12-month high of R14,75.

New look Reunert could pull the plug on sluggish Altron

Business Staff

REUNERT has taken the position of top dog in the electronics industry to rival Bill Venter's Altron empire.

Before the announcement that it would be unbundled, Reunert's market rating lagged behind Altron's. At the end of July, for example, Reunert stood on a P:E ratio of 12,3 compared with Altron's 16,1.

But the prospect of Reunert unshackled from the Barlows bureaucracy has excited the market.

At the same time Altron's share price has come under pressure, partly because of unhappiness about its acquisition of a troubled white goods manufacturer and its disappointing interim results.

Reunert's rating has soared to 22 while Altron is stuck at around 15,5.

Yet in both turnover and attributable profit there is little to choose between the two groups.

Reunert's sales of R2,37 billion for the year to September is below Altron's R2,72 billion in the year to February, but from next year it will include the Panasonic, Nashua and Airomatic which have been acquired from Barlows.

And thankfully, Barlows did not foist its underperforming white goods business on Reunert.

In Reunert's annual report for the past year, chairman Clive Parker says that 1993 was a year of consolidation.

The benefits of restructuring carried out in the previous year enabled the company to produce a more than acceptable 17 percent improvement in attributable earnings.

The only disappointing performer was the power cables business housed in African Cables.

The electronics business Reutech suffered from the effects of further contraction of its traditional markets, such as defence, but was able to show reasonable growth in both turnover and profitability by redirecting its efforts into the commercial and export spheres.

Interesting products include the Cellvision satellite based TV broadcast repeater system.

The mechanical engineering business lost turnover but profitability was maintained through rationalisation, cost cutting and productivity improvement. Two of its operations, Sandock and OMC build security vehicles sold here and in neighbouring states, which must be a growth market.

(189E) ARG 30/12/93

One of the most exciting areas of Reunert is its telecommunications interest, which made a "gratifying" increase in both sales and profits. Telkor shipped 20 000 payphones to foreign destinations, and also manufactures parking metres.

Trading for electrical engineering was difficult as operations are largely dependent on fixed investment expenditure in the mining, quasi-government and industrial sectors but the mass electrification drive by Eskom boosted sales.

A major disappointment, which is not referred to in the annual report, was that the excellent computer company Persetech was not sold to Reunert as its main principal Hitachi preferred to work with Barlows, for whatever reason.

M & R, Dorbyl deal falls through

MARC HASENFUSS 1891 E
Business Staff ARG 17/12/93

MURRAY & Roberts's attempt to gain a controlling stake in rival engineering company Dorbyl and its holding company Metkor have fallen through.

According to a financial notice published today, negotiations between Murray & Roberts, Dorbyl and Metkor were terminated after discussions broke down prematurely.

The outcome of discussions between the groups was only expected by late January 1994.

The failure to reach agreement was in line with market scepticism about the deal. Analysts' initial reaction to the joint cautionary of November 26 was that the deal was "too big to put together".

Although there is considerable synergy between M&R and Dorbyl/Metkor, market watchers were concerned about the fate of the latter's underperforming operations.

Besides its strong export orientated businesses, Dorbyl/Metkor have struggled recently in their core domestic operations.

Murray & Roberts on the other hand has enjoyed better fortunes — thanks mainly to shrewd acquisitions made in the past few years.

■ Cape Town-based property developers **Disa Development Corporation** have failed to comply with JSE requirements by not submitting its preliminary report within the stipulated three month period.

The group — which was firmly wedged in the red in its last reported set of results — has until the end of this month to publish its financial statement.

Wimbel back in the black

CT 9/12/93

JOHANNESBURG. — Restructuring and rationalisation within the Winbel group enabled the investment holding firm with interests in mining, industry and engineering to achieve a turnaround of R1,1m in attributable income for the year ended September 1993 compared to a deficit of R1,5m a year earlier.

189E

Operating income jumped to R3,8m (R0,9m) as the seating operation in Plastall was closed as well as one of the operations in Inmins.

Winbel's earnings a share improved to 1,5c a share (loss of 3,4c) but the group did not pass any dividends for the year. — Sapa

MANUFACTURING — ENGINEERING

1994

Dorbyl confident of doing better this year

DORBYL's earnings in 1994 should show a marked improvement on those of 1993, CE Dawid Mostert said in the engineering group's annual report for the year ended September 1993. B/DAY

However, due to the timing of major contracts, this improvement would probably materialise only in the second half of the year. 3/1/94

During the past year, Dorbyl won major contracts on large capital projects such as Alusaf, Columbus and Namakwa Sands. (189 E)

Mostert said the group's 1994 earnings projections were based on the expectation of a 2% real growth in GDP, a further decline in inflation and a general increase in economic expectations.

"The economy is expected to recover slowly during 1994 and it is hoped that there will be only limited disruptions during the run-up to the elections and thereafter."

Mostert said serious attention was being given to refocusing the group's future strategy, which would result in the elimination of potential loss-makers and non-productive assets.

The closure of heavy engineering operations in the past few years had minimised Dorbyl's exposure to this highly volatile and loss-making sector.

Another focus area was the establishment of strategic alliances with international partners, some of which had been put in place while others were being "aggressively" pursued.

He added capital expenditure amounted to R175m in 1993, but was expected to decline in real terms over the next three years. — Sapa.

Star 7/11/94

Dorbyl emerging from woods

BY STEPHEN CRANSTON

Dorbyl has just completed a year of downsizing and rationalisation. The future of the business would have looked quite bright if control had passed to Murray & Roberts.

Unfortunately, talks broke down, mainly over the price Remgro was asking for its controlling stake.

But Dorbyl at least seems likely to reverse the declining trend in its earnings, which fell from 365,2c a share in 1991 to 169,3c in the year to September 1993.

Extraordinary items of R59,6 million, which led to a R5,0 million loss after extraordinaries, largely reflect retrenchment and closure costs.

The virtual disappearance of power generation and mining markets led to the closure of Dorbyl Heavy Engineering Vanderbijlpark, and the structural engineering facilities in Germiston were closed.

The manning compleement in structural engineering fell from 2 330 to 1 046. Stewarts & Lloyds Trading closed its Germiston and Pretoria branches and the power products division.

Group MD Dawid Mostert says that in the past year major contracts had been won on large projects such as Alusaf, Columbus, Namakwa Sands and Transvaal Sugar's Komati Mill.

The remainder of heavy engineering activities have been focused on own products, spares and maintenance operations with more stable prospects. Dorbyl considers it important to broaden its "own product" base to ensure stability of business. (189E)

Mostert says that serious attention is being given to re-focusing strategy.

Each operation has been evaluated in terms of its ability to generate acceptable returns and to compete in domestic and international markets.

Potential lossmakers and non-productive assets should be eliminated in the process.

Mostert makes some optimistic assumptions for his forecast of earnings growth. He expects a two percent real growth in GDP, declining inflation and a general increase in economic expectations.

But it is uncertain whether these factors would immediately trnaslate into demand for Dorbyl's main products, in rolling stock, coaches and buses, automotive components, winders and mills for the mining industry, steel sheet, pumps and diesel engines and pipes.

At R15, Dorbyl is close to its 12 month high of R15,50. It would have been attractive if they had been able to hold their dividend at 108c, giving a seven percent dividend yield, but a 60c dividend gives only a four percent yield.

Dorbyl is worth holding as a recovery share, but would be a risky purchase, unless there is some weakening of the share price.

METKOR Fm 14/1/94

Going nowhere fast

189E

Activities: *Interests primarily in the metal engineering field, including a controlling interest in Dorbyl.*
Chairman: *F P Kotzee.*
Capital structure: *120,5m ords. Market capitalisation: R180,8m.*
Share market: *Price: 150c. Yields: 6,0% on dividend; 4,1% on earnings; p:e ratio, 24,1; cover, 0,7. 12-month high, 210c; low, 100c. Trading volume last quarter, 828 000 shares.*

Year to Sep 30	'90	'91	†'92	'93
ST debt (Rm)	210,1	131,6	122,8	145,2
LT debt (Rm)	84,7	110,6	155,6	185,2
Debt:equity ratio	0,32	0,24	0,24	0,32
Shareholders' interest	0,50	0,56	0,55	0,49
Int & leasing cover	3,4	3,8	2,8	2,2
Return on cap (%)	10,9	10,6	7,1	4,7
Turnover (Rbn)	3,16	3,22	3,23	2,78
Pre-int profit (Rm)	194,5	185,2	131,1	90,6
Pre-int margin (%)	6,0	5,6	3,9	3,1
Earnings (c)	29,6	21,5	9,6	6,2
Dividends (c)	14,80	15,68	13,84	9,02
Tangible NAV (c)	350	377	336	316

† Figures restated to account for Wispeco contracting losses.

Efforts to halt the slide in earnings of engineering holding group Metkor came to naught in financial 1993. Increasing levels of violence, stayaways and a continuing decline in business confidence all contributed to the deterioration.

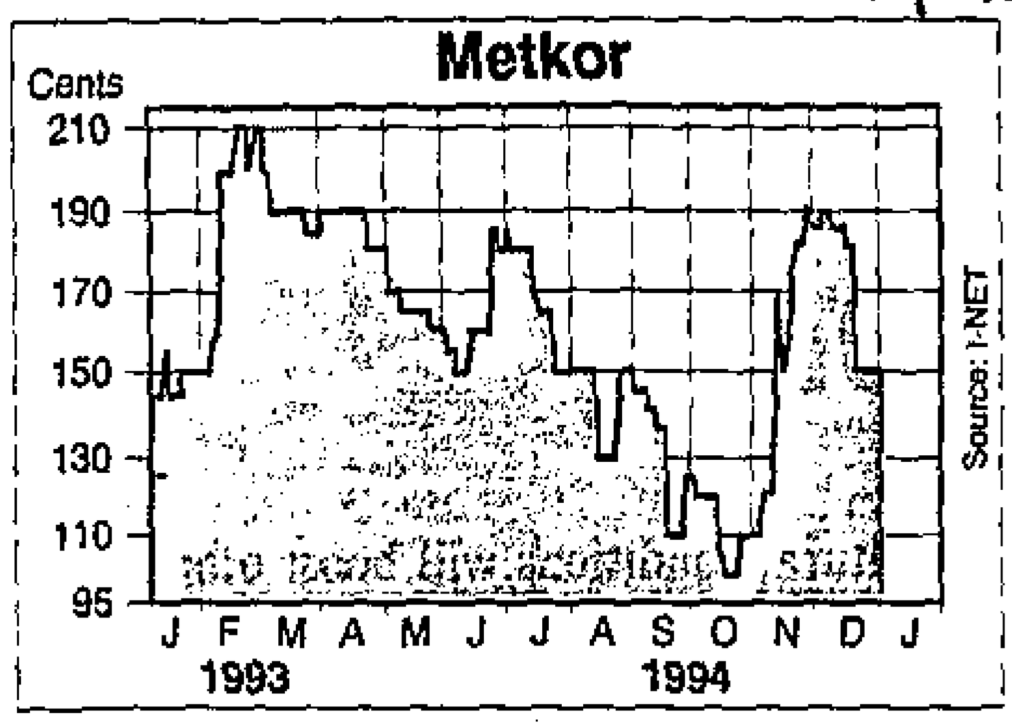
Positive spinoffs expected from the lifting of sanctions failed to materialise. Attributable income declined 30% to R7,5m and EPS fell 35% to 6,22c.

Results for financial 1993 largely mirror subsidiary (34%-held) Dorbyl, the major earner. Its contribution declined significantly and was certainly lower than management expected. What made matters worse was the substantial loss recorded by wholly owned subsidiary Wispeco Holdings.

Full-year turnover declined 14% to R2,78bn. Margins were squeezed (3,3% against 1992's 4,1%), indicative of the continuing poor business climate. Operating income slipped 30% to R90,6m but some relief came in the form of lower interest rates which helped cut finance charges to R41,5m (R47,3m).

cont p48

Fm 14/1/94



Metkor took an extraordinary loss of R18,2m on the costs of discontinued operations in Dorbyl. It is unlikely that kind of accounting treatment will be allowed under new practice and, to that extent, attributable earnings are probably overstated. A final dividend of 3,61c (9,01c) brought the total for the year to 9,02c (13,84c).

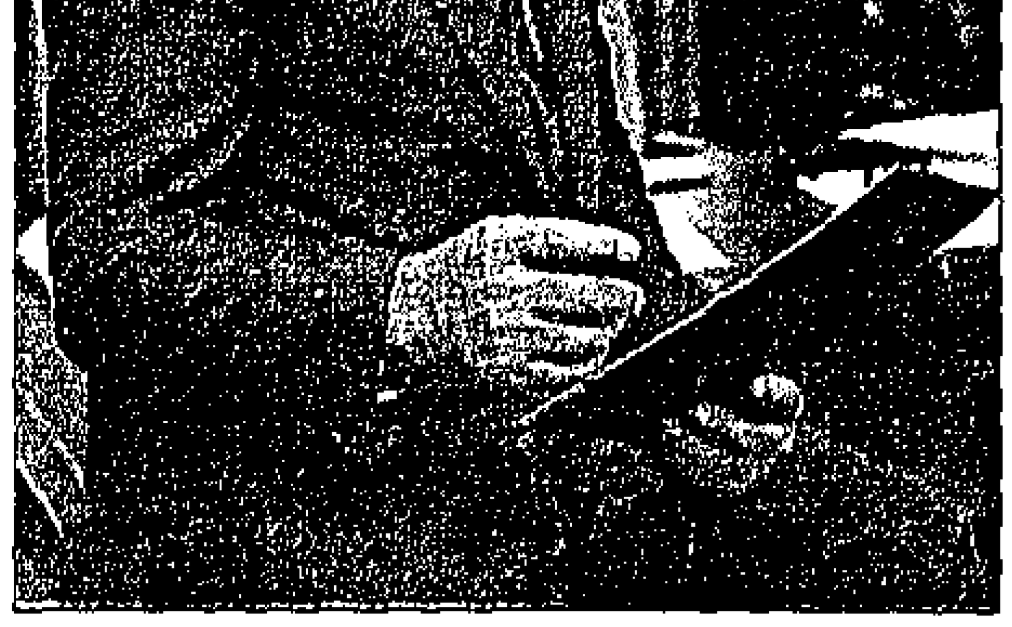
Income from Dorbyl declined 41% on 1992's figure. Continued losses by window and door frame manufacturer Wispeco has initiated a complete restructuring of the business, says chairman Flores Kotzee. One result is a wholesale series of write-offs. Metkor's equity investments in Wispeco (R11,3m) and Usko were written off. And the group has provided in full for Wispeco's R5m loan account.

Usko, an associate company producing nonferrous conductors and electrical cable, performed adequately, says Kotzee. Though turnover declined only 5% to R205m, margins took the biggest knock — down from 1992's 10,2% to a mere 2,7%, reflected in the operating income figure of R5,4m being a quarter of the previous year's. Usko's accumulated loss at year-end was an astonishing R154,8m.

Apsap Gas remains an intriguing add-on to Metkor's corporate structure. It has a 50% holding in this company and Kotzee says attributable income from Apsap increased 19% over the year. Beyond that bald statement, no further information is given. Indeed, a note to the accounts says the directors believe it inappropriate to disclose the relevant numbers because of "the sensitivity thereof." At a time when much store is laid by increasing transparency and accountability, this is a curious anomaly.

Metkor has been extensively rationalised over the past year. Kotzee says further action is still to be implemented, especially at Wispeco. He acknowledges the group is in far better shape to deal with difficult business conditions but shies away from assessing prospects for the year ahead. 189E

The share price has fallen 21% to 150c since mid-December, largely reflecting the failed bid by Murray & Roberts for a controlling stake in Dorbyl. Metkor has underperformed the engineering sector by a big margin over the past few years and though benefits will flow from rationalisations, its exposure to Dorbyl suggests little improvement in short-term prospects. *Marylou Greig*



Metkor's Kotzee ... *more rationalisation to come*

DORBYL

FM 14/11/93

Waiting for restructure benefits

(189E)

Activities: *Diversified engineering group with extensive manufacturing, contracting and trading interests.*
Control: *Metkor through Ipsa (52%).*
Chairman: *J H de Loor; CE: D B Mostert.*
Capital structure: *32,3m ords. Market capitalisation: R48,5m.*
Share market: *Price: 1 500c. Yields: 4,0% on dividend; 11,3% on earnings; p:e ratio, 8,9; cover, 2,8. 12-month high, 1 550c; low, 1 000c. Trading volume last quarter, 1,31m shares.*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	91,3	43,2	104,6	108,9
LT debt (Rm)	93,1	128,7	151,5	183,0
Debt:equity ratio	0,26	0,21	0,27	0,34
Shareholders' interest	0,50	0,55	0,52	0,47
Int & leasing cover	5,0	5,2	3,8	2,7
Return on cap (%)	12,2	11,7	8,5	5,6
Turnover (Rbn)	2,84	2,89	2,98	2,59
Pre-int profit (Rm)	138,8	173,2	141,1	97,3
Pre-int margin (%)	6,4	6,0	4,7	3,8
Earnings (c)	345	365	288	169
Dividends (c)	103	108	108	60
Tangible NAV (c)	2 314	2 525	2 617	2 468

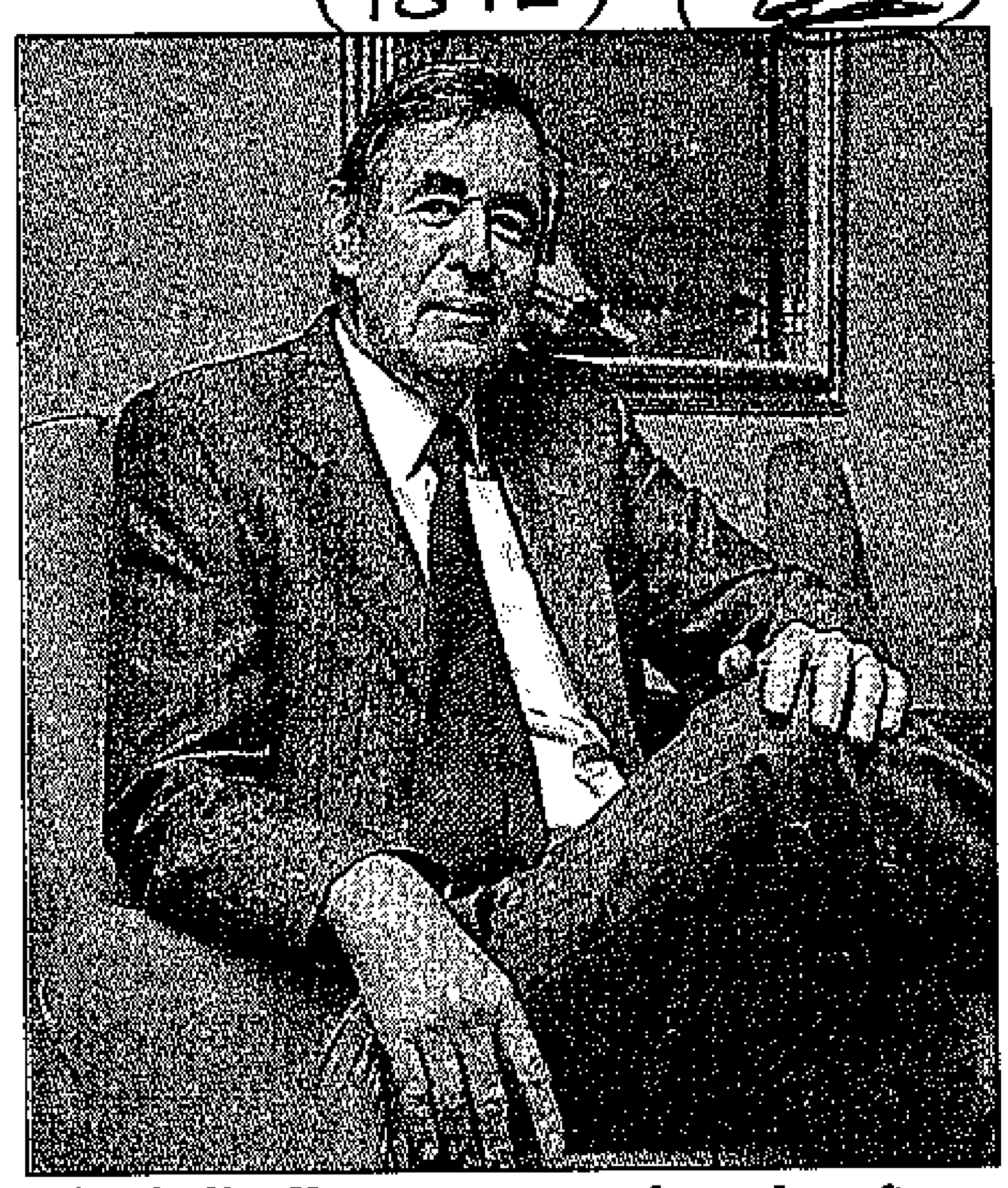
Despite steps taken over the past few years to scale down and reduce dependence on fixed investment, Dorbyl's attributable earnings fell sharply in the year to September. EPS declined 41% to 169,3c. Substantial losses in its structural engineering division and to a lesser degree in the heavy engineering and trading divisions may have prompted controlling shareholder Rembrandt to consider the sale of the engineering group, though Dorbyl management denies this.

Negotiations between Remgro and Murray & Roberts ended late last year without agreement being reached (*Fox* December 24). CE Dawid Mostert says the talks were initiated following an approach by M&R. "This is now behind us and Dorbyl management is concentrating on reaping the benefits of changes and rationalisations which have taken place."

Turnover slipped 13% to R2,59bn, mainly because the contracting division's sales were halved. Competition abroad — Dorbyl has been aggressively pursuing export opportunities which represent 13% (R330m) of sales — and locally saw operating income drop 31% to R97,3m on squeezed margins.

For the contracting division, the year was characterised by a dearth of projects. Traditional markets in the power generation and mining sectors have all but disappeared, says Mostert, forcing the closure of Dorbyl Heavy Engineering Vanderbijlpark at a cost of R44m. Turmoil in the international shipbuilding market led to the decision to stop building large vessels. Though Dorbyl Marine achieved its profit objectives, its profitability dropped 50% on 1992.

The manufacturing division, which includes seamless tube maker Tosa, saw sales slip 3% to R939,6m, down 11% on 1990. Pretax profit declined by 30% due to higher exports and lower overall real sales. Dorbyl has invested R152m in Tosa, which is expected to be fully commissioned at end-January. Until then, Mostert says, interest and operating costs are being capitalised.

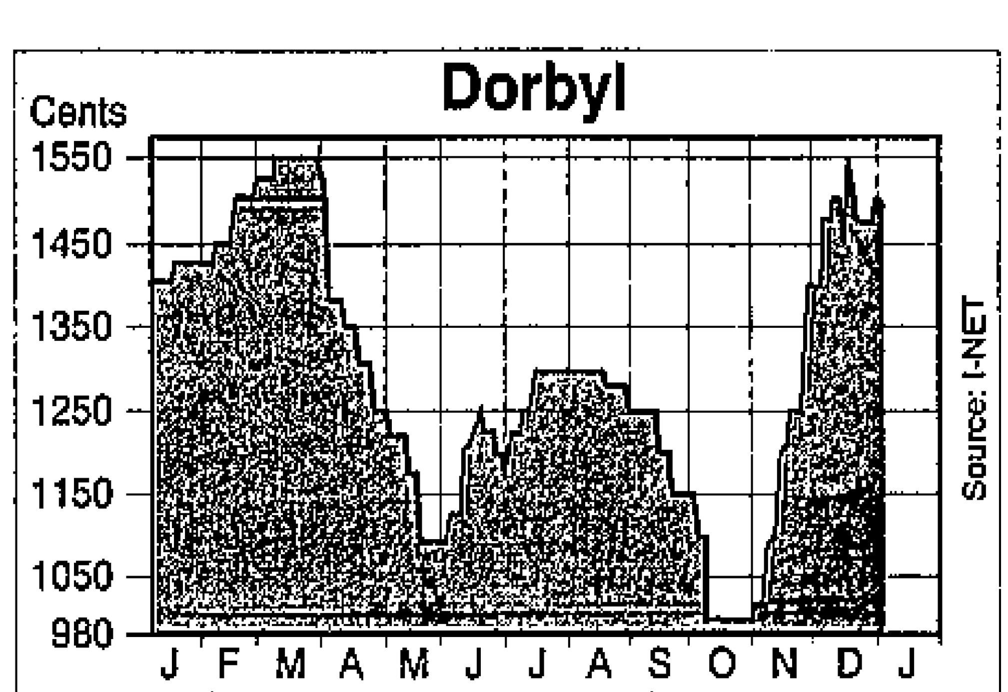


Dorbyl's Mostert ... *seeking benefits of change*

The trading arm improved its sales — up 12% to R1,20bn (46,5% of total sales) — and operating profit rose 42% to R59,9m. Mostert attributes this to the end of losses incurred by Stewarts & Lloyds Trading and much better results at Baldwins. Dorbyl Light & General Engineering improved profit marginally. However, while overall market share was maintained and even improved in some industries, gross profit margins narrowed.

Capex of R175m, of which R98m was invested in Tosa, helped lift debt by R42m to R230m, and gearing from 27% to 34%. Dorbyl registered its second consecutive year of negative cash flow and the dividend cover was lifted marginally to 2,8.

Major contracts worth around R300m on projects such as Alusaf, Columbus, Namakwa Sands and TSB have been secured. These should help improve the contracting division's order book. Mostert says brighter agricultural conditions will boost other divisions but the bottom line is unlikely to benefit before the second half of financial 1994.



At R15, the share is marginally below its annual high. Rationalisation and streamlining of operations will benefit this recovery stock, though it looks expensive now.

Marylou Greig

Hudaco lifts earnings and final dividend

Star 18/11/94

BY STEPHEN CRANSTON

A substantial turnaround in the second half has enabled engineering group Hudaco to report a 15 percent increase in earnings per share to 123c for the year to November.

The final dividend has been increased by 20 percent to 36c, making an 11 percent increase in the total dividend to 59c.

After reporting sales down five percent and operating profit down 18 percent in the first half, sales rose three percent and operating profit rose 21 percent in the second half.

CE Stephen Connelly attributes the improved performance to maintained gross margins and cost-cutting measures implemented progressively since the beginning of the recession, materially reducing operating expenses. (189E)

Working capital management pushed gearing down to a negligible 0,8 percent and led to a fall of almost R3 million in finance costs to R4,5 million.

The lower corporate tax rate cut Hudaco's effective tax rate from 33,5 percent to 29 percent.

Hudaco acquired Wyko Bearings on January 1 for R14 million, giving it a distributor of Nachi brand bearings through 11 branches.

Connelly says the slight improvement in rand sales has continued, and it seems that the worst of the recession is over.

Hudaco is budgeting for real growth in sales and earnings in the year ahead.

FM 21/1/94

SIMILAR DISTRIBUTION

Turnover (%)	'92	'93
Mining	30	26
Manufacturing	25	24
Automotive	13	12
Agriculture	11	14
Public sector	8	9
Construction	7	8
Other	6	7
Total	100	100

HUDACO

Back on growth track

Having digested 1991's purchase of Valard, Hudaco is back on the acquisition trail. Earlier this month, it bought roller bearings group Wyko Bearings for R14m cash and CE Stephen Connelly admits that efforts have been stepped up to add to existing businesses. FM 21/1/94

Initially, there was an air of mystery to the Wyko deal. In November, Hudaco published a cautionary that negotiations were in progress. Not six weeks later, the cautionary was withdrawn because "it became apparent that, should Hudaco conclude the acquisition, it will have little immediate impact on group profits and NAV." (189E)

Now that details of the Wyko deal are disclosed in the 1993 preliminary, the withdrawal is more easily understood. Wyko Bearings will be placed in the bearing division, which last year achieved a fifth of Hudaco's R556m turnover. Wyko's 1993 turnover was R30m. So the effect on the income statement this year will be negligible. However, debt will rise from about R1m to R15m and gearing, less than 1% at the year-end to November, will rise to about 10% — still less than 1992's 16%.

Connelly concedes the diesel engine and hydraulics & pneumatics divisions came under pressure last year. "Capital expenditure by the mining sector fell and it'll be some time before mines will be prepared to invest large sums again." Fortunately, agriculture came back on track and sales in the automotive division were reasonable (see table).

Optimism, misplaced at half-time, was re-established at year-end. EPS rose 15% (down 10% mid-year), turnover slipped 1% (down 5%) and the share price gently ascended from R12,75 to R13,50.

Improved operating margins are the product of cost-cutting measures — the staff complement shrank 5% to 2 764 during the year — and maintained gross margins. Effective working capital management resulted in negligible gearing and a R3m reduction in finance costs. Also, the cut in corporate tax rate from 48% to 40% contributed to the effective tax rate dropping from 33,5% to 29%. Connelly hastily adds that the rate will return above 30% this year.

Nominal growth is forecast for the year ahead. Hudaco is ideally placed for expansion and cash is flowing in at a rate of 155c a share (1992: 130c). The share, on a p:e of 13,3, is rated above the engineering sector's 12,5, but growth potential justifies the expensive price tag. (189E) *Kate Rushton*

TITACO FM 21/1/94

Profits still erratic

Nobody would seriously doubt that the engineering industry in general has become an increasingly difficult row to hoe, but Titaco shareholders may nevertheless have reason to question whether this alone adequately accounts for the erratic performance of their company. (189E)

Taking a long-term perspective since the listing in October 1987, sound earnings growth was recorded in 1988 and 1989. Despite this, the *FM* expressed concern about the balance sheet where gearing had reached

FM 21/1/94

Activities: *Engineering.*
Control: *Directors 64,4%.*
Chairman: *R P Meyjes; MD: B G Smidt.*
Capital structure: *6,0m ords. Market capitalisation: R3,0m.*
Share market: *Price: 50c. 12-month high, 55c; low, 45c. Trading volume last quarter, nil shares.*

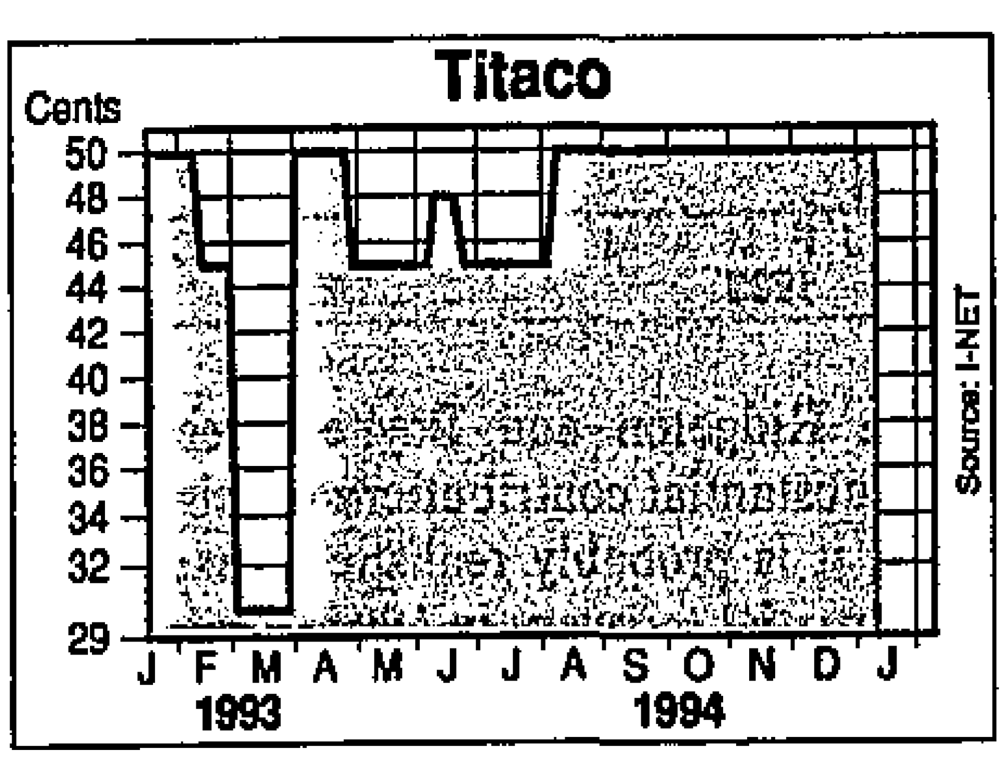
Year to February	'90	'91	'92	*'93
ST debt (Rm)	0,8	3,9	3,6	0,2
LT debt (Rm)	0,3	—	0,3	0,1
Debt:equity ratio	0,06	0,52	0,51	(0,25)
Shareholders' interest	0,19	0,28	0,32	0,56
Int & leasing cover	1,8	2,2	—	—
Return on cap (%)	4,7	16,1	(2,0)	(2,4)
Turnover (Rm)	88,8	73,2	39,0	27,1
Pre-int profit (Rm)	1,8	3,8	(0,4)	(0,2)
Pre-int margin (%)	2,1	2,9	(1,0)	(0,9)
Earnings (c)	10,6	29,5	3,0	(5,9)
Dividends (c)	—	4,5	—	—
Tangible NAV (c)	91	112	101	92

* 18-months to August 31, 1995 — annualised.

1,07, and then-financial director (now MD) Basil Smidt admitted this had been due to inadequate debtor control in a rapidly growing business.

By 1990, this problem seemed to have been sorted out — gearing was down to a negligible 0,06. But it was replaced by another, namely that Titaco had seriously miscalculated on a materials handling contract for Eskom. This was the main reason for a 48% earnings slump that year.

Earnings rebounded in 1991 to a record 29,9c — 47% better than the previous peak.



But gearing also improved — to 0,52. That management was not entirely happy about the financial position is evident in that dividends were resumed at 4,5c a share — 75% of the 1989 payment. (189E)

Since then, it has been downhill. Turnover has shrunk from an R88,8m peak to an annualised R27,1m for the latest 18-month accounting period; earnings registered their first loss since the listing, and tangible NAV has declined from a peak of 112c to 92c. No dividends have been paid since 1991.

The wild short-term swings in fortunes are best illustrated by analysis of the three six-month periods making up the full 18-month accounting period. In the first period (to August 1992), earnings dropped 60% from 9,3c for the comparable year-ago period to 3,7c. For the second (to February 1993), they recovered to a positive 2,9c from the year-ago 6,3c loss. For the third, a 15,5c loss was incurred, against the positive 3,7c in the August 1992 half-year.

Results can be significantly affected by the timing of contract closures. An attempt is made to smooth results by bringing to account profits of long-term contracts as these accrue, using the percentage-of-completion method. But the fact that in both of the past two accounting periods losses were incurred in the final six months could indicate that previously anticipated profits were found, later, not to exist. Anyway, the pattern of results makes it impossible to guess what a reasonable "sustainable" earnings base might be.

There were some positive developments in 1993. For one thing, a positive cash flow was restored. This reflected the fact that 1992's positive earnings derived entirely from a R1,3m deferred tax write-back (a noncash item). In 1993, the write-back (and, consequently, the negative effect on cash flow) was negligible, leaving a positive cash flow of R303 000 for the 18 months, against a negative R365 000 for the previous 12 months.

The balance sheet has also improved. This may have been affected partly by the change in financial year-end, but there has been a marked improvement in current asset management. Total tangible assets at September 30 1993, at R9,9m, were almost halved from February 29 1992. Cash released from working capital gave Titaco a net cash balance of R1,4m, compared with net borrowings of R3,1m previously. All else being equal, this should contribute to the better results forecast by chairman Reinier Meyjes.

The 50c price for this rarely traded share is the same as when the *FM* reviewed the 1992 annual report. Our view remains that buying interest is unlikely until there are signs of a solidly based earnings recovery. Also, the "here today, gone tomorrow" characteristic of current earnings needs to be overcome.

Brian Thompson

FENNER Fin 14/1/94

Swapping profits for cash

Engineering company Fenner recently announced the R10,5m cash sale of one of its divisions to LTA. But smiles hastily turned to frowns when Fenner shareholders realised it was the profitable control valve operation Control Specialists that was leaving the fold and not the loss-making power transmission product business. (189 E)

A twist of fate rather than strategic planning brought about the sale. Control Specialists operates under licensing agreements from Fisher Controls International (Fisher). Emerson Electric Co (Emerson)'s recent acquisition of Fisher resulted in the worldwide integration of the operations — and one licensee in each country of operation. LTA holds the licence for Emerson in SA — making a merger of Control Specialists and the LTA operations inevitable.

By why not enter a joint venture? Fenner chairman Bob Arthur says this was discussed but "no proper agreement could be settled."

Financial effects are mixed; had the disposal been in effect for Fenner's 1993 financial year, EPS would have decreased by 13,2% to 41,1c and NAV increased by 9,1% to 449,9c a share.

Arthur says the money will be used for expansion. But he is unsure which division/s will benefit. "A decision will be made early this year. Hopefully, the new acquisition will contribute profits equal to or better than those previously earned from Control Specialists."

At August year-end, Fenner was holding net cash of R3,3m, so the new cash need not be used to retire debt. *Kate Rushton*

Earnings spurt seen for Dorbyl

JOHANNESBURG. — Dorbyl's earnings in 1994 should show a marked improvement over those of 1993, chief executive Dawid Mostert said in the engineering group's annual report for the year ended September 1993. (1898) ARG 3/1/94

However, due to the timing of major contracts, this improvement would probably only materialise in the second half of the year.

During the past year, Dorbyl won major contracts on large capital projects such as Alusaf, Columbus and Namakwa Sands.

He said the group's 1994 earnings projections were based on the expectation of a 2 percent real growth in GDP, a further decline in inflation and a general increase in economic expectations.

"The economy is expected to recover slowly during 1994 and it is hoped that there will be only limited disruptions during the runup to the elections and thereafter."

Mr Mostert said serious attention was being given to refocusing the group's future strategy which would result in the elimination of potential lossmakers and non-productive assets.

The closure of heavy engineering operations in the past few years had minimised Dorbyl's exposure to this highly volatile and loss-making sector, he said.

"The remainder of the heavy engineering activities are being focused on own products, spares and maintenance operations with enhanced and more stable prospects."

Another focus area was the establishment of strategic alliances with international partners, some of which had been put in place while others were being "agressively" pursued.

He added capital expenditure amounted to R175 million in 1993, but was expected to decline in real terms over the next three years.

■ Samancor should improve its overall performance in the 1993-94 financial year if prices in the "finely balanced" commodity markets did not fall, managing director Mike Salamon said in the corporation's 1993 annual report.

Improved performances were expected from the group's chrome and manganese alloys divisions, unchanged performances in manganese and silicon metal divisions and a downturn in the manganese ore interests, Mr Salamon said.

He also said Samancor should be able to fund its portion of the R3,5 billion Columbus Stainless Steel Project out of current cash holdings.

The group had increased its cash resources to R528 million at year end June 1993 compared with R270 million at the previous year end.

This was due to a reduction in working capital, reduced capital expenditure and the purchase from Samancor of a one-third stake in Columbus the Industrial Devlopement Corporation.

UK's Jaguar increases sales 22%

LONDON. — British luxury car maker Jaguar increased its sales by 22% in 1993 thanks to a sharp rise in demand from the United States and the South Pacific, the group said yesterday.

The car group, owned by US giant Ford, sold 27 338 cars last year. Seventy seven percent of its sales went for export, the group said.

In the US, its main market, sales rose by 47% to 12 734 cars.

Jaguar sales were boosted after it introduced a money-back guarantee scheme if a buyer were unhappy with his purchase.

The manufacturer sold 6 215 cars in Britain (up 11%) and saw sales rise by 7% in Germany

Hudaco posts 15% earnings boost

(189E)

CT 18/1/94

By MAGGIE ROWLEY
Deputy Business Editor

A STRONG turnaround in the second half saw engineering group Hudaco Industries increase earnings by 15% to 123c a share in the year to end November.

After reporting a 5% decline in turnover and an 18% drop in operating profit in the first half of the financial year, the group lifted sales by 3% and operating profit by 21% in the second half of the year over the corresponding period the previous year.

This resulted into a drop of 1,1% in turnover to R556,1m for the year and a 1,4% increase in operating profit to R62,5m.

The increase in earnings per share, said CE Stephen Connelly was due to a number of factors including the group having maintained gross margins.

In addition cost cutting measures which had been progressively implemented since the beginning of the recession had resulted in a material reduction in operating expenses.

The impact of these two measures had been to improve the operating margin from 11% to 11,2% during the year.

Furthermore, working capital management had resulted in negligible gearing of 0,8% at year end against 16,1% during the corresponding year. This yielded a R3m reduction in finance costs to R4,5m (R7,4m).

In addition the reduction in the corporate tax rate from 48% to 40% had contributed to the effective rate of taxation paid by Hudaco dropping by 4,5% to 29%. The tax bill for the year was R17m against R18,1m in 1992.

The final dividend has been increased by 20% to 36c per share bringing the total payout for the year to 59c — an increase of 11,3% on the previous year.

Upturn may be 'most enduring since 1974'

CT 27/1/94

By AUDREY D'ANGELO
Business Editor

THE upturn has started and "may be the most enduring since 1974," say Southern Life economists Mike Daly and Sandra Gordon.

In an upbeat Quarterly Economic Comment, they forecast an overall growth rate of 2,4% this year and an average inflation rate of 7%.

Daly expects fixed investment to be "the engine of growth" this year, initially because of spending on social infrastructure backlogs and on mega-projects for the beneficiation of local products for export.

Forecasting modest growth in exports, particularly in the second half of the year, he and Gordon point out that "SA's external trading environment can be expected to become gradually more favourable during 1994.

"The modest recovery anticipated in the major industrial countries during the year ahead should ensure improved international commodity prices and increased SA export volumes, enhancing SA's export performance in 1994."

Their optimism is in line with that of Old Mutual economists, who said earlier this week that the recovery was well underway and could be faster than expected.

Daly and Gordon point out that the present high real interest rates ensure that the recovery is taking place against a background of relative financial stability.

This, together with the setting up of the Transitional Executive Council (TEC) and the resultant normalisation of international trade and financial relations, means that "the current economic upturn has far less potential to be destabilised — at least by financial shocks.

"The recovery should therefore be more enduring than any seen during the past two decades."

But they warn: "A critical factor in the economic growth outlook remains the difficult balance of payments situation and, as a result, the scope for further interest rate cuts.

"Crucial to the entire scenario remains the April election — both that it is not delayed and that the results are accepted."

Discussing export prospects, they say the economic recovery in the US and UK appears to be gaining momentum although Continental Europe and Japan continue to perform poorly.

So, although growth in export volumes is likely to exceed the 3% achieved in 1993, the improvement will not be significant.

They think the recovery in commodity prices is likely to be limited by high international stock levels and the further easing of inflationary pressures.

"Nevertheless the commodity price upswing, coupled with the modest growth in SA's export volumes, should ensure an improvement in SA's export performance in 1994 although probably only in the second half of the year."

Discussing foreign investment in SA they warn: "Foreign interest in SA to date remains largely speculative and, in the event of a political setback, could easily be reversed.

"Furthermore, foreign investment in the JSE is made through the financial rand mechanism which does not raise the net foreign exchange reserves."

Based on the assumption that the new government of national unity will allow the Reserve Bank to retain its independence and that Chris Stals will remain governor, "we anticipate that the Reserve Bank will continue to maintain a stable real rand exchange rate against a basket of currencies of our major trading partners."

But an expected strengthening of the dollar means that the rand is likely to be worth R3,60 against the dollar by year-end "averaging around $3,50 for 1994 as a whole."

Discussing interest rates, they say that if the April election is not delayed, and the results are accepted, "the constraint of the balance of payments (BoP) will be alleviated by the inflow of new foreign capital, providing sufficient scope for two further cuts in the bank rate during the next 12 months.

"Thereafter, the current downward phase of the interest rate cycle will start being reversed, probably from early 1995."

M&R, Dorbyl's R340m Angolan project 'on ice'

CT 27/1/94 Own Correspondent

Durban. — A R340m project by Dorbyl Marine, Murray & Roberts Engineering, and UK-based Amec to supply two offshore production platforms for Angola's Cabinda oil fields has been put on ice.

Last year, Dorbyl mothballed its Durban shipbuilding yard, closed its Vanderbijlpark plant and laid off hundreds of workers because of a severe decline in demand for shipbuilding and heavy engineering.

Some workers have been offered voluntary retrenchment packages, and one who did not want to be named said about 40% of the firm's complement of manual workers may well be affected by the delay.

It is believed the plan was put on hold because the Angolan side of the international trust fund set up to repay investment in the scheme was not considered secure enough.

Dorbyl human resources manager Shane Demé confirmed the project "has been postponed".

'Polifin' may be listed

Own Correspondent

JOHANNESBURG. — The new R2,5bn joint venture between Sasol and AECI is to be named Polifin, and the project could be listed on the JSE within the next two to three years.

The venture, in which Sasol has a 60% interest and AECI 40%, will see the merging of some of the companies' petrochemical and plastics interests.

Polifin MD and CEO Pieter Cox said: "In addition to being the company's name, it is our intention to market our products under this name in one form or another."

Polifin has applied for registration locally and internationally.

The new company will house Sasol's ethylene, propylene and polypropylene operations and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies.

The merger received Competition Board approval on condition that Sasol and AECI undertook not to discriminate in the supply of monomer feedstocks — ethylene and propylene — to rival chemical producers Sentrachem and Hoechst.

Meanwhile, a formal announcement giving the go-ahead for a joint AECI-/Sasol R400m PVC conversion project is still pending.

Initially thought to be on track for a first-quarter disclosure, details of the venture will now be presented to the respective boards only in April.

NEI Africa shakes off its woes

PETER GALLI

ENGINEERING group NEI Africa may have weathered the storm that has battered its share over the past few years, with the price more than doubling over the past four months.

This reflects market confidence that the worst of its financial and management woes may be over. B/Day

The share hit a new annual high of 625c on Friday — a considerable turnaround from its August 19 1993 12-month low of 270c.

There are several possible reasons for improved market confidence in the company. Last September, it sold subsidiaries Propower and AG Walker for R42m to reduce its debt and improve prospects.

In the six-months to end-June, the company reported a taxed loss of R4m. Interest-bearing debt then stood at R102,5m, but has since been reduced by R42m, which will result in a lower finance bill at year-end. At the interim stage, net financing costs of R8,6m outweighed operating income of R6,4m.

The company is also moving away from businesses that do not fit in with the streamlining of its mechanical and electrical activities. Restructuring began last May when Ical and John Thompson Africa merged, with the benefits of this expected this year.

At the interim stage the group reported a R2,9m abnormal charge relating to a reduced settlement on work completed for Mossgas. At that stage, chairman Peter Joubert expected further Mossgas claims to be finalised. Last month it was announced that another claim had been settled and that Ical had received R8,25m. (189E)

The departure of CE and MD Laurence Hyslop in June was not well received by the market. Ken Whitehouse was appointed temporary MD at the time — and is still at the helm — despite Joubert's assurances that a new MD would be chosen by July.

The share still has a long way to go before it reaches its June 1989 peak of R40, when it was considered a blue-chip stock. This was before the group's fortunes changed, snowballing after its announcement in 1990 that a conspiracy to falsify NEI's accounts had resulted in R52m being written off net assets. 14/2/94

Hudaco chief warns of stiff foreign competition

Star 15/2/94

BY STEPHEN CRANSTON

The increased interest being shown in South Africa by overseas businesses presents opportunities, but also the threat of increased competition, says Hudaco CE Stephen Connelly.

Step

Writing in the annual report for the year to November, Connelly says that Hudaco will now step up efforts to add further leading international brand names to its existing core businesses.

As the first step in this direction, Hudaco acquired Wyko Bearings for R14 million.

It is a distributor of a range of ball and roller bearings including the Nachi brand, with a turnover of R30 million operating through 11 branches.

Even without the Wyko business, the bearings and seals division was one of three in the group to report increased sales.

(189E)

The oil seal distributor Abes increased profits and market share.

But Connelly says the division's level of operating assets at R36 million is still too high.

The largest contributor to sales, providing R109,5 million was diesel engines, although its sales were down four percent.

The main market in mining continued to curtail expenditure.

No progress was made into the protected automotive market, where Atlantis Diesel Engines (ADE) enjoys a legally entrenched position.

Connelly protests that this protection has enabled ADE to attack the traditional Deutz industrial and mining markets from an unfair base.

Market

Belting and chain increased profits in a market which shrank by 13 percent and saw significant price-cutting by competitors as a reslut of the pressure of stock overhangs in a depressed market.

Bosworth's conveyor pulley market recovered after restructuring in 1992.

In the hydraulics and pneumatics division, Ernest Lowe's profits were reduced because of the low spending on capital projects and Mather & Platt pumps had a disappointing year compared with its performance in 1992.

In brakes and clutches, Mintex Don increased sales, but its gross margins fell.

However, further gains in internal efficiency allowed profits to increase.

Rutherford was re-positioned with Makita power tools and had some success in the second half.

Mercury performed well in an outboard motor market which contracted by 20 percent.

The market for abrasives contracted again during the year, but profitability in Abrasives Corporation, jointly held with Murray & Roberts, stabilised after cost-cutting in 1992.

This business is still not performing to its potential and plans are in place to improve returns in the current year.

Yield

Hudaco's share price has increased sharply over the last three months and sits on a high of R16,50, at which it offers a P/E of 13,4 and a dividend yield of 3,6 percent.

While not expensive compared with the rest of the market, a buy should be considered if the price weakens, but not before.

Stephen Connelly ... stepping up efforts.

HUDACO

Fm 18/2/94

Textbook management key to success

The share has risen steadily to more than 10 times the 1985 listing price

(189E)

The word engineering brings to mind diesel engines, bearings and greasy seals. But it is by distributing these seemingly dull products that Hudaco has made its profit. Earnings have grown a compound 23% a year since a management buyout (MBO) in 1985, while the share has been on a steady upward trajectory to more than 10 times its listing price.

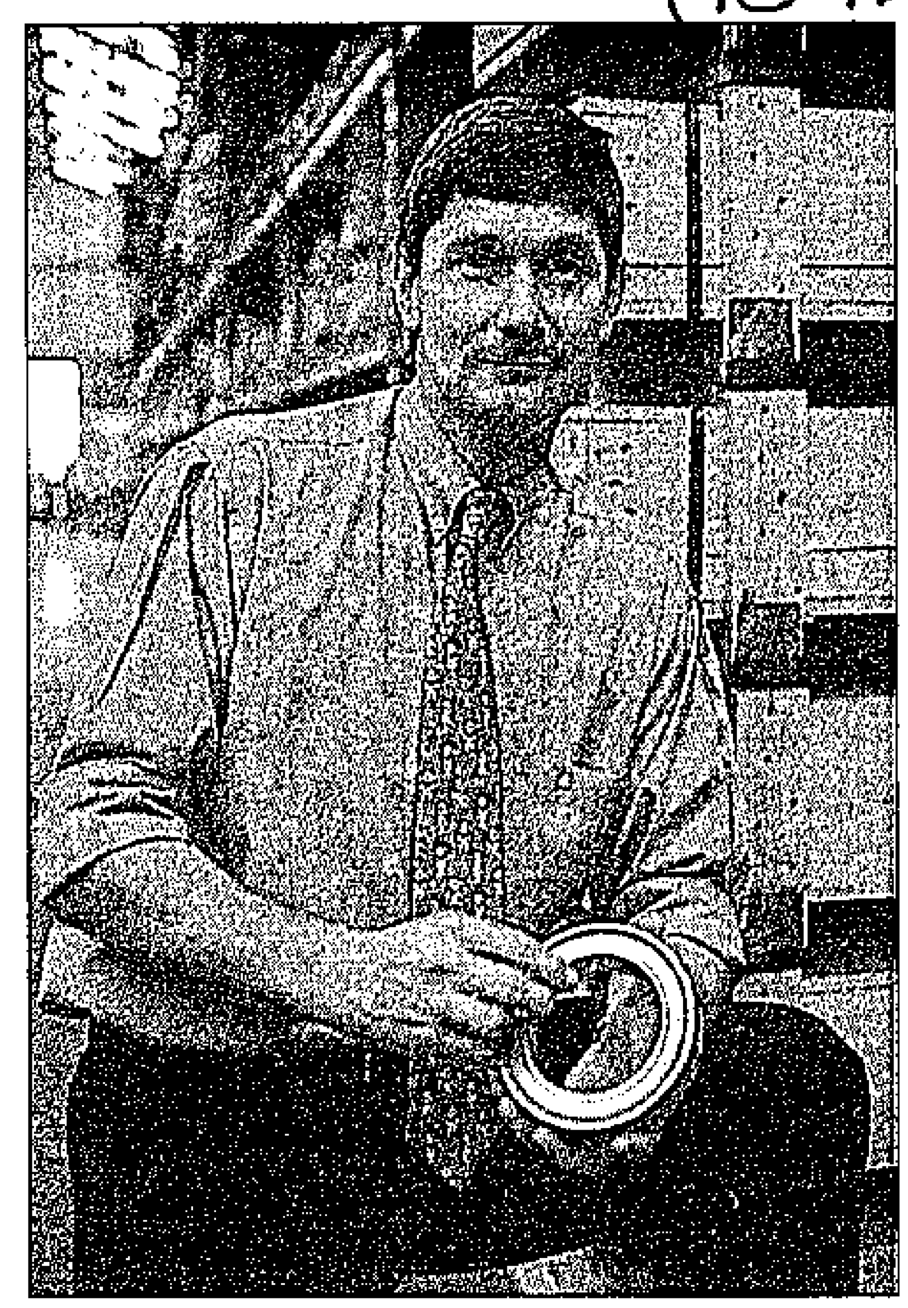
Earnings have been on a four-year plateau but, having emerged from the recession with a sound operational base and strong balance sheet, with negligible gearing (1%), Hudaco will now step up efforts to add further leading international industrial consumable brands to its core business.

Management believes the resultant growth in market share, as well as tighter asset management and signs of a return to growth in key market sectors, will take earnings back to a growth track this year. Large capital projects should ensure this growth is sustained. Though the group does not benefit directly from projects such as Alusaf and Columbus while they are being built, CE Stephen Connelly says once they are up and running in 1995 "they won't survive without input from Hudaco."

Textbook management is Hudaco's key to survival in an industry where competitors fail and blame high interest rates and economic conditions. It, too, would have every right to these excuses; most activities are directed at the replacement market and, since distribution agreements with foreign principals restrict trading areas to southern Africa, sales are closely linked to GDP.

Mining sales contribute 26% of turnover, manufacturing 24%, agriculture 14%, automotive 12%, the public sector 9% and construction 8%. And, while GDP fell for 13 successive quarters to the fourth quarter of 1992, Hudaco's turnover didn't.

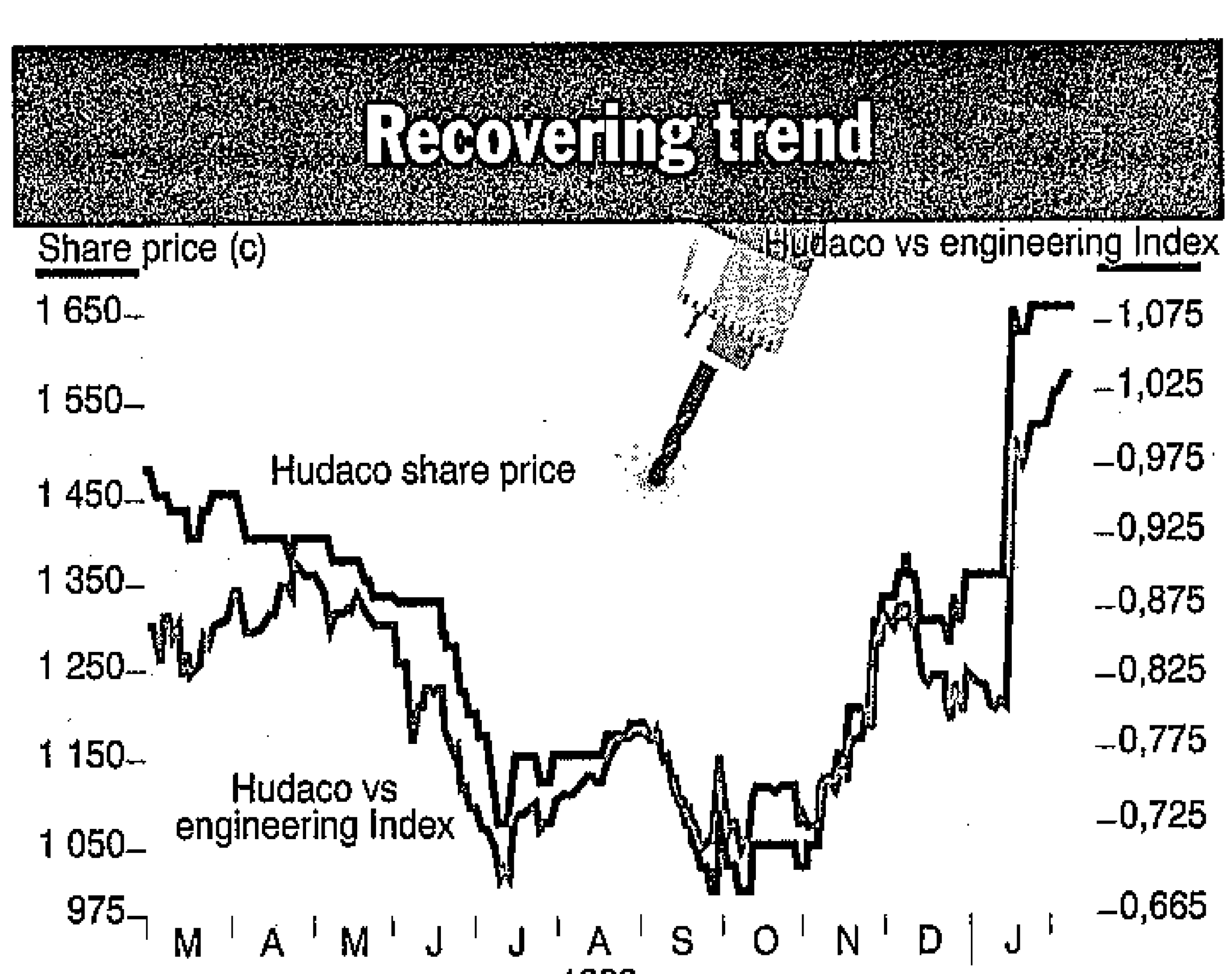
In 1987, four-fifths of products sold were imported. This made exposure to foreign exchange fluctuations unavoidable. Hudaco was walking an exchange rate tightrope and management had to keep liabilities fully covered to avoid disaster.



CE Connelly ... *allowing differences in management styles*

Innovative decisions were taken a year later. The great dependence on imported content was limited after reaching agreements with suppliers to sign licences and make products locally. Hudaco now imports only 54% from international principals.

But, as with most agreements, there is a catch. Hudaco may export only to Kenya and southern African states including Botswana, Zimbabwe and Angola. Connelly is not too perturbed by this restriction. "SA will become a natural conduit to a region which will have significant opportunities for growth".



Some business elements were once part of small engineering supplier Hubert Davies, founded in 1895 and listed on the JSE in 1938. Hubert Davies was delisted in 1977 when it became a wholly owned subsidiary of then cement giant Blue Circle.

In May 1984, Hudaco Industries was acquired from Blue Circle for R20,3m by a consortium led by then MD Bruce McInnes and other executives. The MBO was largely financed by Volkskas Merchant Bank. McInnes became CE, a position he held for seven years before moving to the UK.

In October 1985, Hudaco Industries Group was sold to a new company — Hudaco Industries — for R24m, settled by issue of 16m shares at 150c each. The sale was followed by a private placing of 5m shares at R1,50 each — 1,6m from existing shareholders and 3,4m new shares, which further strengthened the capital structure.

The private placing was directed at senior and long-serving staff, business associates and a few major institutional investors. A significant benefit was that this placing permitted management to choose shareholders — a rare privilege.

Though McInnes sold his stake before emigrating, financial institution support has stayed. Old Mutual is the major shareholder with 16% but, along with other institutional shareholders, plays no role in running the business. Nor are any of these institutions represented on the board. This makes Hudaco one of only a handful of noncontrolled listed companies — and open to takeovers. Connelly does not see this as an immediate danger.

"It's just one of the characteristics of the company. We don't have a big brother to call for advice — or approval, for that matter. Our future is only as secure as the quality of performance. We like to think this makes us more conscious of the opinions of shareholders than controlled companies."

These words of determination could have been written by Connelly's predecessor, Kevin Clarke. Clarke, an engineer by profession, came on the scene only months before the MBO and took over as MD in 1987.

The freedom of acquiring without reporting to a parent was something Clarke clearly enjoyed. Between 1987-1990, Hudaco made 10 acquisitions. The largest, Norton Abrasives, cost R35m. This is not to say Clarke went on wild spending sprees. Acquisitions had to meet specific criteria: businesses had to have an annual turnover of R70m-R80m; a strong market position — industrial consumable products carrying world-leading brand names; skilled mangement with a proven track record; and offering opportunity to add value to the businesses. They also had to be strong cash generators.

In 1991, Hudaco took on its biggest acquisition, Valard. What started as discussions of a simple merger of synergistic hydraulic operations ended in the delisting of Valard and its holding company Valard Holdings.

The takeover wasn't a case of taking all Valard's businesses and meshing them with

Continued on page 35

Fm 18/2/94 (189E)

Continued from page 30

Hudaco's. Changes were primarily at head office; Connelly, then CE of Valard, joined the board. Only the hydraulics & pneumatics division needed serious restructuring. New premises were built. This took 18 months and was completed six months ago.

Effects on the income statement were more dramatic. The acquisition of Valard contributed most of the 53% increase in turnover to R563m in financial 1992.

In December 1992, Clarke stepped down to move to Sydney, where he joined his brother in expanding another engineering business. Connelly took the reins of Hudaco's seven defined business units: diesel engines; bearings & seals; belting & chain; hydraulics & pneumatics; brakes & clutches; light industrial; and abrasives.

Each business unit is autonomously managed, suitably capitalised and encouraged to develop its own managemenet styles and strategies. Connelly says when a decision needs to be taken, it is made at the operation in question. "The idea of breaking business into small strategic entities allows for a wide latitude for differences in operating styles. And it works."

Also, each business unit has its own strategic plan to capitalise on opportunities in its particular markets or eliminate identified weaknesses.

In the diesel division new engine sales, spares and services again declined in 1993 as mining, the main market, continued to curtail expenditure. Hudaco failed to make progress in penetrating the protected automotive market. This protection is enabling ADE to attack the traditional Deutz industrial and mining markets from what Connelly describes as an unfair base. Sales of this division fell from R113,9m to R109,5m.

The hydraulics & pneumatics division, too, suffered last year. It depends on capital projects and investment spending, particularly the mining industry. Sales declined marginally.

"Mines are cost-cutting or even closing. The gold price must be sustained at higher levels before mines will be prepared to invest more," says Connelly. But the Alusaf and Columbus projects should cushion effects on these divisions in the 1995 and 1996 years.

Abrasives, a joint venture with Murray & Roberts, saw the market contract again in 1993 but profitability stabilised thanks to 1992's cost-cutting measures — including retrenchments. This business is still not performing to its potential but plans are in place — Connelly's not elaborating — which could see returns improve progressively in the next few years.

In 1993, the main focus of management's attention was operational — principally sales and the management of margins and expenses on the income statement and working capital, particularly stocks, on the balance sheet. Stock fell marginally to R147m while debtors (R100m) match creditors almost to the cent.

"At the start of the 1993 year, we had our head down looking at the businesses. We saw turnover sliding and had to improve internal efficiencies," says Connelly. "Group volume sales were down 14% and earnings had slid a tenth to 46c in the first half. Fortunately, the second half picked up and we could cast our eyes to the future."

But he stresses: "Hudaco will remain in the distribution of branded industrial consumables and will not diversify."

Since the end of the 1993 financial year, the first acquisition has been made. With effect from January, Hudaco acquired the business of Wyko Bearings at net operating asset value for R14m cash. Wyko distributes a range of ball and roller bearings and has annual turnover of R30m.

Ex-CE McInnes ... *led the MBO consortium*

Wyko will add 11 branches to the 25 bearing branches. Connelly expects this will enhance earnings only in 1995 — the cost of incorporation will equal profit contributions in the 1994 year.

Management plans geographic expansion this year. A Bearings International branch opened in Harare last month. More are to be opened in other bordering countries.

Connelly says: "We are conscious of the increased interest shown in SA by foreign business not yet represented here. This not only represents opportunities but also threatens increased competition.

"This opening up of the economy, including participation in Gatt, makes us aware how vital it is to long-term success that our businesses are among the best in the world in industrial distribution and internationally cost-competitive where we make locally."

When the upturn comes, Hudaco should be able to transform higher turnover into profits rapidly. Analysts enjoy studying its three-pronged strategy, with emphasis on marketing (maintaining market share), cash management (ensuring a sound balance sheet) and cost containment (internal efficiencies).

"More often than not, we produce more in cash flow per share than EPS. In financial 1993, cash flow was 155c against 123c earnings. Granted, this can't happen ad infinitum, but it is conducive to growth," says Connelly. "We have already made a long shopping list for 1994."

Hudaco's mission statement has been printed on its annual report cover for nine years as a reminder that the objective has been met: to produce superior returns for shareholders by building on businesses and by continually looking for other exciting growth opportunities.

In 1985, the stock listed at 150c. Now it fetches R16,50 — compound annual growth of 34%, despite four years of flat earnings. The JSE Industrial index rose a compound 23% over the same period. The 13,4 p:e is above the engineering sector's 12,4 average but still below the Industrial Index's average.

Assuming the economy grows as many now believe is possible, this appreciation will probably continue. A price of R20 by year-end looks possible.

Kate Rushton

Nuts and bolts

Turnover

	1992		1993	
	Rm	%	Rm	%
Diesel engines	113,9	19,8	109,5	19,2
Bearing and seals	105,8	18,4	109,0	19,1
Belting and chain	98,0	17,0	91,5	16,0
Hydraulics and pneumatics	60,6	10,5	57,5	10,1
Brakes and clutches	56,7	9,8	62,0	10,9
Light industrial	81,1	14,1	84,0	14,7
Abrasives	60,2	10,4	57,0	10,0
Total	576,3	100	570,5	100

Ungeared and growing

ACTIVITIES

Distributes branded industrial products including diesel engines, bearings, hydraulic components, belting, seals, brake pads and power tools.

CONTROL

CE: S Connelly **Capital structure:** 28,6m ords. **Market capitalisation:** R472m

SHARE MARKET

Price: 1 650c **Yields:** 3,6% on dividend: 7,5% on earnings; **PE ratio,** 13,4; **cover,** 2,1 **12-month high** 1 650c; **low,** 1 000c **Trading volume last quarter** 1,5m shares

Year to November 30	'90	'91	'92	'93
ST debt (Rm)	9,1	11,5	31,7	16,7
LT debt (Rm)	21,4	8,4	1,4	9,5
Debt: equity ratio	0,30	0,01	0,16	0,01
Shareholders' interest	0,37	0,47	0,51	0,53
Int & leasing cover	6,0	10,7	8,3	13,9
Return on cap (%)	25,0	25,3	21,8	20,3
Turnover (Rm)	403,1	366,8	562,6	556,1
Pre-int profit (Rm)	54,5	50,7	61,7	62,5
Pre-int margin (%)	13,5	13,8	11,0	11,2
Earnings (c)	110,4	112,2	106,8	123,0
Dividends (c)	50,0	51,0	53,0	59,0
Net worth (c)	312	380	461	525

Scharig dividend 18c

BDay 18/2/94

CHARLOTTE MATHEWS

MINING, plant hire, construction and engineering group Scharrighuisen Holdings (Scharig) has announced a final dividend of 18c a share for the year to December 1993, bringing the total dividend for the year to 27c.

In January 1993, Scharig declared a dividend in specie of one Scharrig Mining (Schamin) share for every Scharig share held, effectively transferring 25% of the group's mining interests to shareholders. At the same time Schamin was listed.

The total dividends of 35c of Scharig and Schamin together are 16% above the 30c a share received by Scharig shareholders in 1992.

The two companies are expected to publish results for the year to December before March 18. (189E)

Kopp lifts income 167%

CT 23/2/94

JOHANNESBURG. Kopp Electronics yesterday reported a 16% increase in turnover for the six months ended December 31, 1993.

The interim report shows turnover at R18m from R15m a year ago. After-tax income rose to R544 000 (R204 000), an increase of 167%, increasing earnings a share to 4,57c (1,94c).

Gearing dropped by 21% (33%). (189E)

Kopp's activities are divided into the importation and distribution of a broad range of electronic components, which account for about 80% of turnover, and into manufacturing of sophisticated power supply equipment. — Sapa

M&R reports 3% decline in earnings

CT 24/2/94 189E

Own Correspondent

JOHANNESBURG — Construction and engineering giant Murray & Roberts reported a 3% decline in earnings a share, excluding prior year tax adjustments, to 171c in the six months to December 1993 from 177c in the same period in 1992.

Turnover was 13% higher at R3,7bn (R3,3bn) and earnings before interest and depreciation rose by 11% to R377m (R340m), both reflecting an increase in the group's shareholding in Standard Engineering to 76% from 38%. However, margins have been squeezed to 6,5% from above 7% in December 1991.

The net interest bill lifted to R60m from R43m. Borrowings peaked at R923m in June 1993 from R651m in December 1992 but by December 1993 had been reduced to R819m. Murray & Roberts chief executive Andre van der Colff said this figure was expected to fall further in the next six months. At 27%, borrowings as a percentage of permanent capital remained well below the caveat of 50%.

Attributable earnings eased 4% to R107m (R111m) and a dividend 4% better at 58c (56c) a share was declared. Van der Colff said Murray and Roberts generally declared 25% to 30% of the full year's dividend in the first half. Although the group was not seasonally affected, many contracts were finalised in mid-year rather than December.

The group now accounts for about 5% of SA's total gross domestic fixed investment (GDFI) in real terms, double its position in 1990.

The engineering division remained the main contributor to earnings before interest, improving by 23% compared with December 1992. Transport, which grew by 16%, performed better than the market while the materials business showed signs of recovery. However, the contribution from the construction division declined by two-thirds while suppliers and services and property also shrank.

Exports accounted for about 10% of turnover, Van der Colff said, and the group was targeting this to be about 20% within the next three to five years. Some of its most successful export products were engine blocks for Volkswagen Jettas exported to China, valves for water supply to China, seatbelts to Europe and the US, steel pipes to Hong Kong and roof tiles to the UK.

Van der Colff said the order books in the engineering division were growing to 1995 and had benefited from the award of contracts for Alusaf and Columbus. Murray & Roberts was well placed to benefit from increased spending on housing, which was likely to be one of the first sectors to take off under a new government.

The termination of talks on the group acquiring a controlling stake in Dorbyl in December left Murray & Roberts with the facilities for another acquisition. Van der Colff said no deal was imminent and nothing as large as the Dorbyl deal was contemplated at present.

Van der Colff expected group results would be relatively static to June and even December 1994 and the group would do well to achieve attributable earnings of 474c a share.

Strong growth in the SA economy was expected from 1995 to 1998 which, together with efforts within Murray & Roberts to improve productivity, was likely to ensure above average earnings growth in that period.

Unihold buoyed by stronger demand, sell-offs and merger

BDay 28/12/94

CHARLOTTE MATHEWS

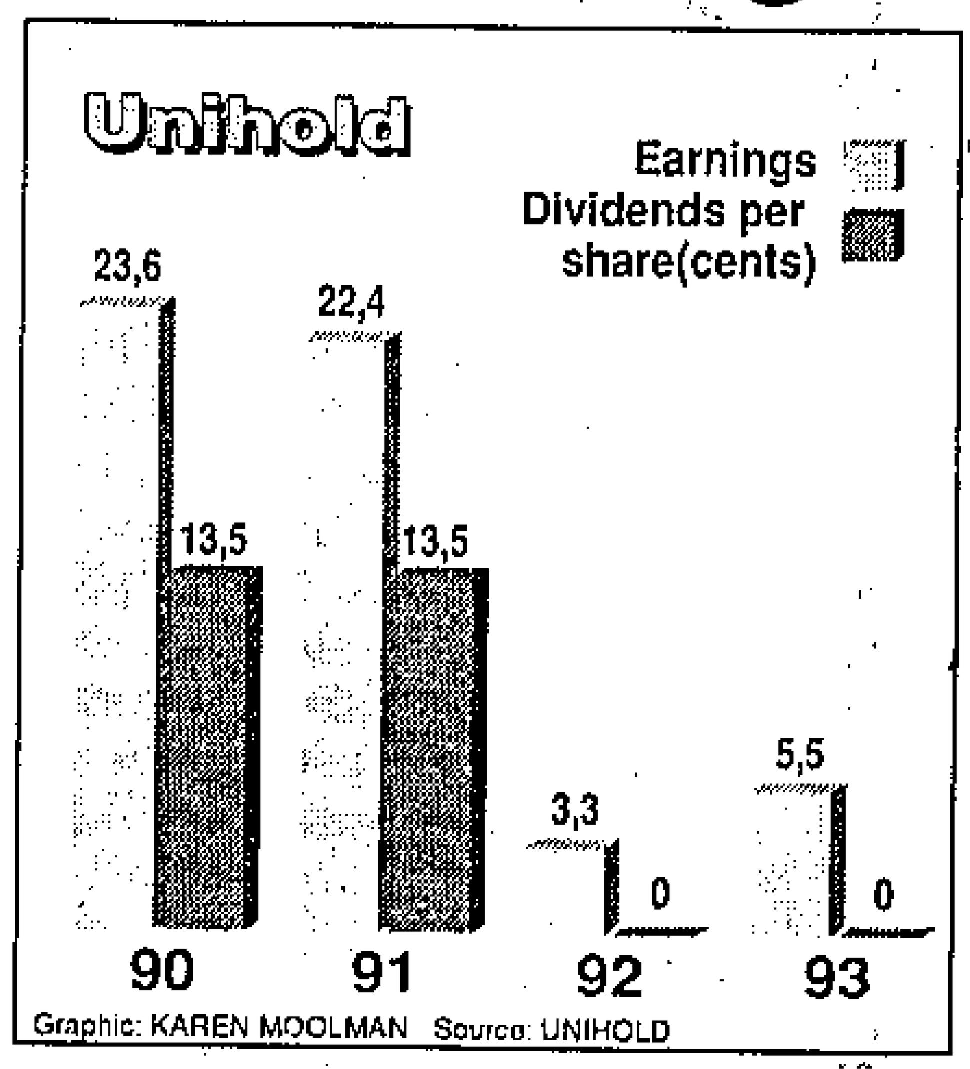
ENGINEERING group Unihold lifted attributable income 70% to R3,29m in the year to December from R1,93m in the similar period in 1992, reflecting higher demand, better margins and the disposal of loss-making divisions. 189E

Figures released today showed turnover dropped to R222m from R286m after the sale of its manganese parts businesses to Ozz. Unihold sold its lighting businesses to Powertech and merged its automotive harness interests with those of Femcotec into a new company, Auto Cable Industries.

The sell-offs and merger cut gearing to 83,2% from 106,5%. Short-term borrowings were R1,66m, against R2,88m in 1992, while the bank overdraft was R32,92m (R60,91m).

Operating profit was R9,41m (R11,62m) and the tax bill was R90 000 (R170 000). Interest payments were R7,23m (R10,46m). Earnings rose two-thirds to 5,5c (3,3c) a share. The dividend was passed, and Unihold executive chairman Jimmy Haslam said dividend payments were likely to resume in March 1995.

Unihold wrote off extraordinary losses of R18,57m on goodwill arising from the acquisition of a 50% interest in Auto Cable, shares surrendered in the Employee Incentive Trust, losses on the disposal of U-Lite and the write-down of fixed assets.



Haslam said the improved trading performance in the second half of the year more than offset the R1,35m attributable loss declared at the interim stage. There was also a major management restructuring towards year-end.

Group Five earnings up 24%

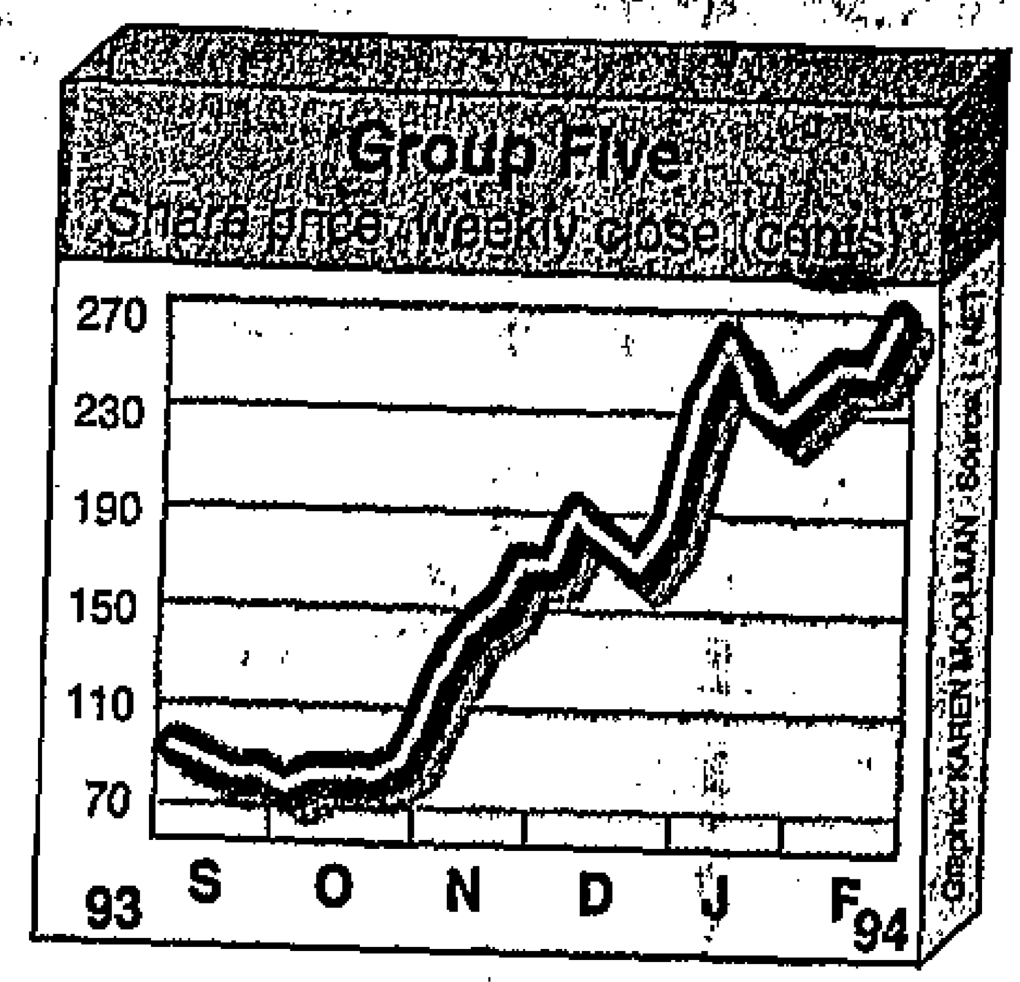
PETER GALLI

CONSTRUCTION and engineering group Group Five has reported a 24% rise in earnings to 12,9c a share in the six months to end-December from 10,4c during the same period the year before, as the benefits of its rationalisation and restructuring programme filtered through. B/Day

But the dividend was passed again so that the funds could be used to strengthen the balance sheet and to allow the group to "cope with any difficulties in the run-up to the elections". 28|2|94

Chairman Theunis Kotzee said it was unlikely that Group Five would pay a dividend at the end of the financial year as the company wanted to increase its 39% stake in Everite Holdings to more than 50%.

Turnover showed real growth, rising 12% to R841,9m (R749,1m), while improved margins — mainly within the Everite group — pushed operating income up 53% to R19,9m (R13m). There was a 31% profit



rise, before tax and interest payments, to R23m (R17,5m). (22) (189E)

Finance costs fell 11% to R8,2m (R9,2m) and a markedly higher tax bill of R4,5m (R680 000) left taxed income of R10,2m (R7,6m). After outside shareholders' inter-

To Page 2

Group Five

B/Day 28|2|94

From Page 1

ests, attributable earnings were 24,6% better at R5,4m (R4,3m). (189E)(22)

Group borrowings amounted to 38% of shareholders' funds, but were expected to be reduced to at least 27% in the present period by increased operational cash flow and a maturing investment of R49m.

The Everite Group reported earnings growth of 72% to 7,4c (4,3c) a share, although off a low base, and declared a 2c (nil) interim dividend. Turnover was up 10% at R242,2m (R220,4m) and operating profit nearly trebled to R14m (R5,2m).

Income before tax and interest was 55% better at R15,8m (R10,2m). After finance costs and tax were paid, attributable earnings of R6,5m were declared.

An extraordinary item of R2,9m for the rationalisation of manufacturing operations following the merger of the fibre-cement operations of Everite and Rocla was declared below the line.

Group borrowings were 37% of shareholders' funds, but would be reduced to about 20%. "We have identified our low-return and surplus assets and are addressing this, while the improved business climate is seeing increased cash flows," Kotzee said.

Both Everite and Group Five were expected to perform better in the current six months — barring any unforeseen difficulties in the run-up to the elections. But both companies "have some way to go before returns on shareholders' funds reach acceptable levels", he said.

The two groups are also examining their existing operations and ways in which these can be improved. Two areas of attention would be the restructuring of Everite's property portfolio to release cash, and to realise the R18m which Group Five still has tied up in the Fancourt project.

"Restructuring will reduce Everite's property investment from 42% of shareholders' funds to 25% and release about R60m," Kotzee said.

Move into international gas container market

BDay 7/3/94

MUNGO SOGGOT

OCEAN Container Investments (OCI), jointly owned by Firstcorp Merchant Bank and Trencor, has made an agreement with Dorbyl division Dorbyl Heavy Engineering that will result in a breakthrough into the international gas container market.

OCI said the deal would enable SA tank container investors to invest in locally manufactured refrigerant gas containers. OCI said SA companies and individuals invested in containers through OCI, which leased them on behalf of the investors in the international market, giving investors returns in foreign currency. (189E)

In terms of the agreement, Dorbyl Heavy Engineering would be the sole manufacturer of SA-funded gas containers commissioned by OCI, and OCI would market them.

OCI would now be part of the "multimillion-dollar international gas container market".

The joint venture would put "200 SA-funded refrigerated gas containers a year on the international market". OCI had made an initial order with Dorbyl Heavy Engineering for 10 IMO 5 refrigerant gas containers to be delivered in mid-1994.

Depending on international demand, the venture could result in between 150 and 200 SA-funded refrigerant gas containers being placed on the international market a year. The containers would be manufactured under licence to Containeering, of France.

EL Bateman boosted by increase in exports

BDay 7/3/94

ROBYN CHALMERS

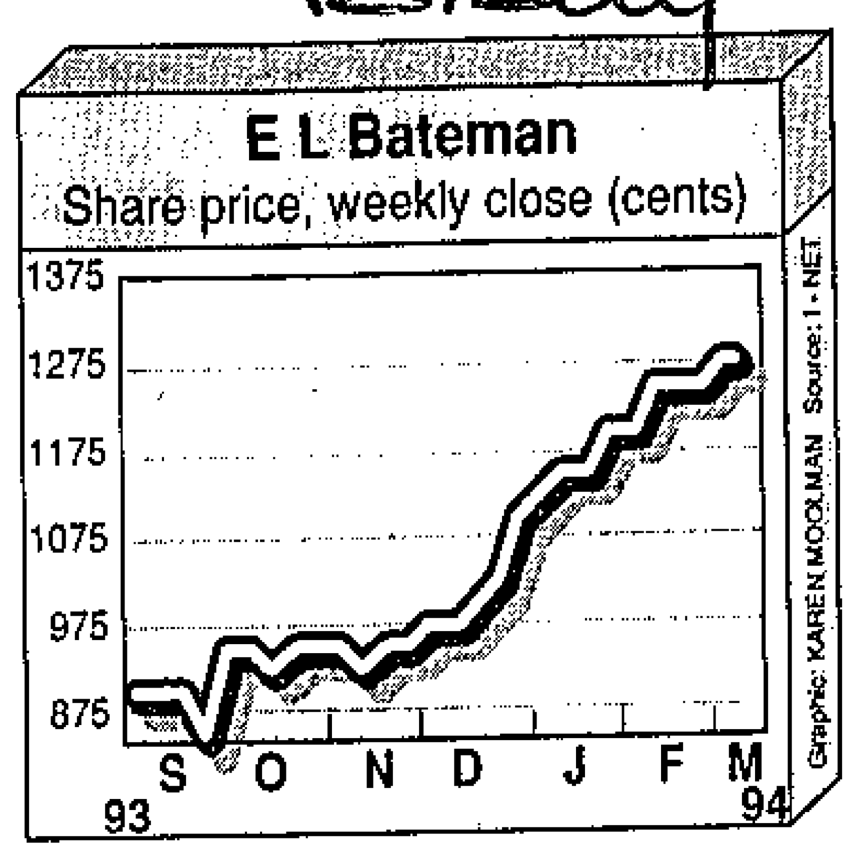
AN EXPANSION into global markets helped engineering group Edward L Bateman increase turnover a creditable 50% to R484,5m (R322,4m) in the six months to end-December.

Chairman Bill Bateman said the engineering, contracting and equipment supply divisions contributed equally to the rise in turnover. The nature of the contracts reflected meant there was no direct correlation between turnover and profits in the same accounting period.

Operating profit, squeezed by severe pressure on margins, was 18% higher at R20m (R18m).

The interest bill rose 75% to R3m (R1,7m). Pre-tax net income was 12% higher at R17m compared with R15,2m during the previous interim period. There was a 51% hike in the tax charge to R3m (R2m).

Net income advanced 8% to R13,9m from R13,1m. Outside shareholders' interest and preference dividend absorbed R3,5m (R3,4m), leaving attributable income 6,2% higher at R10,4m (R9,8m).



This translated into earnings of 37,8c (35,7c) a share and dividends grew to 8,75c from 8,25c a share. Net extraordinary charges of R3,2m (R2,2m) related to goodwill written off on the acquisition of new businesses and increased interests in existing subsidiaries.

Bateman said the increase in interest and tax was mainly a result of strong growth in the equipment division's partially-owned information technology subsidiaries. These did not benefit from the same export-related tax benefits as the rest of the group.

On a divisional level, equipment joint MD Peter Brereton said new business for the first six months was 70% higher than for the previous period and the order book was double that of a year ago. (1896)

Information technology operations made a big contribution to divisional profits. Recent diversification into information technology had compensated for the slump in its traditional mining equipment business.

The earth-moving division saw good growth, but contracting and engineering division Batepro experienced difficult trading conditions both locally and in overseas markets.

Batepro joint MD John Herselman said local activities had been rationalised and restructured. International operations had been expanded and major global contracts secured.

Bateman said he expected to see modest nominal growth in earnings for the full year.

"In the longer term, the long-awaited upturn in world economies will take some time to filter through to our project-based activities, but other product and service businesses should start to benefit earlier."

Haggie expects to perform better in 1994

BDay 8/3/94

CHARLOTTE MATHEWS

ENGINEERING group Haggie is budgeting for a meaningful improvement in earnings in 1994 in view of expected higher government, mining and foreign investment and heavy non-recurring costs borne by the group in 1993, MD Chris Murray said in Haggie's latest annual report.

"Several new capital expenditure projects were announced by the mining industry in 1993 and foreign investors have also shown their hand in the recent stock market flurry."

(1896)

Haggie reported a 40% decline in earnings to R35m in the year to December from R58,45m in the same period in 1992 and cut its dividend 36% to 100c from 157c.

Haggie has budgeted R85m in capital expenditure for 1994.

Reorganised NEI cuts loss and goes for growth

B/Day 1/3/94

MICK COLLINS

AILING engineering group NEI Africa could be on the road to recovery despite posting an operating loss of R11,7m for the year to December.

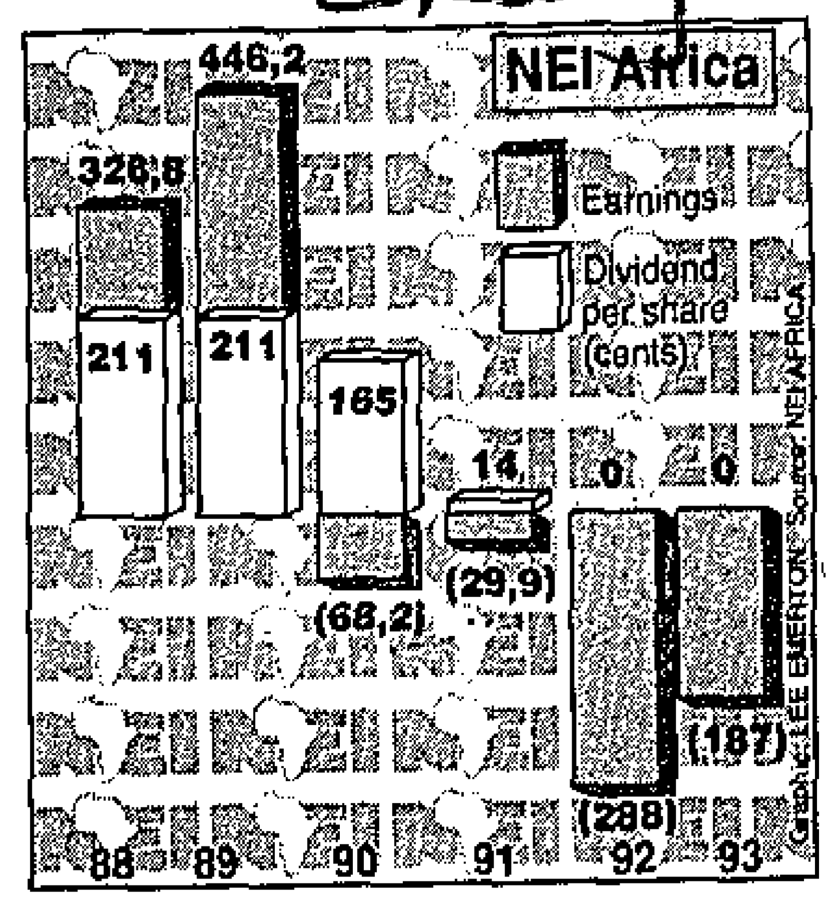
A rights issue, to raise R30m to strengthen the company's capital base, is under way and will be underwritten by major shareholders UK-based Rolls-Royce and Old Mutual.

Loss attributable to shareholders showed a 35% improvement over last year at R11,7m (R18,1m loss). Losses a share amounted to 187c (288,8c loss). The dividend was passed.

The UK-owned group ended 1993 with a positive cash balance of R9,4m — a complete turnaround from the R107,7m interest-bearing debt that prevailed at the end of 1992. The group hacked financing costs to R13,4m (R26,6m).

CE Ken Whitehouse said: "We have now taken all of the medicine. It's working and the major problems have been cleared up. Our balance sheet is much stronger and with the injection of R30m from the rights issue, our debt/equity ratio will be quite healthy. We'll then be looking for growth."

Turnover dropped 18% to R475,4m (R582,2m) as a result of the depressed engineering market, the sale of Propower and AG Walker divisions and the elimination of non-profitable businesses and product lines.



Operating income fell 55% to R15,1m (R34,2m) and after finance costs of R13,4m, income fell 77% to R1,7m (R7,6m).

The abnormal charges of R13,4m were incurred mainly through the unsatisfactory settlement of outstanding contract claims.

However, Whitehouse said all major claims, both for and against NEI, had now been finalised.

Other extradorinary charges amounting to R25,3m were incurred following the merger costs of boiler manufacturers John Thompson Africa and Ical and the sale of non-strategic businesses and properties.

Cash generated from operations, the disposal of non-core businesses and the conversion of R50m of borrowings into redeemable preference shares (R47m) and a loan of R3m, were used by the group to wipe out short-term debt.

(189E)

Whitehouse said the recapitalisation, the company's reorganisation and refocus and "the fact that we have now completed all of the required corrective actions, make the outlook promising. NEI is now on a sound footing and is well positioned to take advantage of any economic recovery".

A former MD of International Combustion in the UK, Whitehouse took control at NEI Africa last September. He said the company had received strong support from Rolls-Royce at group and operating level.

"This support is reflected in our increasing competitiveness both locally and internationally and it was particularly pleasing that group export sales during the year increased 90% to R44m.

"NEI Africa has good profit potential for 1994, but we have to bear in mind that the entire engineering sector is dependent upon a general recovery in the economy as well as new investment and, for the latter, political stability and a violence-free environment are a must."

NEI Africa Holdings Limited, which has as its sole investment 53,3% of NEI Africa's issued share capital, recorded a loss of 93,5c a share compared with the 1992 loss of 144,4c.

LTA FM 11/3/94

Ready for the turn

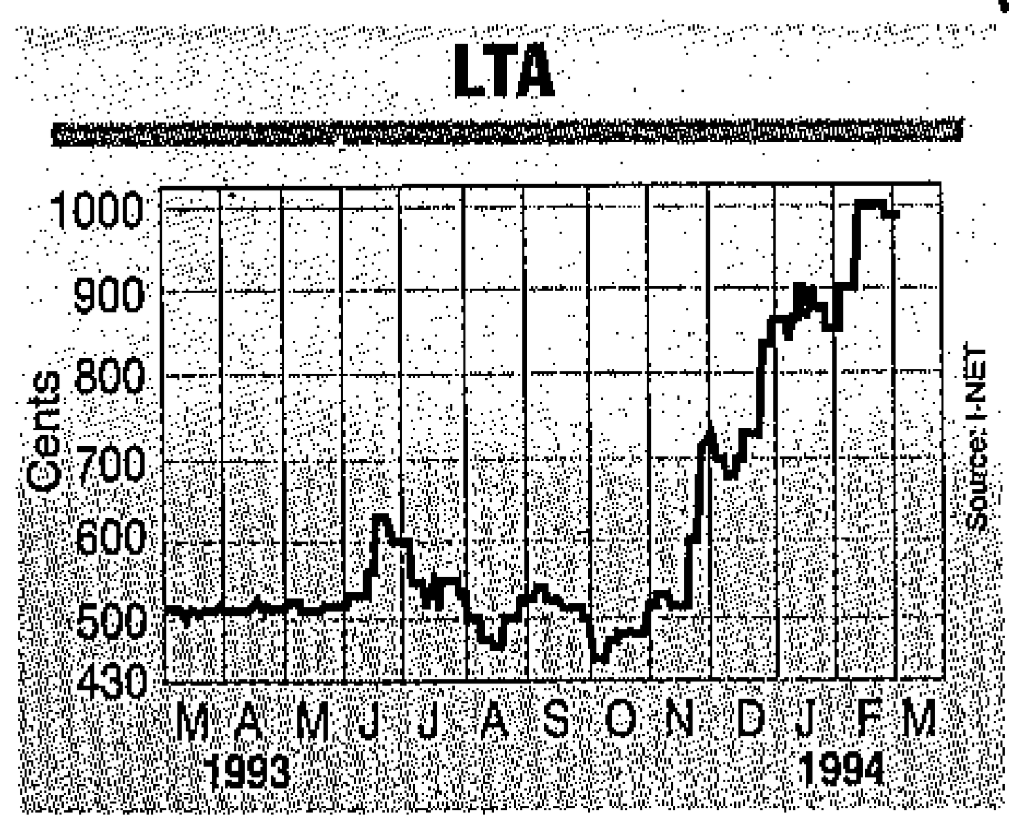
Activities: *Engineering, construction, project management and development projects in all disciplines throughout southern Africa.*
Control: *Amic 70%.*
Chairman: *H K Davies; MD: C V Campbell.*
Capital structure: *27,4m ords. Market capitalisation: R301m.*
Share market: *Price: 1 100c. Yields: 3% on dividend; 8,9% on earnings; p:e ratio, 11,3; cover, 2,9. 12-month high, 1 100c; low, 450c. Trading volume last quarter, 268 000 shares.*

Year to	†'91	†'92	†'93	*'93
ST debt (Rm)	10,5	15,3	19,5	59,0
LT debt (Rm)	4,4	31,8	46,0	37,9
Debt:equity ratio	n/a	7,3	12,5	n/a
Shareholders' interest	0,20	0,21	0,27	0,36
Int & leasing cover	7,7	n/a	6,7	12,4
Return on cap (%)	7,0	6,6	10,6	10,2
Turnover (Rbn)	1,87	1,88	1,61	1,38
Pre-int profit (Rm)	40,1	47,4	51,5	49,6
Pre-int margin (%)	2,1	2,5	4,6	3,6
Earnings (c)	88	114	119	97
Dividends (c)	25	32,5	35	33
Tangible NAV (c)	412	598	673	613

* Nine months to December 31
† 12 months to March 31

The result of the last nine months' labour — not always a good gestation period — is pedestrian; and the immediate past few years have been dreadful for the industry, though LTA has increased profits every year for the last eight years, something no other construction group has achieved. LTA's record over the last four years shows it has weathered a long recession with some comfort and is ready to reap the rewards. 1896E

FM 11/3/94

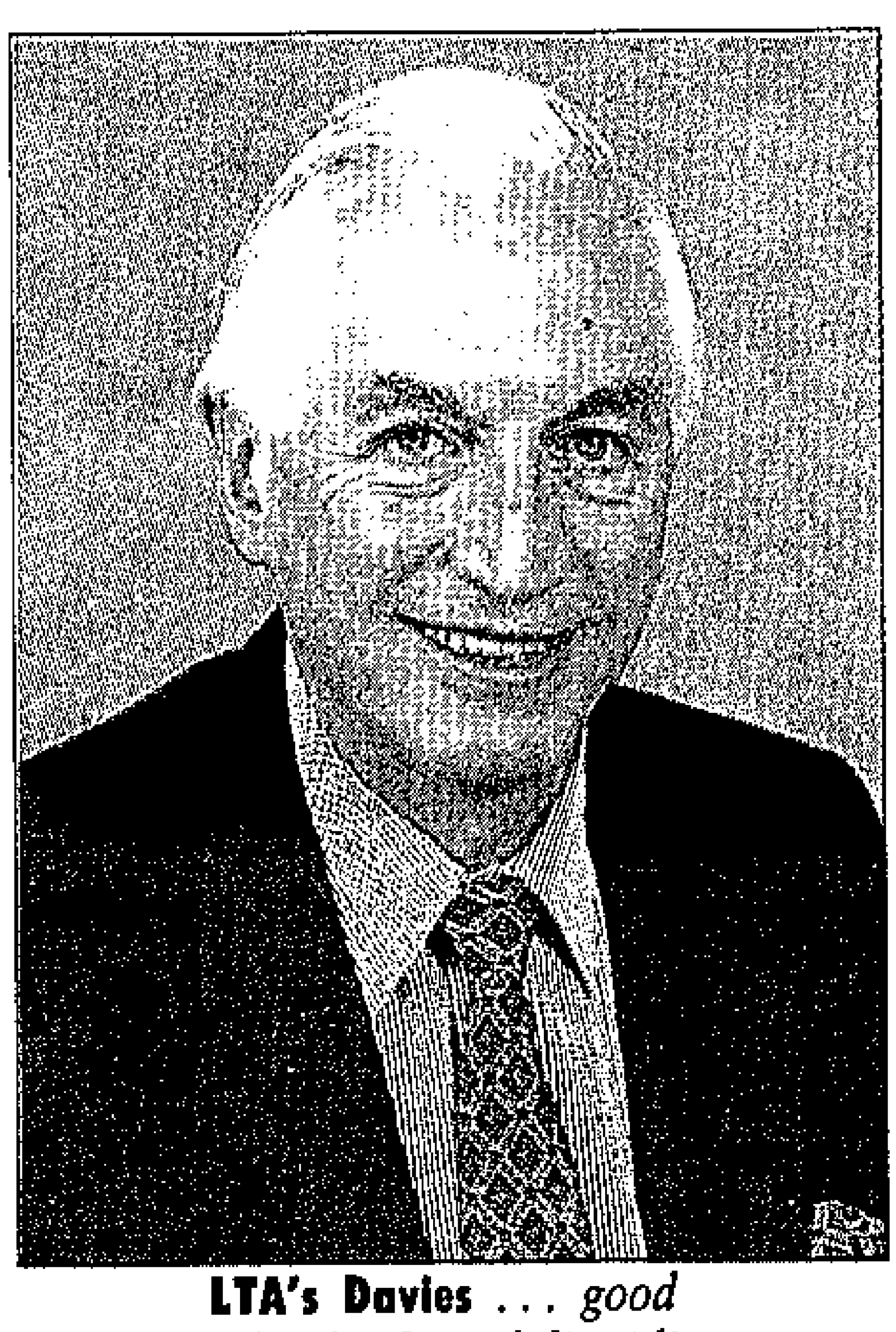


Chairman Hilton Davies makes no bones about it: teamwork and commitment have made the difference, he says. "In an industry which has been badly battered by the recession, LTA owes its continued success to the calibre of its people." Well, it's nice for them to know they're appreciated — those that are left, that is. Retrenchments continued over 1993, though LTA's glossy annual report carefully avoids the subject.

Frankly, I'm not surprised. Employment is a sore, emotive issue. At last week's presentation of the Amic annual results, chairman Leslie Boyd said members of the SA Engineering Industries Federation (Seifsa) had been reporting an average of 3 000 lost jobs a month for three years.

That adds up to more than 100 000 breadwinners without means of earning, more than 100 000 families without visible sustenance or support. The knock-on effect, elastic but acknowledged to be large, means that perhaps 600 000 people are directly affected. The rate has slowed, but retrenchments continue. This is a painful matter, deserving much greater attention than has been accorded it in the welter of electioneering nonsense.

LTA has moved its financial year into line with parent Amic; the report is for the nine months to December. The result is solid, though modest. Turnover is R1,4bn — annualised that equates to R1,8bn and is indicative of a market beginning to turn. Nevertheless, pre-interest profit is down to 3,02% of turnover (last year: 3,19%), evidence of severe competition.



LTA's Davies ... *good order book and liquidity*

EPS of 97c (119c) indicate LTA is on the road to recovery. However, extraordinary items are a huge R21,8m (1993: R260 000) and R16,4m of this is devoted to writing off goodwill on acquisitions made in the nine months. LTA bought Simon Carves for R6,4m, Control Specialists for R10,6m and half of Wade Refuse for R10,5m; R27,5m in total. It means 60% of the purchase price was in goodwill, a rather handsome ratio.

The interesting result is that LTA's total dividend for the nine months of 33c a share was R4,2m more than was available from profit generated in the period. To pay shareholders, it has had to dip into the distributable reserve. There's no question about its ability to make the payment; cash flow is strong and money and near-money totals R123,7m. (1896E)

I have some curiosity with the borrowings, which seem to be all over the place. Last March, short-term borrowings totalled R19,5m, yet at end-December they were up at R59m; similarly, March's long-term borrowing was R56m, now it is down at R37,9m. These extraordinary swings are, apparently, commonplace in this industry.

However, the cash position is enormously strong, so much so that LTA is effectively ungeared. For a group which has gone into its next financial year with an order book of R2bn, this is an excellent place to be.

How things change! In the Seventies, LTA made its money from power stations, road construction and lightweight buildings. In the Nineties, there are no power stations to build and very little money is being spent on national roads. These days the cash is coming from earthworks (LTA's open cast mining activities for JCI and Sasol), civils (Anglo's Namakwa Sands mine on the west coast and the Lesotho Highlands water scheme) and from its instrumentation and electrical contracting operations.

The impression I formed from talking with Davies is that he believes LTA will make the most this year of the already evident turn in the economy. Substantially trimmed, with a good order book and adequate liquidity, the company is ready for lift-off. Davies's concern is that the politicians will make heavy weather of the next few critical months; investors share his worry. *David Gleason*

Engineering firm takes over Ford plant

RMail 14/3/94

MICK COLLINS

THE old Ford Sierra plant in Struandale, Port Elizabeth, is back in action for the first time in eight years as part of a development expected to inject millions of rands into the eastern Cape economy.

Uitenhage-based engineering company Articulate Car Systems Corporation (ACS) is moving more than R100m worth of manufacturing projects into the 48 000m² plant, idle since Ford halted production there in January 1986.

ACS has followed up its recent shipment of a R22m high-technology assembly system to Argentinian automotive manufacturer Autolatina with the weekend announcement that it had secured another contract to build an assembly line for the same company at a cost of R58m.

The initial assembly line, designed and manufactured at ACS's Uitenhage premises was the first vehicle body assembly system to be exported from SA. ACS beat three Japanese and four European companies to secure the contract.

ACS design teams have already moved into the Struandale plant and are setting up the projects.

MD Colin Muller says production is expected to begin within a month, with the first project completed by August. "The move is part of a major expansion drive by the company. However, ACS will retain its premises in Uitenhage where it will continue to manufacture press tooling and production pressing for local and international markets.

(189E)

Muller says the move will revitalise a plant whose "emptiness" has long been a symbol of the severe economic blow dealt to the eastern Cape when Ford departed.

"Not only does it have all the services we require, it also had additional ones that we will be able to use in future ventures. Initially we will use 50% of the available space, but in due course we expect to utilise the plant more fully.

"As a direct result of the influx of these new projects, ACS is gearing up to substantially increase its human resources. In addition we intend subcontracting a substantial amount of work to engineering firms within the eastern Cape."

(288)

Muller says the company sees the move of a large section of its operations to Struandale as both permanent and part of a continuing expansion programme necessitated by a phenomenal increase in local and foreign demand for its products.

NEI companies proceed with rights issues

CHARLOTTE MATHEWS

ENGINEERING group NEI Africa will proceed with its proposed R30m rights issue and NEI Africa Holdings with its R16,5m rights issue announced last week, according to circulars to shareholders released yesterday. BDay 15/3/94

The two companies said the terms of their rights offers had not been determined. General meetings of shareholders of both companies would be held on April 7.

NEI Africa's offer was intended to recapitalise the group and some of the proceeds would be used to redeem borrowings, it said. The purpose of NEI Africa Holdings' offer was to enable it to subscribe for its entitlement in the NEI Africa rights issue. Arrangements were being made for UAL Merchant Bank to underwrite NEI Africa Holdings' rights issue and the balance of NEI Africa's issue not taken up by its holding company.

(189E)

Haggie opens offices in US and Belgium

B/Day

CHARLOTTE MATHEWS

ENGINEERING group Haggie Rand would open retail offices in Belgium this week and in Colorado, US, in the second quarter of 1993 as part of its global marketing drive, it said yesterday. 22/3/94

Haggie Rand MD Gordon Russell said the group's strategic thrust would be to focus on specific global markets where its high-tech products would ensure a competitive edge over the longer term with minimal export incentives.

Marketing director Alan Clarkson said a permanent office in Europe would provide the group with better quality marketing information and improve its service to customers. (189E)

Russell said within two years Haggie expected to double its exports to Europe, now about 2 000 tons a year. Within the next three years it aimed to export about 10 000 tons a year, equivalent to 5% of the European steel wire and rope market, at present worth 200 000 tons a year.

Further opportunities had been opened by the recent closure of a leading European rope maker, United Ropes of Holland.

Haggie's Colorado office would support the group's re-entry into the US mining market. Clarkson said orders had already been received for mine winding ropes and Haggie hoped to take a significant market share in this sector over the next three years.

The group was also campaigning in other markets, such as the Arabian Gulf region and China.

The group said its exports had been rising in recent years. It now exported one ton out of three.

Two divisions let down Standard Engineering

B/Day 31/3/94

CHARLOTTE MATHEWS

AUTOMOTIVE, pipe and metal pressing group Standard Engineering reported a 19,4% decline in attributable earnings to R15,3m in the six months to February 1994 from R19m in the same period in 1993, after a disappointing performance from two of its largest divisions.

According to figures released today, turnover declined 6% to R350,3m from R372,3m, but operating income was 18,3% lower at R25,7m (R31,5m). (1896)

The interest bill declined to R2,7m (R4,4m), reflecting gearing down to 13,4% from 19,3%, but the tax rate was sharply higher at 25% from 16%, after tax losses were fully used in previous years.

Earnings a share were 43,3c (53,8c) and the dividend was maintained at 15c.

The contribution to profit of the pipe division declined to a negative 1% of total profit from 23% in the half-year to February 1993, while the contribution of automotive operations fell to 12% from 22%.

However, Standard Engineering MD Terry Davidson said the Protea Technology business of the company's fluid handling and measurement division had performed exceptionally well, and all operations in the metal pressing division had exceeded budget.

The pipe division was hit by lower demand in the local market, the loss of the Rand Water Board business, for which it had tendered unsuccessfully, and by an increase in local steel prices, making its pipes less competitive on world markets.

The automotive division suffered from an unexpected sharp decline in demand from the heavy commercial vehicle manufacturers. Financial director Doug Campbell said demand for heavy commercial vehicles was not likely to lift significantly before the latter part of 1995.

Exports contributed about 10% of turnover in the half-year period, below the average of about 15% in the past few years, since Union Carriage achieved almost no exports in this period. However, the company was a significant participant in an international consortium which had won a $395m contract for the supply of 72 X 3 electrical multiple unit train sets in Taiwan. This was likely to make a contribution to group results from the 1996 financial year.

Control of Standard Engineering passed to Murray & Roberts last May and the year-end has changed from August to June. For the remaining four months of the current financial year, Davidson expected automotive sales would improve and the better performance from fluid handling and measurement and metal pressing would continue.

Although trading conditions were improving, annualised earnings to June were likely to be lower than those for 1993, he said.

Global market boost for E L Bateman

CT 7/3/94 (189E)

From ROBYN CHALMERS

JOHANNESBURG. — An expansion into global markets helped engineering group Edward L Bateman increase turnover a creditable 50% to R484,5m (R322,4m) in the six months to end-December. 7FF

Chairman Bill Bateman said the engineering, contracting and equipment supply divisions contributed equally to the rise in turnover. The nature of the contracts reflected meant there was no direct correlation between turnover and profits in the same accounting period.

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The interest bill rose 75% to R3m (R1,7m). Pre-tax net income was 12% higher at R17m compared with R15,2m during the previous interim period. There was a 51% hike in the tax charge to R3m (R2m).

Net income advanced 8% to R13,9m from R13,1m. Outside shareholders' interest and preference dividend absorbed R3,5m (R3,4m), leaving attributable income 6,2% higher at R10,4m (R9,8m).

This translated into earnings of 37,8c (35,7c) a share and dividends grew to 8,75c from 8,25c a share. Net extraordinary charges of R3,2m (R2,2m) related to goodwill written off on the acquisition of new businesses and increased interests in existing subsidiaries.

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STANDARD ENGINEERING

FM 8/4/94

Into reverse

Investors have come to expect earnings growth from Standard Engineering. Sadly, events in the six months to end-February caused the first earnings decline since the group was constituted in its present form in 1989.

Shareholders should not have been too surprised by the tax surge, which transformed a 15% decline in pre-tax profit into a 24,7% drop in earnings. In the last annual report, CE Terry Davidson warned that tax losses were exhausted.

But it was the unexpected that threw forecasts off track. Last year, the automotive division benefited from a destocking cycle by OEMs (Original Equipment Manufacturers) and deliveries were in line with demand for heavy commercial and passenger vehicles. This good offtake was not sustained in the interim period and an unexpected sharp decline in demand seriously affected AS Transmissions and Steerings' performance. (189E) (189E)

CE Terry Davidson says: "With the international market still depressed, export sales could not compensate for the decline in the domestic market."

Though automotive sales are expected to improve over the next four months, volumes will probably be lower than those achieved over the same period in the previous financial year. (Murray & Roberts bought control of Standard Engineering last May. By bringing its year-end in line with that of M&R's, Standard will have only a 10-month operating period for financial 1993.)

A second problem area in the six months was the pipe division. The loss of the Rand Water Board contract, with depressed local demand, resulted in a loss. Though there has been some increase in local demand and export orders are good, the volume shortfall will not be recovered by year-end.

It's not all bad news though. The rolling stock division received its biggest contract yet — a significant portion of a US$395m order to supply electrical multiple unit train sets to Taiwan. The two-and-a-half year contract will start in October next year.

The fluid handling and measurement division also did well. Protea Technologies, part

FOX

SURGING TAX

Six months to	Feb 28 '93	Aug 31 '93	Feb 28 '94
Turnover (Rm)	372	423	350
Operating income (Rm)	31,5	47,0	25,7
Attributable (Rm)	19,0	29,3	15,3
Earnings (c)	53,8	82,6	43,3
Dividends (c)	15,0	32,0	15,0

FM 8/4/94

of this division, more than doubled earnings. Davidson expects this to be maintained in the remaining four months of this financial year.

Another positive aspect is the strong balance sheet. While long-term borrowings increased by R9m, short-term debt was cut by almost R22m and gearing (13,4%) is down almost six percentage points. (189E)

Shareholders should brace themselves for an annualised one-fifth drop in earnings at year-end. The interim dividend was pegged at 15c, but whether this will happen again at year-end will depend on the extent of recovery in the automotive and pipe divisions.

The share has oscillated between R10 and R11,50 over the past year. Its comparatively poor rating — a p:e of 8,2 against the engineering sector's 14,1 average — is justified by depressed earnings expectations and limited tradeability.

Kate Rushton

Refocusing leads to 'torrid year' for NEI Africa

MICK COLLINS

RESTRUCTURING and refocusing costs made 1993 a torrid year for NEI Africa, the engineering group said in its annual review.

The poor performance was exacerbated by the "unsatisfactory settlement" of outstanding contract claims, which cost NEI R13,4m. (1896)

The company posted an attributable deficit of R11,7m last year with losses a share of 187c. But NEI ended 1993 with a cash balance of R9,4m — a reversal of the 1992 position when interest-bearing debt stood at R107,7m. Turnover at R475,4m was 18% down on the previous year.

Chairman Peter Joubert said the problems were compounded by the "very poor economic conditions experienced in the engineering sector".

The company had sold subsidiaries AG Walker and Propower in 1993, which had cut borrowings by R40m and "brought the company more in line with the industrial power activities of our UK shareholder, Rolls-Royce". 12/4/94

A further R50m of bank borrowings was converted into preference shares to create "a more cost-effective interest structure".

The company's property portfolio was under scrutiny and would be reduced by selling non-strategic properties when it was economically viable to do so.

During the year John Thompson Africa and International Combustion Africa were merged into one operating division. The cost benefits would be seen in 1994, Joubert said.

NEI's major shareholders, Old Mutual and Rolls-Royce, had demonstrated their commitment to the company by agreeing to underwrite a R30m rights issue to strengthen its capital base.

NEI Fm 29/4/94

Haunted by its past

If this review had been written a month ago, it would have been easy to conclude that the jump in NEI's share price from a 1993 low of 270c to 660c was a clear indication the market was satisfied all cupboards in the group had at last been cleared of skeletons. But, with the price back to 515c, giving up much of the ground regained, it is doubtful the same can be said now (189E)

The central problem is that one simply doesn't know what to believe. Since the

Fm 29/4/94

Activities: *Makes and services energy conversion and distribution equipment.*
Control: *Rolls-Royce Plc through NEI Plc.*
Chairman: *P G Joubert; MD: K S Whitehouse.*
Capital structure: *6,3 ords. Market capitalisation: R32,4.*
Share market: *Price: 515c. 12-month high, 660c; low, 270c. Trading volume last quarter, 68 960 shares.*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	155,5	174,0	144,4	37,3
LT debt (Rm)	3,2	3,1	2,2	4,2
Debt:equity ratio	0,97	1,18	1,18	0,74
Shareholders' interest	0,32	0,36	0,32	0,28
Int & leasing cover	1,99	1,25	1,29	1,12
Return on cap (%)	7,9	9,0	11,7	7,5
Turnover (Rm)	712,2	797,3	582,2	475,4
Pre-int profit (Rm)	31,0	36,4	34,2	15,1
Pre-int margin (%)	4,4	4,6	5,9	3,2
Earnings* (c)	(68,2)	(29,9)	198,2	26,6
Earnings† (c)	(68,2)	(29,9)	(288,8)	(187,0)
Dividends (c)	165	14	—	—
Tangible NAV (c)	2 004	2 327	1 488	898

* EPS before abnormal items.
† EPS after abnormal items.

wheels fell off in 1990, investors have been told repeatedly the problems had been resolved — only to be disappointed by further losses and write-offs. By the end of 1993, two-thirds of the equity base was wiped out.

A different dimension is that so much has happened to NEI since 1989 that historic data is useless in trying to present reasonable forecasts. To be fair, the company's recovery has been bedevilled by Eskom's abrupt shelving of expansion plans, which wiped out a significant part of NEI's trading base. Efforts to replace this by the Mossgas project generated fresh problems; the effects were particularly relevant to the 1993 year.

The *FM* has adopted the optimistic approach that the slate is now clean. What remains is the recapitalisation through the pending R30m rights issue. For this reason, and to try to give a more accurate picture of current trading performance, all abnormal items have been excluded from our financial analysis.

The 1993 trading results contain little encouragement. Pre-interest profit slumped from R34,2m to R15,1m and there was an even greater decline in EPS (before abnormal items) from 198c to 26,6c. But the good news is that these results do not fully reflect the significant restructuring of the balance sheet, which saw net borrowings (including the new redeemable prefs) down from R109,9m to R41,8m.

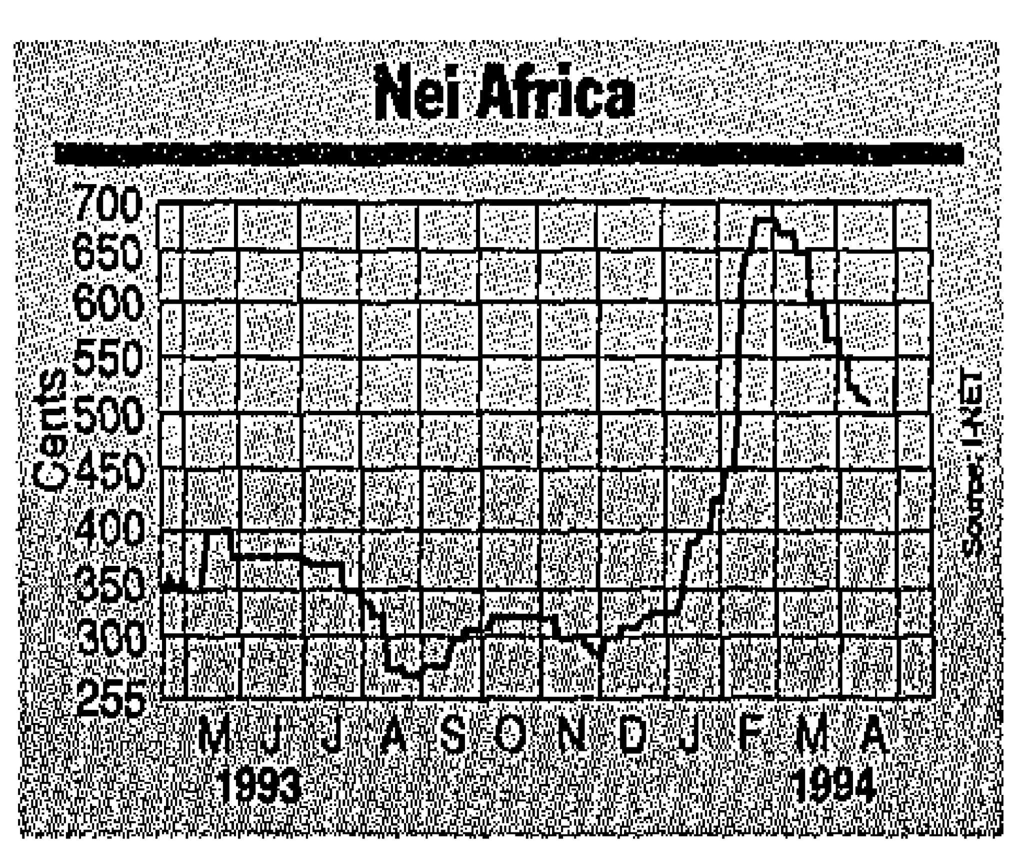
Gross interest paid last year was equivalent to 49,5% of residual year-end borrowings, giving some idea of the interest savings that could accrue in 1994 even before the rights issue. Gross financing charges (including pref dividends) this year could be as much as R10,5m lower than in 1993. With no tax liability, most of this should flow through to the bottom line. (189E)

But whether this materialises depends largely on what happens to the balance sheet in 1994. One of the main reasons for the drop in year-end borrowings was a net amount of R59,3m squeezed out of working capital (excluding working capital applicable to Propower and A G Walker). While this was strongly positive in the short term, the net investment in working capital at December 31 of R18,6m was an unrealistically low 3,9% of turnover and, unless the group is incredibly lucky, working capital requirements should be substantial — perhaps as much as R100m — this year.

If these numbers are even remotely correct, existing cash resources of R46,6m plus the R30m proceeds of the rights issue might all head straight out the door, in which case one would also have to provide for a loss of interest income (R7,1m in 1993). This may be why NEI has decided to raise fresh capital at this stage. Though the year-end debt: equity ratio of 0,74 is still too high, strict discipline could have traded this ratio down if, as is claimed, profitability has been restored in all remaining trading operations.

Is NEI a "buy" at 515c? The group has been highly successful in the past and will probably be so again if for no reason than there are few other companies that have been subjected to such a thorough spring clean. Whether its future has arrived is another matter and for now the share is probably better left alone by all except the stout of heart.

Brian Thompson



Altech will hold back Altron, analysts forecast

BDay 2/5/94

ROBYN CHALMERS

ALTRON would post lower earnings for the year to February, largely as a result of a predicted poor performance from mainstay subsidiary Altech, analysts said at the weekend.

The group — due to report results this week — would post 480c-500c a share, analysts forecast, against 543,1c for the 1993 fiscal year. They forecast the dividend would be held at 170c. (1898E) (222)

Altron's interim results — down from 256,9c to 226,5c a share — had provided a pointer towards the estimated full-year earnings fall, analysts said.

But one source said Altron's flat earnings growth meant the group had reached the bottom of its cycle. It should benefit this year from increased government spending on infrastructure and improved economic conditions.

Subsidiary Altech — which accounts for roughly half the group's earnings — was expected to decline 19% to around 700c a share. The dividend of 297c should be maintained.

Analysts said the company's earnings would be affected by the sale of 50% of its telecommunication interests to French-owned Alcatel. While the move would have long-term benefits, it would dilute attributable earnings for the 1994 year.

Altech was also struggling to replace the drop-off in military and other government business. Telkom's telecommunications contracts were under revision, and while the group should be awarded a percentage of these contracts, the terms were unlikely to be as generous as in the past.

Analysts said Altron subsidiary Powertech, which contributes 28% of Altron's attributable earnings, should maintain last year's 33,9c earnings and 9,2c dividend a share.

Powertech's prospects were bullish as a result of Eskom's electrification scheme and government infrastructural plans. Its share price gained 75c over the past month to hit a seven-year high of 600c.

The turnaround in Powertech's 42,8%-held General Technologies (Gentech) was also expected to boost the group's earnings.

Fintech, Altron's information technology subsidiary, raised earnings a share to 265,7c (222,4c) and increased its dividend to 70c (50c).

R24m line conversion

B/Day

MICK COLLINS

CAPE-based Atlantis Diesel Engines (ADE) would make a R24m conversion on a machining line to expand its capacity to produce Mercedes-Benz type crankshafts, the company said yesterday. 5/5/94

ADE MD Fritz Korte said the move had become necessary because of the "unprecedented" growth in exports of the crankshafts.

The company had negotiated an order with a major US car manufacturer for up to 10 000 crankshafts a year. (1896)

About 25 000 crankshafts worth R40m are machined annually at ADE, divided equally between the export and local markets.

From 1997, when the new line would be in full production, the value of the export market would increase to R34m.

Associate's loss puts Cemenco in the red

BDay 6/5/94

ROBYN CHALMERS

CONSTRUCTION and engineering group Cementation Company (Cemenco) was pushed into the red during the six months to March, knocked by a trading loss from associate Barracuda Granite Tile.

The organisation posted an attributable loss of R969 000 against a profit of R329 000 for the 1993 interim period.

Cemenco's turnover was marginally lower at R134,9m from R138,5m.

Operating income was higher at R1,4m (R981 000) and a reduction in interest paid to R1m from R1,5m boosted pre-tax income to R346 000 from a loss of R515 000 previously.

During the 1993 interim period, the group received R1,3m as a result of adjustments to deferred tax, which hiked post-tax income to R762 000.

In the absence of tax benefits during the period under review, the tax charge of R253 000 left post-tax income at R93 000. (189E)

Cemenco's share of the trading loss suffered by Barracuda amounted to R1m, forcing the group into a loss of 10,8c (3,7c profit) a share. The interim dividend was passed.

Directors said in order to limit further losses, the group's investment in Barracuda was sold with effect from March 1. This led to an extraordinary loss of R3m.

While Cemenco's orders on hand increased to R253,6m (R243,6m), directors were concerned about the make-up of the order book, particularly at subsidiary La Forge where the order book had reached "critically low levels".

"Under the prevailing circumstances, the result before tax reflects well on the group and, all things considered, management remains optimistic," they said.

"It is expected that the attributable loss for the year to date will be eliminated by the end of the financial year."

REUNERT

Reunert Limited

Registration No. 01/04355/06 (Incorporated in the Republic of South Africa)

Directors: C. C. Parker *(Chairman)*, A. J. Ellingford *(Chief Executive)*, P. T. W. Curtis, D. W. Dyer, B. P. Gallagher, Dr J. B. Maree, G. Pretorius, D. J. Rawlinson, G. E. Riley, C. C. Schabort, M. D. Sullivan, L. R. Swan, Dr J. C. van der Horst, D. T. Watt, A. J. O. van der Westhuizen.

INTERIM REPORT TO SHAREHOLDERS

for the six months ended 31 March 1994

Attributable earnings
+38%

Earnings per share
+15%

Dividend per share
+14%

FM 13/5/94

(189E)

Group income statement

The unaudited results for the six months ended 31 March 1994 are set out below:

	Six months ended 31 March 1994 R'000	Six months ended 31 March 1993 R'000	% change	Year ended 30 September 1993 R'000
Turnover	1 695 812	1 164 815	46	2 367 636
Profit before interest and taxation	125 060	113 456	10	236 520
Interest received – net	12 008	7 850	53	21 335
Profit before taxation	137 068	121 306	13	257 855
Taxation	60 306	53 302	13	105 835
South African normal taxation	57 580	48 800		97 174
Secondary tax on companies	2 726	4 502		8 661
Profit after taxation	76 762	68 004	13	152 020
Share of associate companies' profits	1 611	14		256
Profit after taxation including associate companies	78 373	68 018	15	152 276
Attributable to:				
– outside shareholders in subsidiaries and preference shareholders in Reunert Limited	14 470	21 680	(33)	43 988
– ordinary shareholders in Reunert Limited	63 903	46 338	38	108 288
Weighted average number of ordinary shares in issue during the period (000's)*	190 163	158 880		159 268
Earnings per ordinary share (cents)*	33,6	29,2	15	68,0
Dividend per ordinary share (cents)*	7,5	6,6	14	23,4

Cash flow information

	Six months ended 31 March 1994 R'000	Six months ended 31 March 1993 R'000	Year ended 30 September 1993 R'000
Cash generated from operations	149 975	137 549	289 319
Working capital	(112 090)	(61 161)	13 614
Replacement of fixed assets	(14 994)	(26 525)	(76 448)
Taxation paid	(76 658)	(41 786)	(80 650)
Interest received – net	12 008	7 850	21 335
Dividends paid	(42 416)	(28 987)	(47 761)
Cash (utilised by)/retained from operations	(84 175)	(13 060)	119 409
Net investment activities	(19 067)	265	(5 807)
Expansion capital expenditure	(24 537)	(9 553)	(16 804)
Redemption of preference share investment	—	15 000	15 000
Other movements	7 853	2 176	4 249
Net cash cost of acquisitions/disposals	(2 383)	(7 358)	(8 252)
Acquisition of subsidiaries and businesses	(401 966)	(11 298)	(12 071)
Increase in share capital on acquisition of businesses	235 000	—	—
Proceeds on disposal of subsidiary and businesses	164 583	3 940	3 819
(Increase)/decrease in cash requirements	(103 242)	(12 795)	113 602

Romatex Ltd

FM 13/5/94

(Reg. No. 05/16831/06)
(Incorporated in the Republic of South Africa)

INTERIM REPORT AND DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 1994

Group Income Statement

	Unaudited 6 months ended 31 March			Audited year ended 30 September
	1994 Rm	1993 Rm	% Change	1993 Rm
Turnover	346,2	330,0	5	707,5
Operating profit before interest	28,9	19,3	50	58,0
Interest received/(paid)	1,9	(1,1)		(0,8)
Profit before taxation	30,8	18,2	69	57,2
Taxation	12,0	8,8		22,5
Profit after taxation attributable to ordinary shareholders	18,8	9,4	100	34,7
Extraordinary items	-	6,2		(2,5)
Dividends	4,9	3,2		13,1
Retained surplus for the period	13,9	12,4		19,1

Ordinary Shares

Number of ordinary shares of R1 each in issue (000's)	24 726	24 726	24 726
Earnings per ordinary share (cents)	76,1	38,0	140,4
Dividend per ordinary share (cents)	20,0	13,0	53,0
Dividend cover (times)	3,8	2,9	2,6

Group Cash Flow

	Unaudited 6 months ended 31 March		Audited year ended 30 September
	1994 Rm	1993 Rm	1993 Rm
Cash generated by operations	43,0	34,1	88,2
Requirements for continuing operations	20,2	26,0	13,7
Working capital movements	(9,7)	7,2	(10,4)
Replacement of fixed assets	9,8	3,2	7,9
Interest (paid)/received	1,9	(1,1)	(15,4)
Taxation paid	22,0	14,5	0,8
Cash available from operations	22,8	8,1	74,5
Dividends paid	9,9	2,5	5,7
Cash retained from operations	12,9	5,6	68,8
Other movements	0,3	32,4	27,4
Cash available for investment	13,2	38,0	96,2
Investment in future operations	3,8	1,0	12,5
Expansion capital expenditure	7,0	1,0	11,2
Decrease/(increase) in investments	3,2	-	(1,3)
Cash inflow for period	9,4	37,0	83,7
Financing Movements			
Long term liabilities	(3,2)	(14,6)	(25,6)
Short term movements	(6,2)	(22,4)	(58,1)
	(9,4)	(37,0)	(83,7)
Other group salient features:			
Net asset value per share (cents)	1380	1297	1324
Net borrowings: total shareholders funds (%)	-	4,0	-
Interest cover (times)	-	17,5	52,7
Current assets/current liabilities (ratio)	1,9	2,0	1,8

Group Balance Sheet

	Unaudited 31 March		Audited 30 September
	1994 Rm	1993 Rm	1993 Rm
Capital employed			
Share capital and premium	29,5	29,5	29,5
Non-distributable reserves	32,2	33,2	32,2
Retained surplus	279,6	258,0	265,6
Shareholders' funds	341,3	320,7	327,3
Deferred taxation	20,4	18,9	20,2
Long-term liabilities	-	14,2	3,2
	361,7	353,8	350,7
Employment of capital			
Fixed assets	220,9	220,9	218,4
Investment - unlisted	1,8	3,0	5,0
Current assets	298,5	254,8	292,8
Stock	91,4	95,7	90,2
Debtors	155,6	151,9	155,9
Deposits and cash	51,5	7,2	46,7
Total assets	521,2	478,7	516,2
Current liabilities	159,5	124,9	165,5
Interest bearing debt	8,3	5,9	9,7
Creditors, taxation and shareholders for dividends	151,2	119,0	155,8
	361,7	353,8	350,7
Capital expenditure	16,8	4,2	19,1
- Expansion	7,0	1,0	11,2
- Replacement	9,8	3,2	7,9
Capital commitments	18,4	11,3	11,0
- Contracted	10,0	8,3	9,9
- Approved	8,4	3,0	1,1
Lease commitments	7,9	6,6	7,5
- Land and buildings	5,9	6,4	4,4
- Other	2,0	0,2	3,1

REVIEW OF RESULTS

The profit improvement reflects a continuation of the more favourable business conditions experienced in the second half of the previous year.

As a result of increased operational profits, net interest received and a lower average tax rate, profit after tax doubled to R18,8m.

All four divisions were profitable. The benefits of restructuring and improved operational efficiencies in both the Fabrics and Carpets divisions, contributed to a Group operating margin of 8,3% compared to the previous 5,8%.

The Bulk Liquid Storage division handled increased volumes in both the import and export sectors and therefore was able to take advantage of the recently completed capacity expansion.

Trading conditions in the consumer textiles markets remained extremely competitive but focus on productivity and customer service resulted in an improvement in profitability in the Fabrics division.

In the Industrials division, gains in Extruded Fabrics, Filtaflo and the Foam sector were offset by difficult conditions experienced in the Automotive and Non Woven sectors.

The Carpet division increased profits through product development and improved market share particularly in the domestic ranges.

Increased levels of capital expenditure and commitments reflect the plan to further expand the capacity of the Bulk Liquid Storage division and to refurbish and update technology in the Industrials and Fabrics divisions.

Cash flows remained healthy with emphasis on working capital control. Cash resources increased to R43,2m.

PROSPECTS

Profits in the second half are expected to match the strong performance of the same period of the previous year. Consequently earnings for the full year will show satisfactory growth.

ORDINARY DIVIDEND NUMBER 100

Notice is hereby given than an interim dividend of 20 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 20 May 1994.

The transfer register and register of members will be closed from 21 May 1994 to 5 June 1994, both days inclusive, for the purpose of determining those shareholders to whom the dividend will be paid.

Dividend warrants will be posted to shareholders on or about 17 June 1994.

For and on behalf of the board

A L Crutchley	W R H Bowden	Jacobs
(Executive Chairman)	(Group Financial Director)	6 May 1994

Registered Office
32 Manchester Street
Jacobs,
Durban, 4052
(P O Box 13330
Jacobs, 4026)

Transfer Secretaries
Rand Registrars Ltd
Block C,
100 Northern Parkway,
Ormonde, 2091
(P O Box 82549
Southdale, 2135)

Member of the
CG SMITH GROUP

Directors: A L Crutchley (Executive Chairman) (British), R Bourne-Lange, W R H Bowden, N A Bury, B P Connellan, D E Cooper, R W Graham, N W E Griffin, M J Hankinson, B C McCarthy, J H Ward, R A Williams, N N Wilmot.

FM 13/5/94

(189E)

Group balance sheet

The consolidated balance sheet at 31 March 1994 is set out below:

	Unaudited		Audited
	31 March 1994 R'000	31 March 1993 R'000	30 September 1993 R'000
Capital employed			
Share capital and premium	142 985	34 653	35 812
Non-distributable reserves	29 169	29 185	29 529
Retained surplus	336 435	228 885	256 918
Interest of shareholders of Reunert Limited	508 589	292 723	322 259
Interest of outside shareholders in subsidiaries	257 068	279 442	284 221
Total shareholders' funds	765 657	572 165	606 480
Deferred taxation	10 319	11 407	9 919
Long-term liabilities	9 842	1 605	1 504
Amounts due to bankers and short-term loans	93 160	21 716	35 521
	878 978	606 893	653 424
Employment of capital			
Fixed assets	360 612	312 944	338 371
Investments	18 337	7 219	9 446
Current assets	1 422 556	926 897	1 027 560
– Stock	548 130	371 938	342 260
– Debtors	609 942	405 619	395 245
– Cash, deposits and short-term investments	264 484	149 340	290 055
Total assets	1 801 505	1 247 060	1 375 377
Creditors, provisions, taxation and shareholders for dividend	922 527	640 167	721 953
Net operating assets	878 978	606 893	653 424

Other group salient features

	Unaudited		Audited
	31 March 1994	31 March 1993	30 September 1993
Net worth per ordinary share (cents)*	267	184	201
Number of ordinary shares in issue (000's)*	190 593	159 195	159 270
Capital expenditure (R'000)	39 531	36 078	93 252
– expansion	24 537	9 553	16 804
– replacement	14 994	26 525	76 448
Capital commitments (R'000)	44 007	41 668	29 246
– contracted	31 477	16 411	11 775
– authorised not yet contracted	12 530	25 257	17 471
Commitments in respect of operating leases (R'000)	55 820	23 033	21 961

* Comparative figures have been restated to take cognisance of the 5 for 1 subdivision of shares approved by the company in general meeting on 17 November 1993.

Comment

The inclusion of the Consumer & Commercial Electronics division (comprising Panasonic, Nashua and Airomatic) acquired from Barlow Rand Limited on 1 October 1993, has had an impact on both the income statement and the balance sheet, making certain comparisons misleading.

The large increase in turnover is almost entirely due to the inclusion of the Consumer & Commercial Electronics division. Unlike the rest of Reunert, this trading division has higher turnover levels with lower profit margins, the impact of which is seen in the more modest increase in profit before interest and taxation. In addition, the restructuring of the company's telecommunications interests has adversely affected the comparison of profit before interest and taxation, but has had a favourable impact on interest received and share of associate companies' profits.

Other than African Cables Limited and in certain operations in GEC Alsthom, the rest of the group has performed well during the period and a pleasing increase in earnings per share of 15% has been achieved.

The increase in cash requirements during the period follows an expected pattern and a strong positive flow is forecast for the rest of the year.

Prospects

The markets serviced by the group are not showing any significant improvement over last year and meaningful growth may only be expected next year. It is forecast that the improvement shown for the first six months should carry through for the full year.

On behalf of the board

C. C. Parker, *Chairman*

A. J. Ellingford, *Chief Executive*

Declaration of interim ordinary dividend No. 136

Notice is hereby given that an interim dividend No. 136 of 7,5 cents per share has been declared by the directors in respect of the results for the six months ended 31 March 1994, payable to ordinary shareholders registered in the books of the company at the close of business on 3 June 1994.

Payment will be made in South African currency on or about 1 July 1994. The dividend is subject to deduction of non-resident shareholders' tax in the case of shareholders whose addresses in the share register are outside the Republic.

The transfer and share registers will be closed from 4 June 1994 to 12 June 1994, both days inclusive.

By order of the board

L. H. van der Walt, *Secretary*

Registered office
Lincoln Wood Office Park
6 – 10 Woodlands Drive
Woodmead
Sandton

Transfer office
Rand Registrars Limited
Block C, Crownwood
100 Northern Parkway
Ormonde 2091
(PO Box 82549, Southdale 2135)

9 May 1994

Dorbyl's heavy losses make mockery of company motto

Star 23/5/94

BY STEPHEN CRANSTON

Dorbyl's company motto, "Engineering that works", has a particularly hollow ring at the moment.

It certainly is not working to the benefit of shareholders as earnings collapsed by 98 percent to 1,6c a share in the six months to March. No interim dividend is being paid.

Group CEO Dawid Mostert says he had predicted a weak first half, but that this was even worse than he had anticipated.

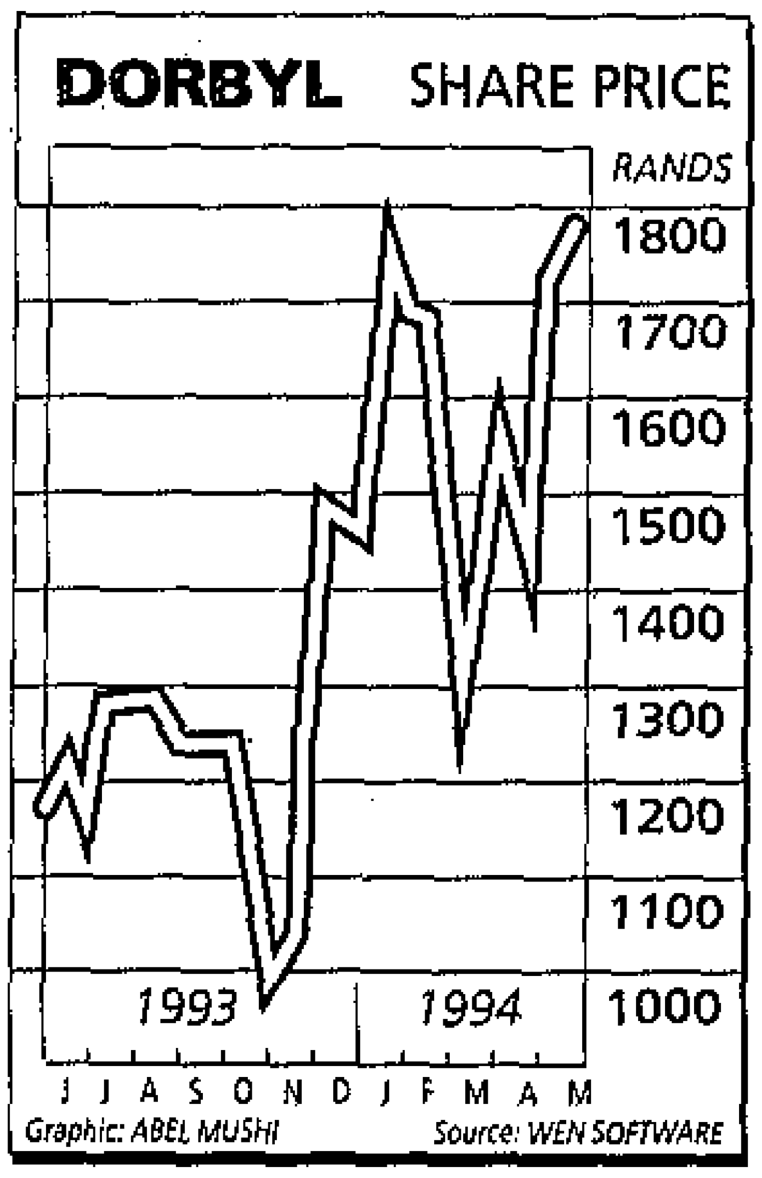
Although Dorbyl Heavy Engineering returned to profitability, there were substantial losses from Dorbyl Structural Engineering and Dorbyl Marine.

In the trading division, there were improved sales in the steel sector, which were offset by lower trading activity in the tube and engineering divisions.

Group sales were almost unchanged at R1,28 billion, but turnover in the contracting division fell from R253 million to R191 million.

Manufacturing turnover was static at R459 million, but there was a worthwhile improvement in trading turnover from R579 million to R634 million.

The operating margin fell from eight to three percent and operating profit fell 60 percent to R18,82 million.



Graphic: ABEL MUSHI Source: WEN SOFTWARE

Lower interest rates, however, led to a 17 percent decline in finance charges to R17,03 million.

Taxed income was down 99 percent to just R312 000, but after adding back the R230 000 of losses attributable to outside shareholders, attributable earnings fell 98 percent to R504 000.

A negative cash flow led to an increase in borrowings from R318 million to R349 million and in gearing from 37 percent to 43 percent.

Mostert says there will be improvements in the second half. Dorbyl has won the tender for the structural steel requirements of the four pot rooms at Alusaf, and this work is only brought to account when a significant amount has been completed.

It has also increased its water pipe business and has formed a strategic alliance with an Australian company to this end. (189E)

He says there is pent-up demand for public transport, which will help sales of Dorbyl's own passenger taxi. The increase in tourism will push demand for the group's luxury buses.

Spoornet, which commissioned almost no business until recently, is again placing orders for wagons and axles.

Dorbyl also has some products which focus on the low-cost housing market, such as its metal shelters and its Loktile roofing system.

The group has repositioned itself by placing more emphasis on its own products, rather than those made under licence, reducing its core workforce and relying on contract workers for individual projects.

The Tosa seamless tube plant was commissioned in February, but will not be profitable until at least 12 months after opening. It has a capacity of 60 000 tons a year and production is currently running at 45 000 tons.

Mostert says Dorbyl is negotiating the disposal of a number of non-core businesses.

Dorbyl's results were even worse than those of certain other troubled engineering groups such as Haggie.

At R18, even though it is a discount on net asset value of R24,75, it is best to avoid the share.

Dorbyl still dogged by last year's failures

B/Day 23/5/94

MUNGO SOGGOT

ENGINEERING group Dorbyl's earnings plummeted 98% to R504 000 for the six months to March, on turnover static at R1,3bn as the company struggled to close the door on last year's poor showing.

Weak operating margins and troubled contracts combined to slash operating income from R47,1m to R18,8m (1895)

CEO Dawid Mostert blamed the figures on a "hangover" from last year's sluggish market conditions. "It is taking longer to get into gear," he said. "There is an overhang of costs to face."

Despite a fall in capital expenditure from R101m to R36m, debt jumped more than R30m to R349,1m, lifting debt as a percentage of equity from 37% to 43%.

Earnings fell from 70,3c a share to only 1,6c, and the company said full-year earnings were "likely to show a deterioration" against its 1993 performance. The interim dividend, pegged at 20c for the same period last year, was passed.

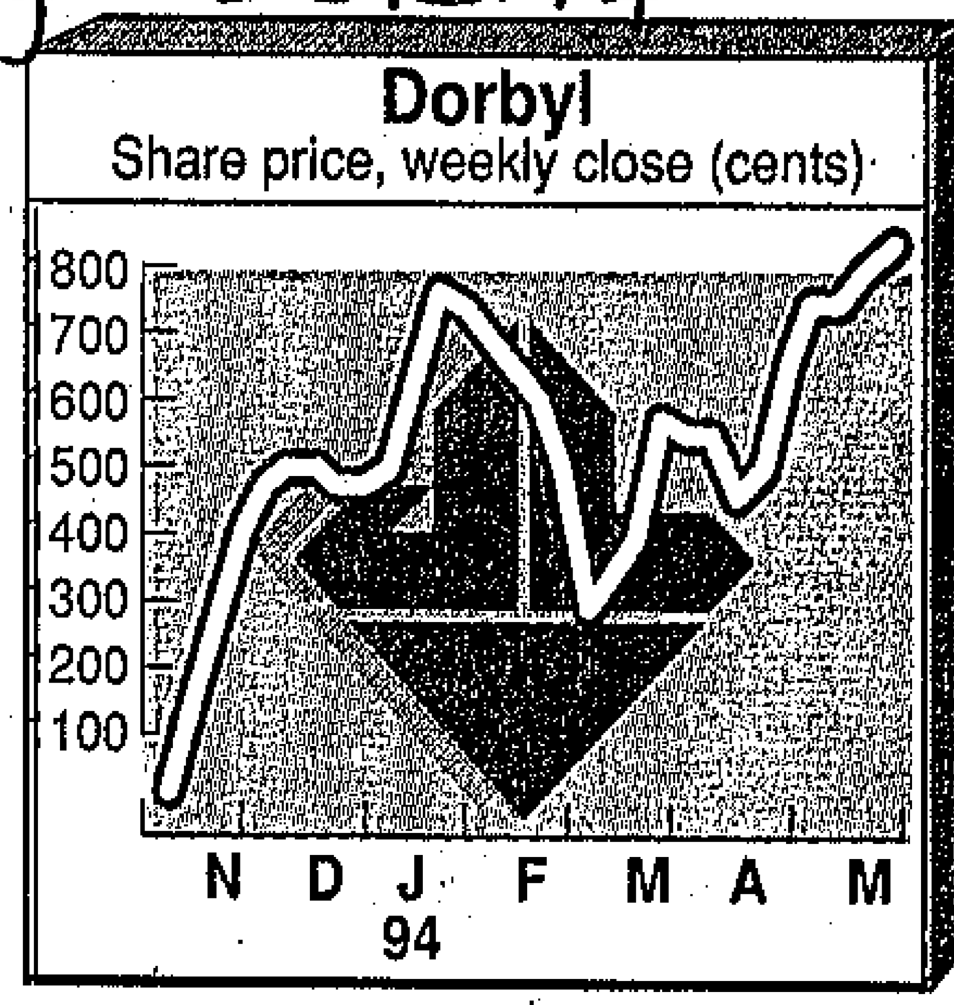
Dorbyl said its programme of eliminating "loss-making operations" — in particular a restructuring of its heavy engineering and structural engineering businesses — was beginning to bear fruit.

But this restructuring had been very expensive and its "costs had been higher than anticipated".

Turnover in the contracting division sank to R191m (R253m), but rose slightly in the manufacturing division to R459m (R457m). Dorbyl's trading turnover increased to R634m from R579m for the same period the previous year.

Although Dorbyl Heavy Engineering returned to profitability, substantial losses were incurred by Dorbyl Structural Engineering and Dorbyl Marine.

Exports for the half-year almost halved to R112m, from R211m. Mostert said the previous year's exports featured a major ship-building contract, whereas this year's exports tally could not boast anything as substantial.



"One has one's ups and one's downs in exports," Mostert said. But the group would continue to "aggressively pursue export opportunities".

In Dorbyl's manufacturing division Tosa's seamless tube upgrade — in which it had invested R152m — had been fully commissioned from February 1. The project would incur losses for its first full year in operation but this had been predicted. "We are confident that it is a good long-term business to be in," he said.

Mostert said there were signs of an upturn in "urbanisation products, such as transition housing and street poles", as well an increase in demand for pre-engineered steel-framed buildings. Improved profit was expected for the year.

Mostert said negotiations with Murray & Roberts over a possible takeover had showed no signs of resurrection. "To the best of my knowledge they have been buried, and I would be surprised if they resurfaced."

Titaco posts a loss on reduced turnover

Bday 24/5/94

(1845)

MUNGO SOGGOT

ENGINEERING group Titaco posted a R742 000 loss for the six months to February compared with earnings of R170 000 for the same period the previous year, on turnover which sank to R8,7m (R12,2m).

Losses a share were 12,3c, compared with previous earnings of 2,8c. The interim dividend was passed. The thinly traded share hit a high of 55c on May 13, from an annual low of 40c in February.

But MD Basil Smidt said despite the loss, the group had started to operate profitably during the first two months of 1994. He expected this positive trend to continue.

Interest received was R14 000, after paying R72 000 in interest last year. Net tangible asset value a share dropped to 79,9c a share, from 107,6c a share.

Titaco said: "The healthy order book and prospects for further contracts will allow the group to take full advantage of the improved climate for capital investment."

R1bn in road contracts on hold

CT 24/5/94 (189E)

Own Correspondent

JOHANNESBURG. — The ailing civil engineering industry is being starved of about R1bn worth of road construction as the Transport Department tries to determine how contracts fit into the reconstruction and development programme.

Civil engineering and construction firms have been left holding millions of rands of plant and equipment amid confusion over when the tenders will be awarded.

The contracts involve five major road projects, valued at R500m, for the continuation of the North Coast Road in KwaZulu/Natal and the R500m N1 scheme between Warmbaths and Pietersburg.

Transport Department contracts director Schalk Hanekom said neither these nor any other projects had been held back because of the new government. He also said no new big civil engineering projects were in the pipeline.

But SA Federation of Civil Engineering Contractors (Safcec) executive director Willie Vance said tenders for most projects had closed in January or February.

"The tenders remain valid for between 90 and 100 days in order to keep up to date with the prices of building materials and keep up with inflation. In line with this, the majority of them should have been awarded," said Vance.

Sources believed the reason for the delay was uncertainty over the department's budget and whether toll roads would be privatised. They feared that the budget could be cut in order to fund the RDP.

The indecision had also affected existing road construction, with work on several projects halted. Included in this were the Harrismith bypass and the R250m completion of the N3 and N17 toll roads between Krugersdorp and Springs.

A survey commissioned by the National Transport Policy Forum estimated that SA's roads were underfunded by billions of rands each year. This led to huge backlogs in community roads while existing roads were not effectively maintained.

COMPANIES

Loss pushes Metkor into the red

ROBYN CHALMERS

ENGINEERING holding group Metkor moved into the red for the six months to March 31, posting an attributable loss of R5,3m against a profit of R4,5m, hit by the poor results of 36,5%-held Dorbyl and wholly owned subsidiary Wispeco. BIDay

The loss followed on from Metkor's results during the 1993 financial year, which saw the organisation report a sharp fall in turnover and the total dividend was slashed to 9,02c from 13,84c.

Group turnover was static at R1,4bn, but a squeeze on margins coupled with Dorbyl's contracts problems and substantial losses at Wispeco saw operating income plummet to R14,7m from R46,7m.

Finance charges were lower at R19,9m (R22,9m) leaving a pre-tax net loss of R5,2m against a profit of R23,8m during the 1993 interim period. The tax bill dropped to R1,5m from R4,7m which limited the post-tax net loss to R6,7m (R19m profit).

The attributable loss translated into an earnings loss of 4,38c against the previous year's profit of 3,70c a share. The interim dividend was passed. 25/5/94

Directors said the attributable loss was made in spite of satisfactory results from associate Apsap Gas. Usko, an associate company producing non-ferrous conductors and electrical cable, also performed adequately. (189E)

Analysts said Dorbyl had been hard hit over the past two years. This was largely as a result of poor economic conditions and the virtual collapse of gross domestic fixed investment spending.

The Metkor counter was untraded yesterday, closing at 180c. Although this was 10c down on the 12 month high of 190c achieved on Monday, it was still above its October one year low of 100c.

DORBYL FM 27/5/94

Don't rush in

Recent movement in the share price of engineering group Dorbyl bears little relation to the latest interim results. Over the past three months the counter has gained 14% to 1 850c, and even a 98% decline in EPS to 1,6c failed to upset this trend. (189E)

The slump in earnings to R504 000 (1993: R22,6m) is not as disastrous as may appear. Turnover was flat at R1,28bn, but difficult trading conditions saw operating income decline 60% to R18,8m: margins fell from 3,7% to 1,5%. CE Dawid Mostert attributes this to higher-than-expected restructuring costs and problem contracts. He is optimistic these problems will not recur.

Some support to the bottom line was offered by a lower finance bill of R17m but the positive impact of this was more than eliminated by the jump in effective tax rate from 15% to 83%. Because pre-tax income is so low, the proportional tax charge of non-divisionalised minority interests is distorting, says financial director Eric Diack.

A rise in borrowings from R318m to R349m was the direct result of negative cash flow. Gearing rose accordingly, from 37% to 43%, though it is expected to ease again by year-end. Mostert says capex has been curtailed for the six months to March to only R36m — substantially down on 1993's R101m. Mostert says it's unlikely to exceed R100m (R175m) for the year.

Conditions were difficult in all three divisions. Contracting was the worst hit. Sales fell 25% to R191m, accounting for 15% (20%) of group turnover. Though Dorbyl Heavy Engineering returned to profit, there were substantial losses at Dorbyl Structural Engineering and Dorbyl Marine.

The manufacturing division maintained sales at 1993's R459m. Mostert says profit declines in all three operations were in line with market conditions. Though Tosa, the seamless tube plant, has been fully commissioned since February, it is not expected to be profitable before 1995.

Trading operations, which include Baldwins Steel, Dorbyl Light & General Engineering and Stewarts & Lloyds Trading, increased sales 10% to R634m, almost 50% of group turnover. Mostert says profits were maintained, with improved sales in the steel sector offset by lower activity in the tube and engineering products divisions.

Plans to boost falling earnings through an aggressive export drive have been disappointing. Though exports almost halved to R112m, 9% of group turnover, 1993's figure is distorted by a major ship building contract not present this year. 189E

For the past few years management has been committed to refocusing the group, a strategy involving extensive rationalisation and disposal of non-core businesses. This is yet to be completed. Recently Tiger Wheels acquired Dorbyl's alloy wheel manufacturing operations in a R13m deal.

Management is optimistic about the earnings outlook for the six months to September. Work completed for Alusaf will be finished and brought to account and benefits of the strategic alliance with Tube Makers of Australia, which expands the water pipe business, will also flow through.

Though Dorbyl will benefit from an increase in fixed investment spending, its earnings performance during the recession has been below that of the industry. With some way to go before refocusing is complete, and further management changes on the cards after Mostert retires in September, investors may wish to wait before increasing exposure to this recovery stock.

Marylou Greig

STILL SHRINKING

Six months to	Mar 31 '93	Sep 30 '93	Mar 31 '94
Turnover (Rbn)	1,29	1,30	1,29
Operating income (Rm)	47,1	60,1	18,8
Attributable (Rm)	22,7	31,9	0,5
Earnings (c)	70,3	99,0	1,6
Dividends (c)	20	40	nil

FM 27/5/94

Star 8/6/94

Best figures yet for Toco

BY STEPHEN CRANSTON

Engineering company Toco has reported its best figures since listing in 1987.

Attributable earnings were up 34 percent to R21,9 million and earnings per share 26 percent to 27,3c in the year to March.

Instead of a dividend, Toco is issuing five bonus shares for every 100 shares held to improve gearing.

Sales were up 92 percent to R368 million, which largely reflects the acquisition of a controlling interest in US-based Park Plus.

The building division benefited from successful contracts in the Far East, notably for vitreous enamel cladding for the Taipei underground.

Park Plus forms part of this division. It markets Spacemaker Parking Systems, which hydraulically lift vehicles, permitting a doubling or tripling of capacity. (189E)

Chairman Paul Todd says Park Plus has fully justified Toco's confidence in its potential. It hopes to improve its earnings flow by moving into long-term rental of its systems.

Polo Steel, which has had three difficult years, improved margins and returned to former levels of profitability.

The lifting, gaskets and automotive refinishing divisions each had satisfactory results.

Exports accounted for an increasingly important part of Toco's sales, lifting their share from less than 30 to 50 percent.

Operating margins improved in the second half, rising from 10 to 12,8 percent.

A strong contribution from the General Export Incentive Scheme (Geis) has kept Toco's tax low and should not rise above 20 percent in the near future.

Engineering gears up for substantial export drive

BDay 10/6/94

(189E)

MICK COLLINS

THE engineering sector was on the verge of a major export drive, spurred by an end to production disruptions and a recovery in overseas markets, the Steel and Engineering Industries Federation of SA (Seifsa) said yesterday.

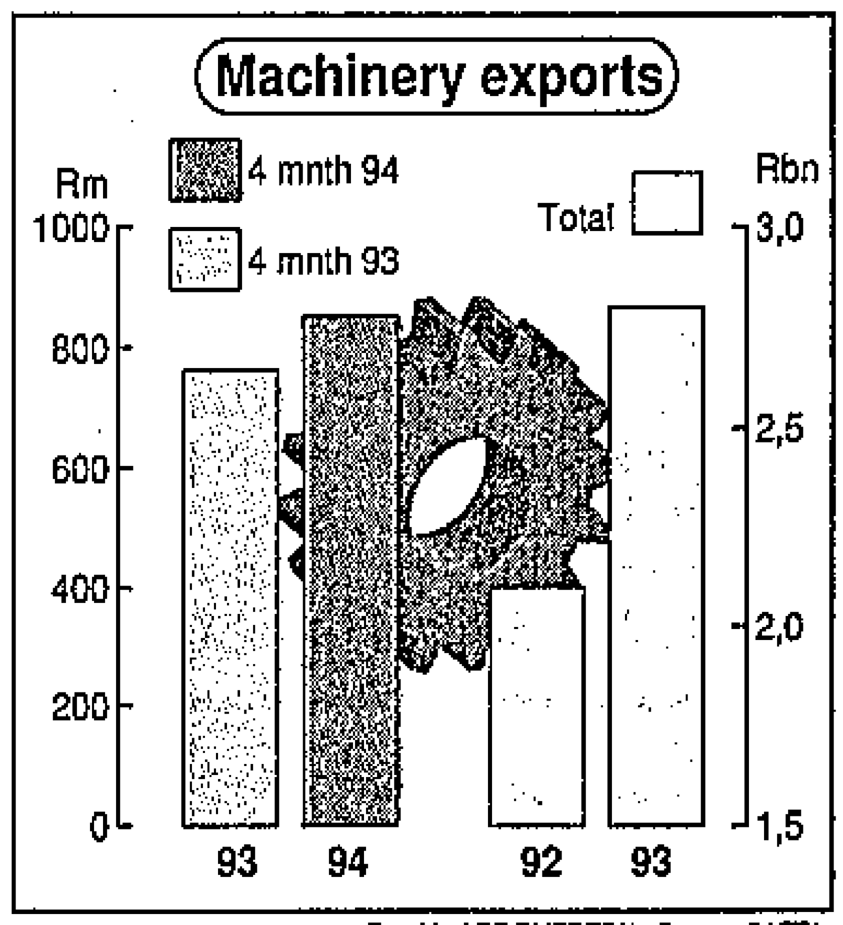
Analysts said one of the major factors that had held back SA engineering exports was fear among overseas customers of reliability of supply. This was due to violence levels, stayaways, labour unrest and strikes.

But head of Seifsa's economic division Michael McDonald said with the elections over the transition appeared to be going smoothly.

Inquiries to Seifsa members were pouring in. SA had had bilateral talks with the US and the EU, which "was a good start".

More trade delegations were coming from all over the world. There were many inquiries after sanctions were lifted but this had translated into something more concrete. "There is no more window shopping."

SA Foreign Trade Organisation economist Carlos Teixeira said machinery exports at R2,8bn for 1993 were 30,6% up on 1992's R2,1bn.



Graphic: LEE EMERTON Source: SAFTA

For the first four months of 1994 these had grown to R852m compared with the R763m for the first four months of 1993 — up 11,6%.

This was due to better world demand as SA's major trading partners started to come out of recession. Added to this was the perception that SA was a reliable supplier.

There had been a significant improvement in the overall performance of engineering goods with an expected growth of 5% for 1994 in real terms. "In 1993, in currency adjusted terms, it was 3,2%."

The Haggie Engineering Report quoted executive director of Dorbyl's London office Kobus de Beer as saying the group was involved in developing export markets in a number of product areas. These included bridges, aircraft hangars, mining equipment, automotive products, seamless tubing and road trailers. SA had become a new trade alternative and few wanted to miss out. "Reliability of supply used to be an issue but not any longer."

Genrec's export director Malcolm Murphy said there was still some worry among overseas clients but it appeared to be the exception.

Inquiries to the Murray & Roberts subsidiary continued to come and "it's business as usual". Genrec's exports consisted mainly of structural steel work and heavy fabrications for construction projects to markets in the Middle East. Inquiries were also coming in from the Far East and Southeast Asia.

Haggie subsidiary Somta Tools, which exports tools to more than 50 countries, had also noticed "a virtual drying up" in the number of people expressing concern about reliability.

Ozz acquisitions help boost profit

BDay 16/6/94

ROBYN CHALMERS

PROPERTY and engineering group Ozz posted a a 66% leap in profit to R15,4m for the year to March.

Turnover grew 77% to R220,8m, achieved by improved performances from the engineering operations and the wearparts businesses acquired from Unihold for R34,2m.

Operating income jumped to R29,5m from R19,2m, but a hike in the interest bill to R7,2m from R3,1m left pre-tax income just more than a third higher at R22,3m (R16,1m).

Earnings rose to 95,7c from 69,7c a share and the group posted a final dividend of 27c (26c), raising the total dividend 39% to 36c. (189E)

Chairman Gary Zulberg said the acquisition of Unihold's foundries not only helped boost turnover and profitability in export markets, but achieved synergy in group marketing and manufacturing endeavours.

The balance sheet looked sound at year-end, with borrowings eliminated from a previous R5,8m, leaving the group totally ungeared. The current asset ratio rose to 2,2 against 1,4 during the previous financial year.

Ozz's share price has moved strongly upwards over the past month, closing yesterday at a new 12-month high of R13,50.

Buoyant Ozz earns more and pays more

Star 16/6/94

■ BY STEPHEN CRANSTON

Property and engineering group Ozz had a successful year to March, increasing earnings per share by 37 percent to 95,7c.

The dividend has been raised by 39 percent to 36c.

Chairman Gary Zulberg said yesterday there had been a rapid turnaround into strong profitability of the wearparts business, which was acquired a year ago from Unihold.

This acquisition accounted for about 70 percent of Ozz's growth over the year.

Zulberg said he was confident that further rationalisation benefits could be wrung from it in the current financial year. (1896)

Floods

The Randburg Waterfront development had been slightly delayed by January's heavy rains, but Zulberg said that the letting and the development's contribution to results had not been affected.

The funding requirements for the project were met by a R45,7 million rights issue in March.

Turnover for the year soared by 77 percent to R220,75 million, and operating profit increased by 54 percent to R29,49 million.

Pre-tax income was up 38 percent to R22,27 million.

After the rights issue all borrowings were eliminated and the group was left with R20 million in cash.

Zulberg said he believed there would be further material growth in earnings and dividends in the current year.

Transition levy hurts Hudaco

Star 27/6/94

BY STEPHEN CRANSTON

The effects of the transition levy are graphically illustrated in the Hudaco interim results to May.

Without the levy the engineering group would have been able to increase earnings per share by 19 percent to 55c, but the imposition of the levy has led to a more modest 12 percent increase.

The interim dividend has been raised by nine percent to 25c.

(1896)

CE Stephen Connelly says the improvement in the econ omy, which was evident in sales for the second half of last year, did not continue.

The principal reason cited for this was the loss of working days during the election period in April and May.

Margin

Sales increased by nine percent to R291 million, but half of this increase was contributed by Wyko Bearings, acquired in January.

The operating margin was maintained at 9,5 percent and thanks to lower borrowings, finance charges were down R1,5 million to R1,1 million.

Pre-tax profit was up 17 percent to R26,6 million.

The payment of R13 million for Wyko has been offset by a reduction in the group's working capital.

Gearing is a negligible two percent.

Connelly believes that the flat trading conditions in the first half represented only an interruption in the more general economic upswing which started in the third quarter of 1993.

Hudaco's second half is usually better than the first and the board is sticking to its forecast that it will achieve real growth in sales and pretax profits.

Hudaco expenses control pays off in flat conditions

MICK COLLINS

INDUSTRIAL products group Hudaco increased attributable profit 12% to R14,7m for the six months to May on the back of controlled expenses, despite flat trading conditions.

Turnover was up 9% at R291m, with half the increase being contributed by the recently acquired Wyko Bearings and the other half by an increase in rand sales.

Operating income was 9% higher at R28m as the company maintained margins of 9,5%. BDay

Profit before tax was up 17% at R27m but a higher tax bill saw after-tax profit come in 10% up at R17,5m. Owing to the impact of the 5% transition levy, the company's effective tax rate jumped to 34% (1993: 30%).

Earnings a share were 12% higher at 51c and the dividend was increased 9% to 25c. 27/6/94

CE Stephen Connelly said the once-off transition levy had had a significant impact and had eroded a 19% increase in earnings from 55c to 51c. (189E)

Finance costs fell from R2,6m to R1,1m and this plus the maintained margin had contributed to the increase in profit before tax, Connelly said.

Although the acquisition of Wyko had involved a payment of R13m at the begining of the year, this had been offset by a reduction in the group's working capital and the balance sheet had remained strong with virtually no gearing at the end of May.

Conelly said the hiccup in trading caused by the transition process "is now behind us and my forecast is that the general economic upturn will proceed".

HUDACO FM 1|7|94

Off the plateau

Engineering concern Hudaco, one of only a handful of noncontrolled listed companies, has emerged from a four-year earnings and share price plateau with aplomb. Latest interims show maintained margins and a 12% increase in attributable earnings. And, had it not been for conservative accounting, this figure would have been more impressive.

Management chose to wait for the Budget before publishing results and subsequently adjusted for the once-off transition levy. This

Hudaco's Connelly ... *geared to turnover growth*

(189E)

had a significant impact on earnings which were reduced from 55c — a 19% increase on last year — to 51c.

Sales in the interim period rose by R25m or 9%. Half this increase was contributed by Wyko bearings, which was acquired in January. Excluding Wyko, sales showed no volume growth — the rise in rand sales only keeping pace with inflation (see table).

The principal reason, says CE Stephen Connelly, appears to be the loss of working days in April and May. Nonetheless, the increased turnover translated into an additional R2m in operating profit and, with a R1,5m reduction in interest costs from lower borrowings, led to a 17% increase in pre-tax profit.

This gives some indication of how quickly the bottom line benefits from a small rise in sales — be it through normal trading or acquisitions.

Since Connelly has made it clear that the group is on the acquisition path, growth will probably come from the latter. The balance sheet is strong enough to cope with expansion; despite the R13m purchase of Wyko, it is virtually ungeared.

The second half of the year is historically better than the first. A glance at financial 1993's figures confirms this. At the interim stage EPS were 46c, in the second half 77c. If the flat trading conditions experienced in the first half prove temporary, then real growth in sales and profits should be recorded for the full year.

Second only to Afrox in market capitalisation in the engineering sector, Hudaco is nearing the end of a much-deserved rerating. The counter has gained R13 to R23 since October and its 17,9 p:e matches the sector average.

Kate Rushton

FM 1|7|94

SALES BROKEN DOWN

Six months to	May 31 '93	May 31 '94
Diesel engines (Rm)	55	58
Bearing & seals (Rm)	52	*65
Belting & chain (Rm)	43	45
Hydraulics & pneumatics (Rm)	29	29
Brakes & clutches (Rm)	29	31
Light industrial (Rm)	40	43
Abrasives (Rm)	25	27

* Includes R12m from Wyko.

(189E)

FOX

OVCON Fm 1/7/94

Still battened down

(189E)

The profit reduction off static turnover in fiscal 1994 was expected. It was even predicted by chairman Andrew Ovenstone in his previous annual report because of the poor economic climate. Fm 1/7/94

Conditions were similar throughout 1993, as the large national construction companies fought bitter tender battles to be awarded any large contracts. In many cases, assignments were accepted at below cost, simply to maintain activity of plant and employees and gain some contribution to overheads.

Ovcon had to take part in the cut-throat race. It meant operating on minuscule margins. These helped to reduce operating income significantly. 189E

This company was listed on the JSE in early 1991, when the recession really began to bite in earnest and fixed investment contracts had begun to dwindle. There has been no respite from tough times since then. Its unimpressive earnings record is, however, noteworthy because profits have continued when they could so easily have turned to losses. And it has a proud history of completing many prestige constructions, both civil and commercial, in record time.

The overall impression is one of sound, experienced management, operating on a knife-edge and making the most of it, with both staff and plant underused. Its push for new, profitable business continues. Even the office in Abu Dhabi, opened in 1992, gained three "smallish" contracts and appears to be making inroads into this competitive but busy market.

Pre-tax income was down by 34%, but earnings were reduced even further because there were no more tax losses to sweeten the bottom line. The effective tax rate rose to 41% (33%) and attributable earnings fell 42%. (189E)

Yet the balance sheet remains strong and liquid, with R14,7m cash and no gearing. The only really material change is the 144% increase in debtors, brought about because of collection timing differences.

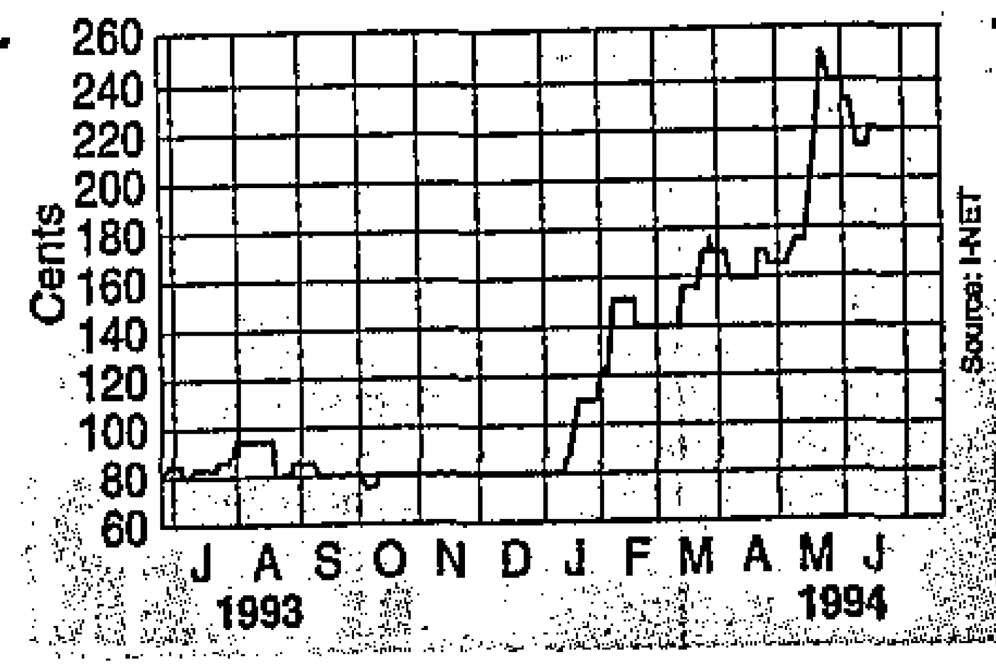
An important development was the formation of an association with Wilson Bayly Holmes, a PWV-based contractor who has acquired a 25% interest in Ovcon. The acquisition partly explains the large number of shares traded in the last quarter and the rapid increase in the price from 88c in January to 220c now.

There is capacity to grow earnings sharply when the economy improves and NAV may be understated. But the current price is unlikely to be justified by short-term earnings growth, especially while margins remain low and Ovcon's main resources — people and plant — remain underused.

If, however, investors are counting on better economic growth a couple of years on, management competence is a good reason for discounting future earnings growth now.

Gerald Hirshon

Ovcon



Fm 1/7/94

Activities: *Civil engineering, contracting and building.*

Control: *Directors 22,5%.*

Chairman: *A D P Ovenstone. MD: J Kaminski.*

Capital structure: *9m ords. Market capitalisation: R20m.*

Share market: *Price: 220c. Yields: 5,7% on dividend; 9,2% on earnings; p:e ratio, 10,8; cover, 1,6. 12-month high, 250c; low, 75c. Trading volume last quarter, 649 000 shares.*

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	0,0	0,0	0,9	0,9
LT debt (Rm)	3,4	3,9	1,4	0,8
Debt:equity ratio	nil	nil	nil	nil
Shareholders' interest	0,18	0,25	0,28	0,29
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	2,0	4,6	5,7	2,9
Turnover (Rm)	72,7	133,4	147,8	148,3
Pre-int profit (Rm)	0,9	2,0	2,6	1,4
Pre-int margin (%)	1,2	1,5	1,8	0,9
Earnings (c)	14,7	46,8	34,8	20,3
Dividends (c)	0	12,5	12,5	12,5
Tangible NAV (c)	86	122	145	152

Dorbyl in technology deal with Chinese firm

MICHAEL URQUHART

DORBYL Heavy Engineering has concluded a technical know-how supply agreement with Shenyang Non-Ferrous Metallurgical Machinery Works of China.

The deal will enable the Shenyang works to manufacture and market grinding mills and mine winders for the mining industry on a royalty basis, using Dorbyl technology.

The agreement is to run for five years.

In terms of the deal the undertaking, if successful, would lead to the establishment of a joint venture company in China.

Dorbyl Heavy Engineering chairman Louis Taljaard said further agreements would depend on the success of the current venture.

Agreements could involve the supply of components to China or import of completed machinery from China. BDay

The main aim was to manufacture the machinery at as low a cost as possible, he said. 5 7 94

Dorbyl would assist the Shenyang works in its marketing drive by sending senior executives to present a series of technical presentations to the relevant mining interests in China later this year.

Dorbyl Heavy Engineering divisional executive director Dave Reid said he saw the agreement as an exciting opportunity to become involved in the rapidly expanding Chinese economy. (189 E)

This was the first time Dorbyl had become involved in the Chinese market, said Taljaard.

The company had, however, reached a similar agreement with a Canadian company, he said.

ADE focus on union role

(189E) Business Editor CT 6/7/94

ATLANTIS Diesel Engines (ADE) is streamlining its operation in preparation for the lifting of tariff protection and increased competition.

And staff were told by Hans-Wolfgang Hirschbrunn, a member of the board of management of the Daimler-Benz group — the largest industrial company in Germany — that trade unions have a major role to play in building a strong SA economy.

Hirschbrunn, on a fact-finding visit to SA, spoke to management, shop stewards, union representatives and MP Danny Oliphant, a former ADE shop steward: "Strong unions, which are aware of their responsibility, in their companies and within society, are a key factor for competitiveness and creating a climate attractive to investors."

Ozz promises more of its wizardry

Star 6/7/94

BY CLAIRE GEBHARDT

Property and engineering group Ozz, which has seen earnings grow by a compounded average of 39 percent over the past nine years, is expecting further material growth this year.

In the wake of superlative results for financial 1994, which saw earnings per share increase by 37 percent and dividends by 39 percent, chairman Gary Zulberg thanks a much improved business environment, compared with a year ago, changes in the political order, a better rand gold price and an apparent end to the drought.

The group's annual report to shareholders singles out the core businesses — engineering and property development, as well as a brickworks and a gas business — which delivered 97 percent of the group's operating income. (189E)

The engineering operations are identified as being the most important, having produced record results which exceeded expectations.

Zulberg says R20 million has been spent over the past year on engineering production facilities in order improve Ozz's competitive stance in the marketplace.

The contribution from the engineering businesses acquired ten months ago accounted for some 70 percent of the 37 percent growth in earnings, he says.

"These have been successfully integrated into the group's existing businesses with synergystic benefits.

"The return on investment from this source is already 19 percent and a further improvement is expected in the current year."

The scope of the group's business activities has also been broadened by becoming major suppliers of wearparts in the international market with an annual turnover of R70 million.

On the property side, Bruma Lake remains the main contributor, but the larger Randburg Waterfront will come on stream late in the financial year and is expected to contribute materially to Ozz's operating income in the 1996 financial year.

Ozz's successful rights issue, which raised R45,7 million, has largely taken care of funding the Waterfront where construction expenditure over the past year totalled R7,7 million.

Some 67 percent of the available area has already been let and inquiries for the balance far exceed availability, indicating that the development will be fully let at opening.

The report notes that the non-core businesses — brickmaking and gas creation and supply — contributed to profits, despite continuing difficult trading conditions.

Ozz shares are currently trading at around 1225c, yielding about 7,8 percent and 2,9 percent on the latest earnings and dividend.

COMPANIES

'Strong turnaround' for Haggie

MUNGO SOGGOT

ENGINEERING group Haggie had seen a strong turnaround in its fortunes, with results for the six months to June expected to outstrip dramatically those for the second half of last year, Haggie CE Chris Murray said yesterday. BDay

The 1993 financial year was the company's worst since 1979. It sustained a 40% cut in earnings to R35m and chopped its dividend 36% to 100c. 8/7/94

Looking further ahead, Murray said the group — of which the major shareholders are Anglo American Industrial Corporation and Malbak — would be affected by the abolition of the general export incentive scheme (GEIS) as a large chunk of the group's earnings came from exports.

In the group's latest investor newsletter, Murray said order books were in better shape than "we've had for a long time".

Haggie Rand had improved its performance in both local and export markets. It had supplied 75% of the pre-stressed concrete strand used for the Tsing Ma bridge in Hong Kong — the world's longest suspension bridge.

But wire producer CWI — which is owned by Haggie and steel producer Iscor — was taking longer than expected to recover from last year when sales had "slumped markedly". MD John Evans said benefits from CWI's R35m rationalisation programme "should start coming through" in the fourth quarter of 1994. (189 E)

Steel Cord's R83m plant in Boksburg was "still well on schedule despite some equipment and weather related snags". The factory's first samples for the local tyre industry were scheduled to be delivered by the end of the year.

Copalcor MD John Cross said Maksal and Copalcor — which are part of the group's copper products division — were expected to boast a stronger performance in the second half of the year than the first.

Capacity constraints warning from civil engineers

189E

CT 21/7/94

Own Correspondent

JOHANNESBURG. — The civil engineering sector's recovery is powering ahead with turnover forecast to rise almost a quarter this year over last, but economists warn that capacity constraints could hinder growth.

SA Federation of Civil Engineering Contractors economist Henk Langenhoven said yesterday the industry's turnaround had been confirmed with growth in employment, wages and contract awards since January.

However, there was concern about "very rapid gains in almost all indicators". The short-term growth suggested "capacity constraints arising at this early stage", he said.

"A slackening of the pace could be evident during the second half of 1995, with a resumption of high growth thereafter."

The industry would struggle to meet the demands placed on it, given the sharp drop in employment figures to 53 200 in 1993 from 93 500 in 1989 and the fact that many organisations had ageing and inappropriate plant.

Plant prices were expected to rise 11% this year and 12,5% next year. Material prices should move in line with producer price increases of 6,3% and 9,3% respectively this year and next year.

Wilson Bayly Holmes executive chairman Brian Holmes said the biggest single obstacle to industry growth was the lack of qualified techni- Highly skilled people might have to be imported in the short term.

OZZ Fm 29/7/94

Needs time to breathe

Activities: *Investment holding company with core activities in foundries and specialised engineering works, and in development of fixed property. Other activities: produces and distributes gas; makes bricks.*

Control: *Directors 25,1%.* (189E)

Chairman: *G A Zulberg.*

Capital structure: *22m ords. Market capitalisation: R314m.*

Share market: *Price: 1 425c. Yields: 2,5% on dividend; 6,7% on earnings; p:e ratio, 14,9; cover, 2,7. 12-month high, 1 425c; low, 750c. Trading volume last quarter, 311 000 shares.*

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	0,39	nil	nil	nil
LT debt (Rm)	16,9	7,5	13,8	2,9
Debt:equity ratio	0,39	0,23	0,08	n/a
Shareholders' interest	0,49	0,56	0,56	0,62
Int & leasing cover	4,0	6,5	4,3	4,1
Return on cap (%)	19,8	16,8	14,8	12,6
Turnover (Rm)	114	125	124	221
Pre-int profit (Rm)	18,0	18,8	19,2	29,5
Pre-int margin (%)	15,8	15,1	15,4	13,4
Earnings (c)	46,1	56	69,7	95,7
Dividends (c)	17,0	21,5	26,0	36,0
Tangible NAV (c)	310	420	473	659

This is a company which I have unashamedly supported over the past few years. I have been attracted by chairman and CE Gary Zulberg's down-to-earth approach and close attention to costs. Shareholders will be grateful for the lucky day they climbed on this bandwagon.

It is a remarkable tale, encapsulated in the EPS record. Since 1989, these have moved up — 8,2c, 9,5c, 46,1c, 56c, 69,7c and now 95,7c — through the recession, apparently unstoppable.

The company was first listed on the JSE in September 1984 with a market cap of R10m. Along the way, Ozz participated in a consortium which rescued Lucem (1985), kicked off the Bruma Lake development

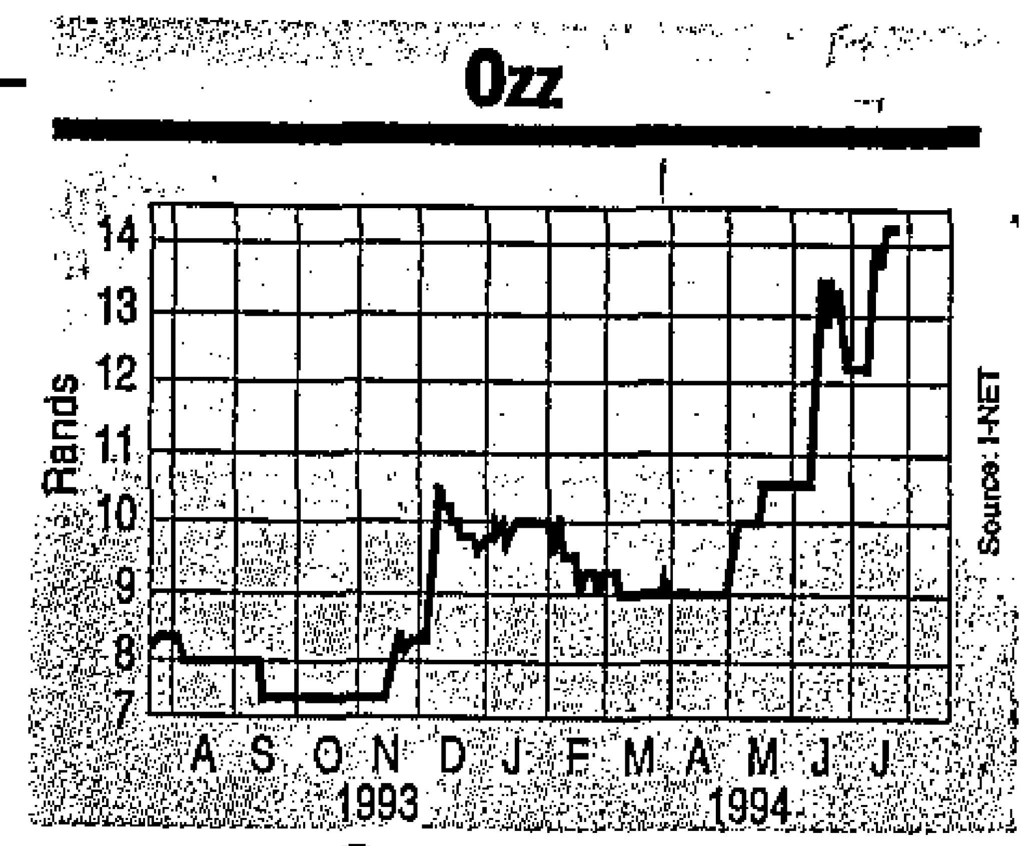
Fm 29/7/94

(1986), took total control of Lucem (1989), bought the wearparts business of Unihold last year, and launched the Randburg Waterfront project this year. It has undertaken two rights issues and its market cap is now R314m.

In financial 1994, Ozz produced turnover of R220,8m, a 77% increase, nearly all of it attributable to the purchase of Unihold's foundry operations. That cost Ozz R34m, settled by issuing 1,575m shares at R7,50 and paying R22,4m cash.

Clearly, what Unihold couldn't get to work well, Ozz has: operating income rose to R29,5m (1993: R19,2m). The interest bill more than doubled to R7,2m but that is to be expected of a company on the acquisition trail. The tax bill was steady at R5,6m, an effective rate of 22%. Ozz has tax losses of R3,7m to carry forward — this suggests its tax rate is likely to remain in the present area for some years. (189E)

This year's rights issue raised R45,7m. That has bolstered the balance sheet: despite the remarkable burst of activity, long-term loans are a modest R2,9m and at year-end Ozz had R22,3m in cash or near-cash deposits (and it



is ungeared). Fm 29/7/94

I have one quibble: the company says the Ozz Pension Fund "has a surplus and the group enjoys a contribution holiday." Yes, but do the employees? I bet they don't. I know it is common practice, when a fund is actuarially valued in surplus, for the company to cease contributions until balance is restored. It seems wrong to me. After all, there are two parties to such pension funds. "Maybe so," says Zulberg, "but I'm guaranteeing employees their benefits on retirement, which means I must make adequate provisions. Based on that, the company is surely entitled to a holiday when the fund is in surplus."

Zulberg has now launched Ozz on two new enterprises. The first, put into effect last year and involving the purchase of Unihold's foundries and turning them around, is already evidently successful. Ozz understands this business: supplying engineering parts to the mining industry, with some useful quantities for export. The second is the Randburg Waterfront. Zulberg believes he can repeat the Bruma Lake success story by cashing in on SA's established predilection for waterside shopping centres. (189E)

His sense of timing is interesting. In both cases, he chose to move when business confidence was low, the recession appeared entrenched and political dissatisfaction close to boiling over. With hindsight, Zulberg now seems almost clairvoyant.

My view is that Ozz will again produce a substantial improvement in EPS — perhaps as much as another 20%, this time off a high base. That will put the bottom line at about 115c and give a forward p:e of 12,4 compared with 14,9 now. This implies the counter may have outrun itself and needs time to breathe a little.

David Gleason

HAGGIE

Fm 5/8/94

Back on its mettle

The share is being targeted as a strong recovery stock

Until the mid-Eighties, engineering group Haggie — closely linked to the prosperity of the mining industry and levels of fixed investment — could boast high profitability and exciting growth in share price.

Over much of the period since 1986, it has been a downhill run. Wilting demand in domestic markets, hit partly by the contracting gold mining industry, and spiralling costs have done most of the damage. The effect is shown in the operating margin, which crumbled from 14,5% in 1987 to just 4,6% last year.

Management has responded with drastic action to changing market conditions. Efforts have concentrated on rationalisation and cost-cutting, diversifying markets and products, building up exports to absorb slack capacity and improving quality of products.

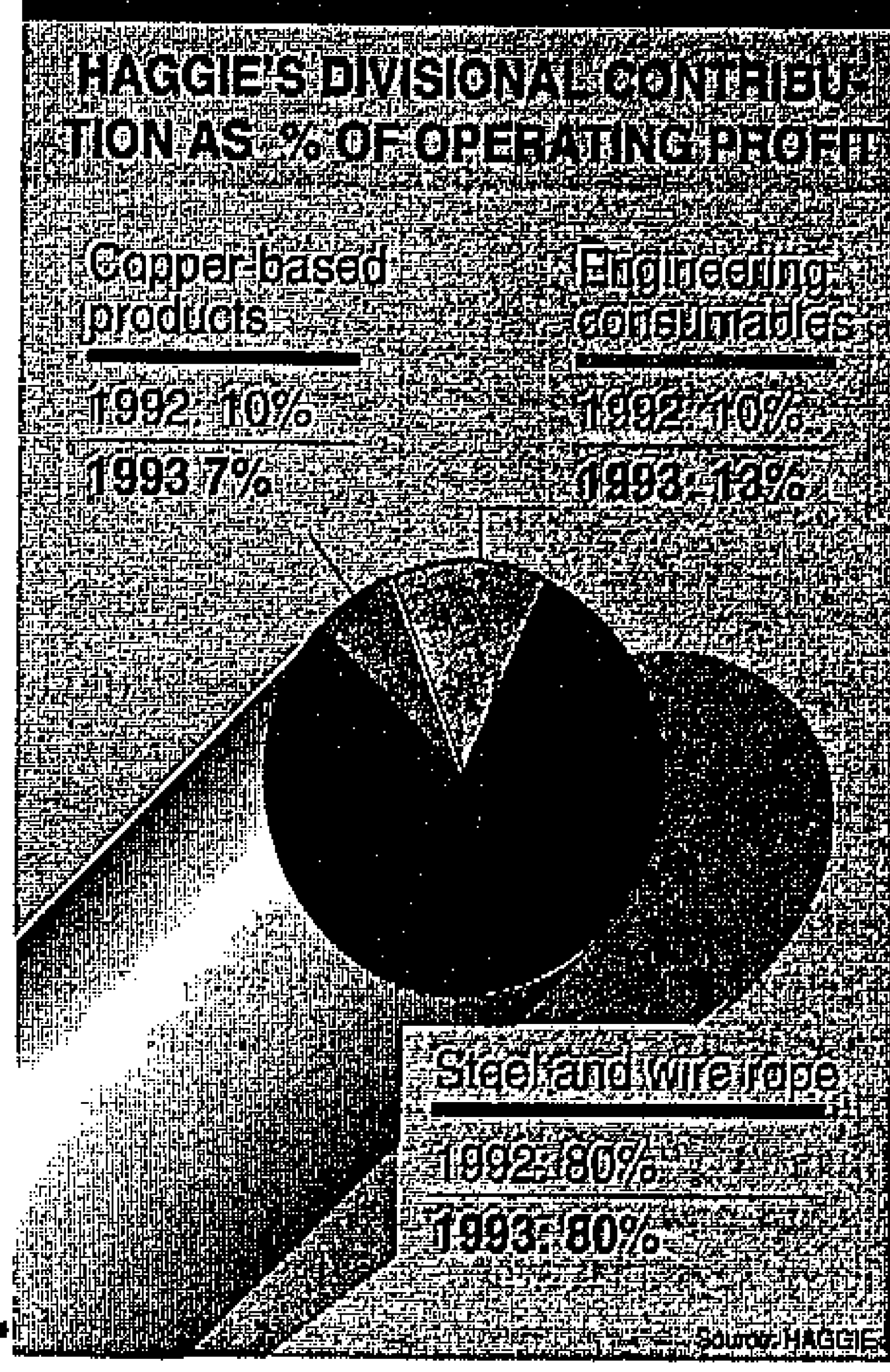
As ever happens, these measures have not come cheap. The resultant expenses, including a R22,3m rationalisation cost, were partly behind last year's 40% plunge in earnings.

Until now, there has been no recovery on the income statement. But since early March, the share has rocketed from R17,50c to an all-time high of R32. Like some other former growth companies in the engineering sector, Haggie is being targeted as a strong recovery stock. The p:e now stands at 17,6, indicating high expectations for profits.

How much can the group reasonably be expected to deliver? And will it be able to sustain a return to growth? Interim results due out next week should offer the first indications. Analysts are forecasting growth in interim earnings of around 15%-20%. Some believe the full-year EPS for the 12 months to end-December could be up by as much as 53%. (189E)

After EPS of 180,1c last year, though, this would give about 276c for 1994, still well below the peak of 406c posted in 1989. The current earnings upswing will be derived substantially from earlier rationalisation and pruning of costs.

BROADENING SPREAD OF INTERESTS



Housing boom

CE Chris Murray says that while shaft mining demand has continued to fall, surface mining and oil platform markets have firmed significantly. Plumbing tube and brass hardware have yet to benefit from the expected housing boom, he adds, but bronze and solid copper products have seen a useful boost in market share. And, in general, the consumable engineering products are also facing fuller order books.

Haggie is capital-intensive and profits are highly sensitive to sales volumes. Margins should respond rapidly to a recovery in local offtake. The deterioration in the return on sales was caused partly by the rise in comparatively low margin exports. These now account for 20% of group sales, having been expanded rapidly to absorb excess capacity as domestic markets weakened.

An important aspect here will be the health of the mining industry — as well as the extent to which Haggie has succeeded in diversifying from this sector. As the cost and profit squeeze tightened, gold producers in many cases were forced to cut back operations. Shafts and, in some cases, entire mines were closed; capital spending was generally curtailed.

After the fat and often extravagant years

Fm 5/8/94

of the Sixties and Seventies, the industry strove to tighten efficiencies and slash costs wherever possible. This placed a tightening clamp on suppliers of capital goods and consumables, such as Haggie.

Management has sought over the years to broaden the activities. These now extend across three main areas, though the steel and wire rope division (Haggie Rand, Consolidated Wire Industries and McKinnon Chain) still accounts for 80% of operating profit; another 7% is derived from copper-based products, with 13% coming from engineering consumables. However, all these divisions have faced tough markets and all their operations have been rationalised in various ways over the past few years.

This rationalisation programme has moved progressively through all of the various divisions. Last year it was the turn of the copper division, whose profit contribution in 1993 was curbed by the cost of plant closures as well as by direct effects of shrinking sales volumes. Exports of the division's products are relatively unprofitable and the high value of raw materials requires substantial working capital even though processing margins are small.

Some of its operations were closed. Copalcor got out of bush machining, fine brass wire and the refinery business; Maksal stopped producing brass tubing. Costs of R8,8m were incurred through these closures.

Murray says Copalcor and Maksal are starting to register a turnaround after a tough 1993, with demand now being stimulated by economic recovery. An example is the recent pickup in the building and construction industry, an important market for copper-based products and fittings. Murray says quality problems have tailed off, lead times reduced and overdue deliveries are down.

Chain plant

Maksal's thin-walled aluminium tube line has started producing low-margin items such as TV aerials and refrigeration tubing. The plant is having problems producing the high-margin heat exchanger tubing for the automotive industry, and continues to lose money. Copalcor MD John Cross says both Maksal and Copalcor are likely to perform better in the second half of this year than in the first. However, a remaining concern is the soaring London Metal Exchange copper price, which has risen more than 25% since the beginning of the year. This raises manufacturing input costs, which the division has to pass on to customers.

Rationalisation has also affected Haggie Rand's Alrode chain plant, which was closed at year-end and its equipment moved to McKinnon Chain's Vereeniging factory. This follows the merger last year of Haggie's chain manufacturing operations with those of competitor McKinnon Chain, resulting in a 60%-owned joint venture.

Murray says growth opportunities, including a wider range of forged products, will materialise this year. In addition, there is further scope to minimise stock and reduce export credit limits. Working capital cuts by Haggie Rand and 50%-held subsidiary CWI last year released R39m. More progress here would help to close the large gap between the 1993 return on net assets of 8% and the target figure of 25%. And it would swiftly boost cash flow. (189 E)

Notably, management has not simply responded to the changing market conditions by paring the operations. Large and strategic new capital investments have been embarked

Murray ... *best order books in a long time*

upon to help shift the sales emphasis towards markets which are thought to offer more promising growth prospects. After running at an annual spending rate of around R60m from 1988 to 1992, with the exception of 1989 when there was a jump to R80m, capex jumped last year to R120m — a hefty increase in real terms.

Much of this was directed at two projects which recently reached fruition. Last year saw the completion of a R35m modernisation of Haggie's Vanderbijlpark wire plant. Pre-production runs started at the new R83m Boksburg plant to make steel cord for tyre reinforcement. This project has absorbed much of the expansion capex. However, Murray has said several years of development and market penetration work will be needed before this project earns a satisfactory return.

A further R40m has been spent on Maksal's new 2 500 t extruder, its aluminium tube line and the McKinnon merger, bringing the total spending on major projects to be completed in 1994 to R160m.

Though it is no longer as liquid as it was before group profitability deteriorated, the balance sheet has remained conservatively structured. Management deserves full credit for control of working capital during the difficult times.

In 1993, the worst year financially since the 1979 listing, the ratio of working capital to sales fell to 27,3% (1992: 33,7%). This alone generated R74m cash and helped ensure gearing increased only marginally to 33,9%, and below the targeted 40%. But management is still faced with the urgent need to lift interest cover to more comfortable levels. Last year it fell from 4,5 to an inadequate 2,7 times.

This will depend primarily on how well operating profitability improves. Murray says the aim is to return the margin from 1993's 4,6% to 12% or better — which would be a remarkable rebound to a figure last achieved in 1989.

Despite these plans, he adds, exports, recently a margin depressant, will continue to grow this year. Murray adds that their profitability will depend on exchange rates (now showing a favourable trend) and future export incentives. Exports have been rising at about 26% a year since the mid-Eighties.

Many of Haggie's products, some of which are world leaders, are exported to almost 70 countries on five continents. High-growth countries in the Far East and Pacific Rim are important export markets. There are also interests in manufacturing operations in Zimbabwe, Zambia and England. There is, therefore, a growing rand hedge element in the share.

Aside from rising plant efficiencies and more favourable markets, Haggie hopes to derive its growth from new products. Murray says the Boksburg steel cord plant is "well on schedule despite some equipment and weather related snags." First samples are to be delivered by year-end.

Haggie Rand started testing a new, more flexible road safety barrier, called Brifen, on roads earlier this year.

Writing in his review of the 1993 year, Murray says Haggie was entering the year with improved prospects and "better order books than we've had in a long time as well as greater capacity utilisation in our plants." He adds that fixed investment, which fell 4,7% last year, remains the main factor that influences Haggie's SA markets. He says: "When this improves, it will increase local demand for our products and enable us to turn to advantage our available production capacity and the substantial gains already made from rationalisation."

Yield Pattern

The stock is tightly held and controlled by two major shareholders, Amic and Malbak, with 35,3% each.

At 3 175c, the p:e is a demanding 17,6 and the dividend yield 3,1%, which compares with the average 17,7 and 2,4% for the engineering sector and, more broadly, the 19,6 p:e and 1,7% dividend yield on the Industrial index. The yield pattern suggests much of the recovery prospects for at least the next year or two have already been discounted in the price.

Haggie remains a leading example of an interesting category of investment. If there is indeed to be a sustained period of growth in fixed investment during the second half of the Nineties, then the recovery in its share price as well as earnings could continue for some time yet.

Kate Rushton

Rationalisation boosts Haggie's earnings 38%

B/Day 10/8/94

MUNGO SOGGOT

ENGINEERING group Haggie reaped the benefits of rationalisation to hoist its earnings 38% to 153c a share for the six months to June.

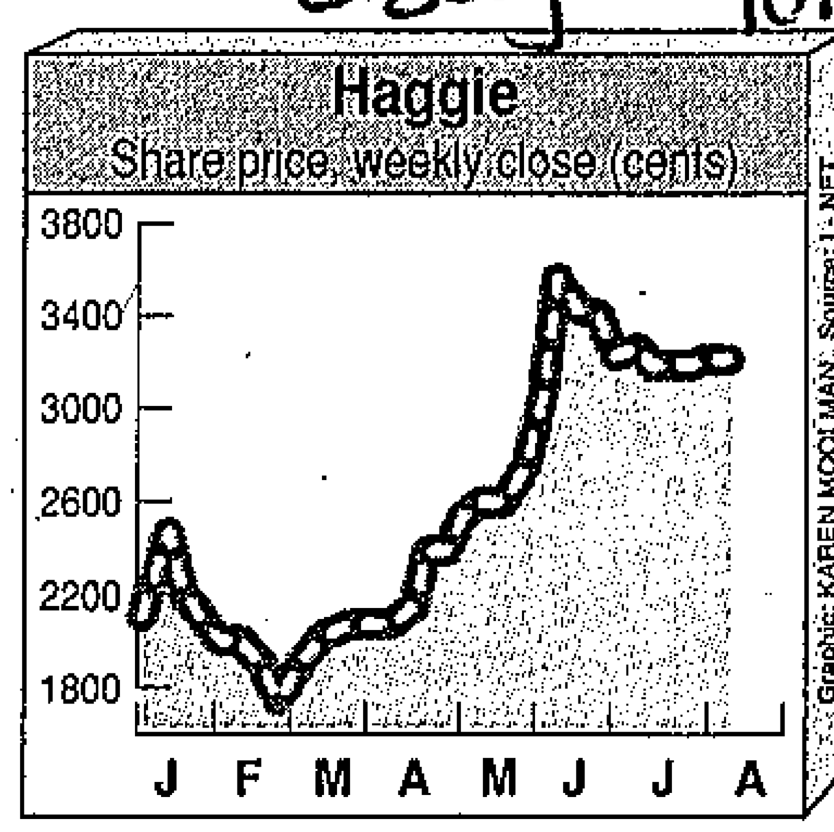
The company, part controlled by Anglo American Industrial Corporation and Malbak, said it had staged the turnaround with the help of a 7% increase in local volumes, and an 8% rise in export volumes, ending several lean years.

Turnover rose to R639m (R579m) and operating income was lifted 50% to R50,5m.

Group MD Chris Murray said Haggie's increased interim dividend — which rose to 50c from 47c — marked its first dividend hike in five years.

The share was untraded yesterday at R32,00, from June's high of R35,50 and a low of R17,50 last December.

Murray said the rationalisation — which had cut Haggie's workforce from 9 300 to 7 800 over the past three years — and the "resultant heavy non-recurring costs of last year are now largely behind us".



Haggie's recruitment drive had recovered as the group started to utilise its capacity fully. (1849E)

Exports turnover was up 20%, and despite the removal of the general export incentive scheme, Haggie's export earnings would be boosted by the depreciating rand and an improved mix of export products.

Murray said the steel wire and rope division contributed R37,5m of the group's R51m operating profit.

He said increased volumes and improved margins helped Haggie lift net income before tax to R42m.

However, a poor performance from Consolidated Wire Industries and a hefty tax charge — up ninefold to R9,8m (R1,1m) — had hit Haggie.

The ratio of working capital to sales had improved to 29% from 32%.

Haggie had elected to issue shares by capitalising earnings instead of an interim dividend.

Two major shareholders had indicated their intention to accept the capitalisation issue, details of which would be released on August 22.

The company said that by not paying the dividend, it would be able to cut borrowings and avoid the 25% secondary tax on dividends.

The interest savings after tax on the reduced borrowings would cover the earnings requirements of the new shares.

Few black engineers

(189E) CT 11/8/94

Political Staff

AS 93% of engineering graduates between 1985 to 1991 were white, there were restraints on affirmative action on technical staff for Armscor, its senior manager of human resources, Mr Jackie Kgare, said yesterday.

Only 6,83% of the 8 208 engineering graduates were black.

In the natural sciences, 85% of degree graduates and 71,8% of diploma graduates had been white.

In future Armscor would hire staff on a 70% black, 30% white basis.

At present, 87% of Armscor's 1 118 staff were white, eight percent were black, four percent coloured and one percent Indian.

Armscor chief Mr Tielman de Waal said the company's record on gender was considerably better.

"On the gender level, we are better than most."

Unihold lifts its income

YURI THUMBRAN

ENGINEERING group Unihold posted attributable income of R9,1m (R1,35m loss) for the six months to June, as cost-cutting initiatives offset a slip in the company's sales. BDay

Although turnover dropped to R107,1m (R121,4m), executive chairman James Haslam said margins had recovered, while overheads had been reduced and losses had been eliminated.

Management reporting had also been tightened, he added. 16/8/96

Assessed tax losses in Unihold Group and Unihold Engineering would be fully utilised by the year-end, Haslam said. (189E)

But the company could still draw on "substantial" tax losses in Auto Cable, he said. Auto Cable's recovery hinged on stronger demand from the motor industry.

Haslam said the healthier performance should continue in the second half.

Unihold declared an interim dividend of 3c. There was no payout last year.

Standard Engineering slides

B/Day 18/8/94

MICK COLLINS

A DEARTH of export and local orders for its pipe division pushed industrial group Standard Engineering's earnings down 13% to R31,2m for the 10 months to its new financial year-end in June.

Turnover dropped 5,5% to R626m (R751m annualised) following the pipe division's poor performance and low demand for heavy commercial vehicles.

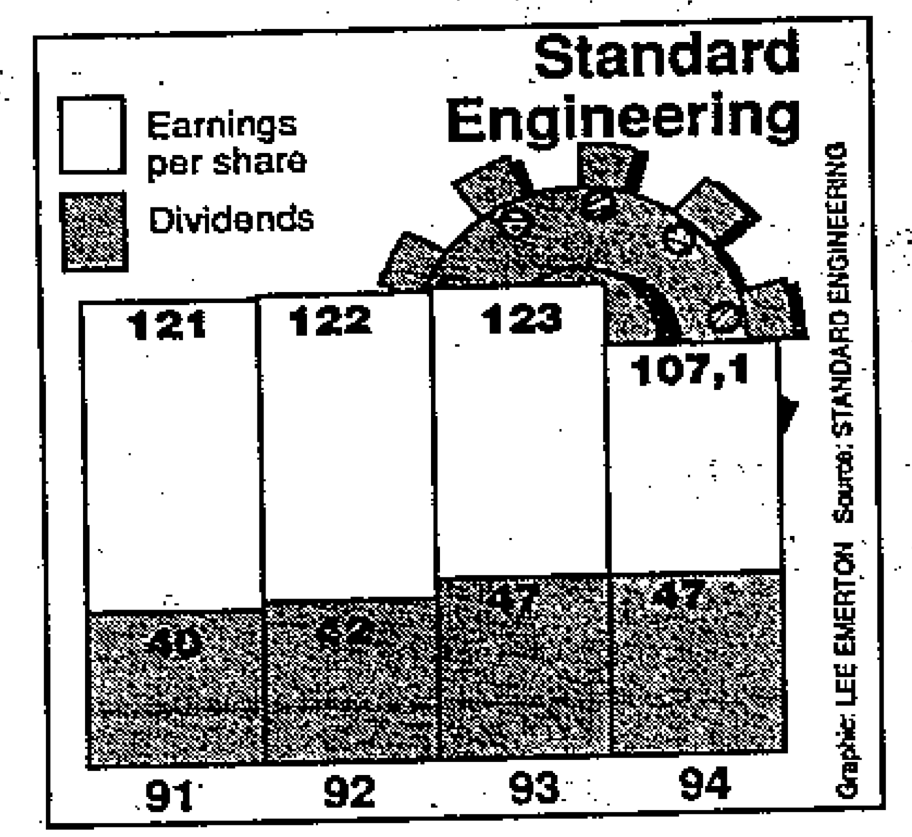
Operating income decreased 16,3% to R53,7m as profit margins for the 10-month period came down to 8,6%.

Income before tax fell 10% to R52m and a higher tax rate of 30% (25,8%) saw after-tax income down 15% at R36,5m.

Earnings a share on an annualised basis were also 13% down at 107,1c (88,2c actual).

The dividend of 47c was maintained (24c final).

Shareholders would be offered



capitalisation shares in lieu of the dividend. Terms would be announced next month.

Standard MD Terry Davidson said the company's main shareholder, Murray & Roberts (76%), had indicated its intention to accept the capitalisation issue in respect of its entire shareholding.

Davidson said the results were not strictly comparable with those of the previous year.

This was because they reflected the effect of the December and April holidays as well as the election period. (1895)

"We only had 40 weeks in which to perform and the holidays plus the elections took six weeks out of that," he said.

Following exceptionally high sales towards the end of the previous year, the automotive division saw a downturn in demand in the first half of the year.

Deliveries had since returned to normal levels.

He did not expect "a significant increase in demand for heavy commercials in the new year and margins are likely to remain under pressure".

The company's Union Carriage division had won two major contracts worth more than R900m in the Far East, with delivery scheduled for financial 1996.

One order was for 72 electric train sets for the Taiwanese department of rapid transport, while the other was for 64 locomotives for the Taiwanese railway administration.

A contract-signing ceremony was scheduled to take place yesterday in Taiwan between company representatives and the railway body to seal the R430m order.

A R100m deposit on one of the Taiwanese contracts enhanced operating cash flow to R128,5m (R84,4m).

Divisional contributions to attributable earnings were pipe 3% (23%), automotive 25% (20%), metal pressings 35% (29%), rolling stock 17% (10%) and fluid handling 20% (18%).

Davidson said improvements were expected in the company's fluid handling division as well as in metal pressings.

The pipe division was set to make a strong recovery.

Sales of heavy commercial vehicles were expected to be sluggish with margins under pressure.

BUSINESS

Standard Engineering better than it appears

Star 18/8/94

BY DEREK TOMMEY

At first sight, Standard Engineering earnings for the 10 months to June are disappointing.

In this, its first period of operations in the Murray & Roberts group, its earnings for the 10 months amounted to 88,2c a share, against 123c a share for the previous 12 months.

On an annualised basis, earnings at 107,1c a share are down 13 percent.

But the company says the 1993-94 figures reflect the impact of the December and April holidays.

The company also faces a higher tax rate owing to the exhaustion of tax losses and the recent rate change.

But if the unhappy pipe division is stripped out of the figures, they become more encouraging.

Annualised earnings, without the pipe division, are equal to 103,8c a share. This is an improvement of 9,6 percent on the equivalent 94,7c a share earned a year ago.

This has led Standard Engineering to declare a final dividend of 24c, making a total for the year of 39c, or on an annualised basis — an unchanged payment of 47c.

However, shareholders have the choice of taking capitalisation shares instead the final dividend. Controlling shareholder Murray & Roberts has elected to take shares.

MD Terry Davidson says the downturn has affected the pipe division. Production volumes fell by 23 percent and prices declined by 6 percent.

1898E

Export volumes also suffered owing to low prices in the international markets and the increased costs of steel. But he expects some improvement this year.

He has better news about Union Carriage. This has successfully completed the export contract for the Channel Tunnel and is now participating in a second large export order from Taiwan. Together, these two contracts are worth more than R900 million.

They involve the supply of 72x3 electrical multiple unit train sets and 64 locos. Deliveries are expected to start in 1996 and continue for 30 months.

Elsewhere, the automotive division experienced a downturn in demand for heavy commercial vehicles in the first half of the financial year after exceptional sales in July and August 1993. Deliveries returned to normal towards year-end.

The company is not expecting any significant improvement in the sales of heavy commercial vehicles this year and margins are expected to be under pressure from customers.

All companies in the metals pressing division performed better than budget and increased earnings.

Protea Technology, part of the fluid handling and measurement division continued to perform well, improving its annualised earnings by 31,2 percent. It expects to improve its performance this year.

Earnings for 1995 should be higher than the annualised earnings for 1994, says Davidson.

M&R earnings may dip in absence of tax break

B/Day 23/8/94

ROBYN CHALMERS

CONSTRUCTION and engineering group Murray & Roberts Holdings (M&R) is expected to take a slight knock in earnings a share for the year to June in the absence of the 1993 one-off tax break.

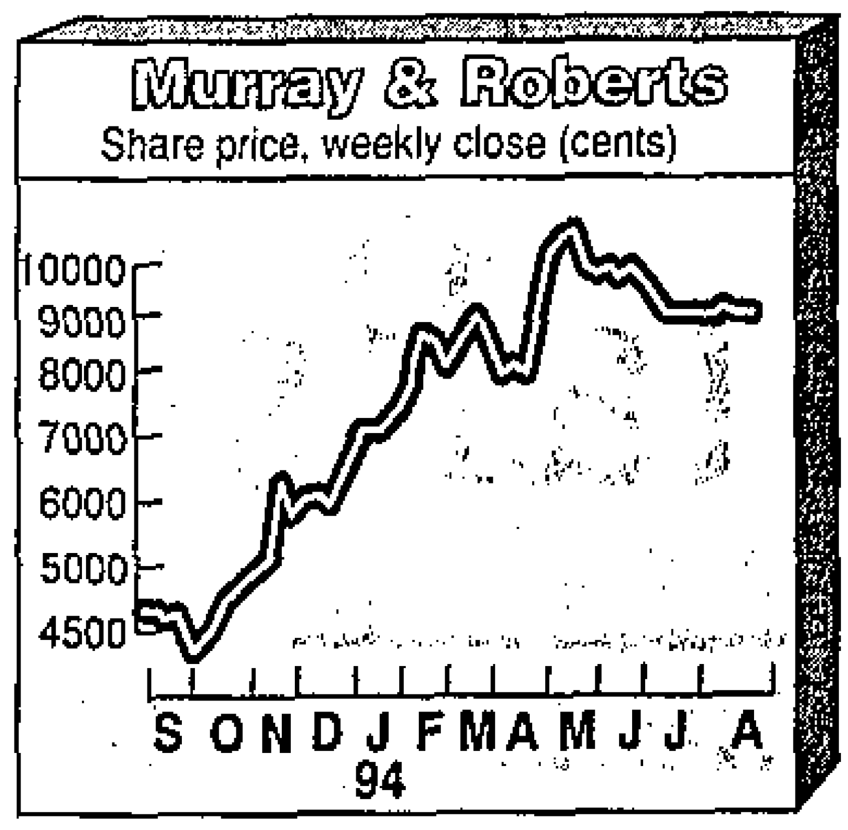
Analysts' forecasts for earnings a share ranged from 480c to 520c, against 531c achieved during 1993. A slight increase in dividends to around 210c (200c) was expected.

Analysts said reasons for the expected lower earnings included the absence of the tax break, which reduced the 1993 tax bill to R91m from R185m, and that the expected recovery of the construction and engineering sectors had not materialised.

But one analyst said the recent reduction in the company tax rate could lead to M&R bringing its deferred tax above the line, providing a boost to attributable earnings.

There had been few major contracts coming through for the construction and civil engineering divisions, apart from those secured previously on major capital projects such as Alusaf.

On the property side, analysts said



the division had completed all the major projects which had bolstered it during the recession, but the lack of new schemes coming on stream could bite into earnings. (184R)

In the 1993 annual report, CE Dave Brink said the group had budgeted to increase pre-tax operating earnings, but would probably see a reduction in attributable earnings and consequently earnings a share.

"The M&R team does not expect an easy ride (during the 1994 year), nor do we ask for one.

"As SA emerges from isolation, M&R's businesses, in line with all businesses in the country, are seeing opportunities open up around the world but are also being challenged by global competitive forces."

Coping in a changing environment required adaptation from largely production-driven tendencies towards market-driven attitudes and approaches, he said.

One of the ways in which M&R had moved towards its stated goal of becoming more export orientated was through the recent acquisition of UK-based Alloy Wheels International (AWI).

Analysts said, however, that the £19m purchase would have little effect on the group's 1994 earnings. The real effect would be seen the following year when earnings were expected to be diluted — the extent of which would depend on AWI's performance during the year.

Despite the possible dilutory effect of the acquisition, most analysts believed M&R would resume earnings growth during 1995. This would gain momentum as the full effect of the reconstruction and development programme was felt.

M&R's share price rose sharply from its one-year low of R43 in September to achieve a 12-month high of R106,50 in May. The counter has dropped off significantly over the past three months, and closed untraded at R89,50 yesterday.

Earnings at M & R edge up 2%

CT 25/8/94

By MAGGIE ROWLEY
Deputy Business Editor (189E)

A 22% INCREASE in the tax bill to R111m curtailed earnings growth for Murray & Roberts to 2% for the year to end June.

But earnings of R340m, equal to 541c (531c) were still ahead of expectations.

According to the directors, the more positive business and political mood in the last quarter had seen earnings before taxation rise to a better than forecast R864m — 9% ahead, on a 15% in increase in turnover to R7,8bn.

The further reduction in the corporate tax rate had resulted in another release from the deferred tax provided in previous years.

M&R CE Andre van der Colff said the better than expected results reflected the success of their strategic focus as the "unit trust" in the fixed investment market sector (GDFI) both locally and northwards to SA's neighbours, as well as selectively in international markets.

He pointed out that earnings before interest and tax were only R6m short of R600m — a 12% rise over the previous year which represented an increase of 4,5% in real terms compared to the overall increase in GDFI of less than 1%.

Contributions to consolidated earnings before interest saw the materials division oust engineering as the top performer contributing R186m (R140m) and R149m (R160m) respectively.

Standard Engineering, in which the group's stake was increased from 38% to 76% with effect from last March 1, rose to R74m (R44m) while suppliers and services also increased its contribution to R66m (R63m) and transport to R68m (%6m).

Declining contributions were the construction division's R42m (R43m) and property's R26m (R46m).

Van der Colff said the group's order books had shown a marked improvement in recent months and operating profits for the 1995 financial year were expected to show solid growth.

A final dividend of 152c a share (144c) brings the total payout for the year to 210c a share, up 5% on the previous year.

Shareholders are to be offered capitalisation shares in lieu of the dividend or part thereof.

Unexpected growth for M&R Holdings

BDay 25/8/94

ROBYN CHALMERS

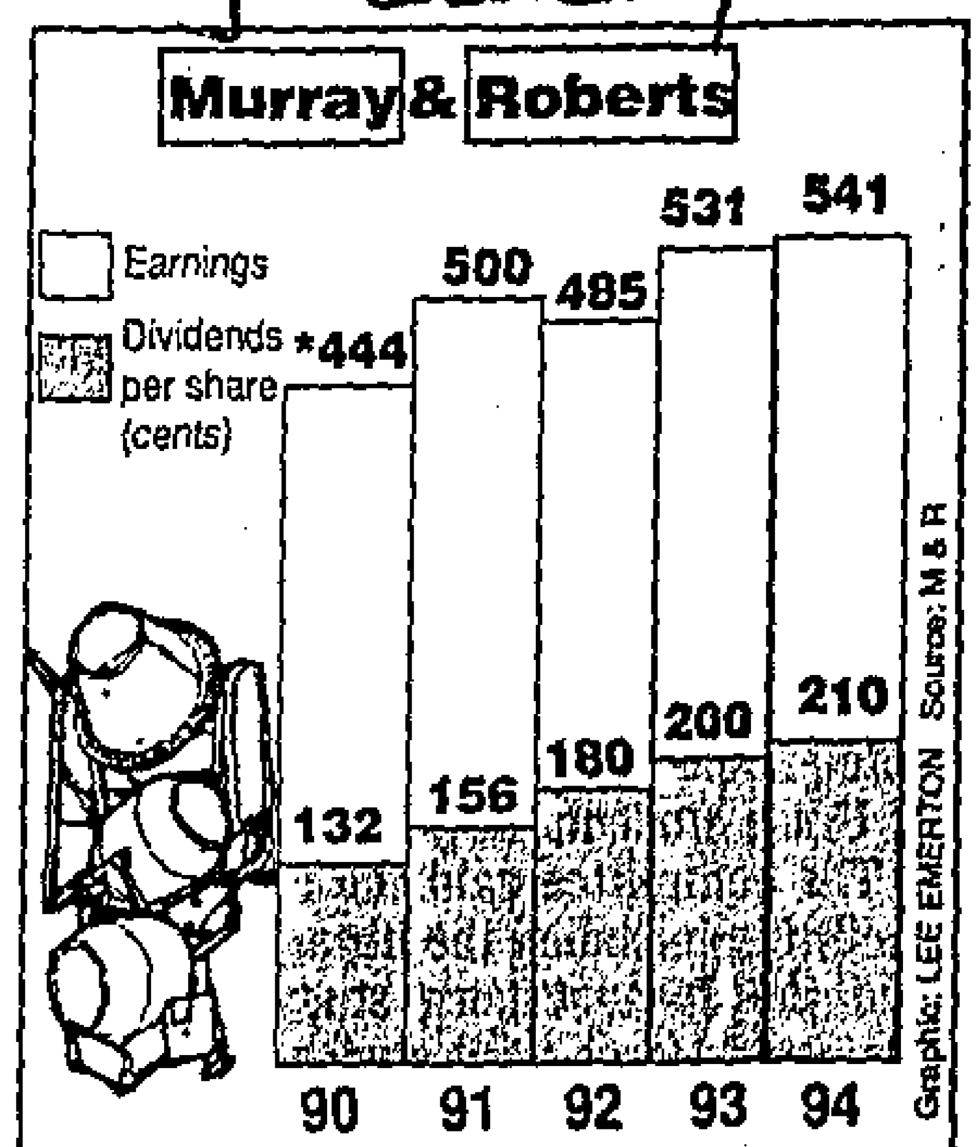
CONSTRUCTION and engineering group Murray & Roberts (M&R) Holdings surpassed market expectations, achieving a 2% growth in earnings to 541c a share for the year to June in a stagnant economy.

The bottom line was bolstered by another release from a deferred tax provision of R36m, but earnings excluding the tax adjustment rose 2% to 484c a share. A final dividend of 152c (144c) boosted the total dividend 5% to 210c.

Capitalisation shares would be awarded instead of a final dividend. Terms would be published on September 5. Shareholders may elect to receive the final dividend.

Turnover increased 15% to R7,8bn and a squeeze on margins left operating profit up at R864m (R791m). (189E)

A significant hike in the interest bill to R107m (R78m) saw pre-tax earnings rise 8% to R487m. Despite the tax adjustment, the tax charge rose 22% to R111m. Post-tax profit rose to R376m from R361m. After accounting for outside shareholders' interest of R37m (R30m), attributable earnings increased 2% to R340m. The balance sheet remained healthy, showing a 10% rise in total assets to R5,9bn. Borrowings rose 3% to R948m.



* Restated for conversion of debentures

Commercial director Jeremy Ractliffe

□ To Page 2

M&R

BDay 25/8/94

□ From Page 1

said the group had benefited from a more positive business and political mood as well as the disposal of non-core businesses.

CE Andre van der Colff said the results, which were above the group's expectations and budget, reflected the success of its strategy to become the "unit trust" of the fixed investment market sector.

M&R's material division overtook the engineering division as the main contributor to pre-interest earnings. The suppliers and services and transport sections both contributed 11%. International trading activities grew strongly, amounting to R913m or 12% of group turnover. Van der Colff expected these activities to grow 50% on the stronger base created this year.

He was optimistic that the current year would produce a solid contribution towards M&R's goal of doubling its 1993 size in real terms by the turn of the century.

"M&R is committed to participation in the reconstruction and development programme. While it will take some time for the group to benefit from the RDP, we should see modest real growth above the expected inflation rate during the year, and strong growth in real terms thereafter," he said. (189E)

He expected SA's economic recovery to be delayed six months, but said fixed investment growth should exceed GDP growth, rising about 4% during 1995 and soaring to about 16% by 1998 against GDP growth of about 4%.

STANDARD ENGINEERING

Turnaround in pipeline

Fm 26/8/94

The difficulty with a good track record, is maintaining it. Or so Standard Engineering discovered last year, when annualised EPS fell 13% to 107,1c on a 5,5% reduction in turnover — the first such decline in more than four years. (189E)

LOWER GEAR

Year to June 30	1993	*1994
Turnover (Rm)	794,9	626,1
Operating income (Rm)	77,1	53,7
Attributable (Rm)	43,6	31,2
Earnings (c)	123,0	†107,1
Dividends (c)	47	†47

* 10-month trading period. † Annualised.

For some time, earnings growth has emanated from quality financial management rather than buoyant markets. However, there are limits to the gains that can be derived simply from cost control and asset management.

Last year, low demand for heavy commercial vehicles and steel piping, topped by a higher tax rate, were the main culprits in bringing profits down. The profit mix of the five divisions — metal pressing (35% of attributable profit), automotive (25%), fluid handling and measurement (20%), rolling stock (17%), pipe (3%) — also changed. In 1991, pipe was responsible for 37% of profit and rolling stock 26%.

The loss of the Rand Water contract and a downturn in the local markets — production volumes fell 23% — resulted in an interim loss for the pipe division. Fortunately, by year-end it was profitable again. More positively, in May subsidiary Hall Longmore won a R7m contract to supply steel pipe for an undersea pipeline off Hong Kong's coast.

Increased exports will mean tighter margins. However, Standard has in the past benefited from huge contracts abroad, particularly in Union Carriage, the rolling stock division. After completing the export contract for the Channel Tunnel project, last month, it landed a R400m contract to supply 64 locomotives to the Taiwanese Rail Administration. First deliveries, and

Fm 26/8/94

profit contributions, are due in 1996.

The Automotive division hasn't been as prosperous. A marked downturn in demand for heavy commercial vehicles in the local market in the first half, following "exceptional sales" in July and August 1993, brought margins under pressure. Deliveries, says MD Terry Davidson, "have returned to normal, but I am concerned about the labour strikes in the automotive industry. Customers could delay or even cancel their orders."

The share moves on thin volumes; 1,2m shares, or 3,4% of issued paper, moved the share R5,50 to R16 in May. At R14,75, on a p:e of 13,9, it is not cheap but the medium- to long-term earnings outlook is encouraging. (189E) *Kate Rushton*

Dorbyl sells stake in Steel Pipe

MUNGO SOGGOT

DORBYL had sold 40% of its Steel Pipe Industries (SPI) operation to Tubemakers of Australia (TOA), the engineering group said yesterday.

Dorbyl pipe division MD Willem Barnard would not disclose the value of the transaction, but said it represented a "significant investment in the SA economy". B|Day

Analysts estimated that TOA, which already holds 10% of SPI, would have paid between R20m and R30m for the stake. One analyst said SPI had clocked up several large export orders last year.

Barnard said the transaction would take effect on September 30.

Dorbyl said the partners had committed R45m to a spiral pipe plant and corrosion protection system at Duncanville, Vereeniging. TOA's technology and management skills would "offer considerable benefits to both parties". 30|8|94

Dorbyl's earnings for the six months to March plummeted 98% to R504 000 on an unchanged turnover of R1,3bn, as the company struggled to close the door on last year's poor performance. 189E

Scharrighuizen powers up

Star 31/8/94

BY CHARLOTTE MATHEWS

Mining and engineering group Scharrighuisen Holdings (Scharig) lifted turnover 49 percent and bottom-line profits 25 percent in the six months to June, compared with the same period last year, on continued internal growth and excellent results from its industrial division.

Turnover was R108,2 million from R72,5 million previously, translating into attributable income of R11,5 million (R9,2 million). (189E)

On earnings of 37,9c (31,6c) a share, a dividend of 10,5c (9c) is being paid.

Scharrig Mining, 71 percent-held by Scharrighuisen Holdings, improved turnover 55 percent to R93,9 million, despite loss of production caused by rain, public holidays and disruption over the election period.

Earnings were 11,2c (9,3c) and a dividend of 4c (3c) is being paid.

The group expects to achieve its forecast 25 percent growth for the full year.

Scharrighuisen's industrial division has acquired four companies: 100 percent each of Hendor Mining Supplies and Westonaria Engineering, and 70 percent each of Phoenix Steel and Cyclop Engineering.

The group will continue to expand the earnings base through acquisitions. To facilitate this, the listing of industrial interests will take place in the second half of the current year.

NEI powers back into profitability

#(189E) CT 1/9/94

By MAGGIE ROWLEY
Deputy Business Editor

AFTER five years of losses, a slimmed down and far more focused industrial power engineering group, Northern Engineering Industries Africa (NEI) is back in profitability for the six months to end June.

The turnaround from a R4m loss for the corresponding period last year to earnings of R4m this year — equal to 54,2c a share, was achieved in spite of a 20% decline in turnover to R196m following the disposal of the Propower and AG Walker divisions last year.

Operating profit jumped a healthy 33% to R8,5m while the interest bill was more than halved to R4,2m following a successful rights issue which raised R29,8m — used to reduce debt.

With abnormal charges absent for the first time in several years, profit before tax was R4,3m against a loss of R5,1m for the corresponding period the previous year.

After an extraordinary charge of R3,7m relating to a loss from the sale of diesel engine remanufacturing operation Probuilt, retained income for the year was R300 000.

No interim dividend will be paid.

However, newly appointed MD John Kempster who took over the reins of the company in May, said he was confident of the ability of the group — which is now effectively out of the diesel engine market — to continue to conduct profitable business.

He said like the overseas companies of Rolls-Royce Industrial Power Group, one of the group's major shareholders, they were now mainly focused on power for generation, distribution, transmission and for industrial customers.

He said the outlook for the rest of the year was promising. Export business would continue to grow with the recent award of two major multimillion rand contracts in African countries.

● NEI Africa Holdings Ltd, which has as its sole investment a 53,3% stake in NEI Africa, recorded a profit of 26,6c a share for the six months against a loss of 31,4c for the same period last year.

Star 1/9/94

NEI lives up to expectations

BY CHARLOTTE MATHEWS

Expectations of the turnaround evident in figures from NEI Africa are mirrored in its share price, now trading at its year's high of 675c from an all-time low of 280c last August.

The industrial power engineering group reports a R4 million profit in the six months to June 1994 from a R4 million loss in the same period in 1993 after the disposal of non-core businesses and a rights issue.

Turnover declined by a fifth to R196,3 million after the disposal of Propower and AG Walker, but operating profit climbed by a third to R8,5 million.

Net financing costs halved after a rights issue at the end of May, which raised R29,8 million. The rights issue, together with disposals, has reduced the company's gearing to 50 percent.

Earnings were 54,2c a share, compared with 1993's loss of 63,9c a share, but the dividend has again beenn passed. Despite that decision, CEO John Kempster says he is confident of the group's ongoing ability to conduct profitable business.

An extraordinary charge of R3,7 million, compared with 1993's R5,4 million, was incurred on the disposal of Probuilt.

NEI Africa Holdings, whose sole investment is 53,3 percent of NEI Africa, made a R2,1 million profit after 1993's R2,1 million loss, translating into earnings of 26,6c a share, compared with 1993's loss of 31,4c a share.

Kempster says the group is now effectively out of the diesel engine market and, like the overseas companies of major shareholder Rolls-Royce's Industrial Power Group, was focused on power for generation, distribution, transmission and for industrial customers.

Industrial power is the business the group knows best, he says.

(189E)

For the rest of the year the group's outlook is promising and its export business should continue to grow, Kempster says.

Recently NEI Africa was awarded two major multi-million-rand contracts in Africa, one in Kenya and the other in Zimbabwe.

The group is also well positioned to meet the industrial power requirements of the Reconstruction and Development Programme and the revitalised economy.

The latest earnings figure puts NEI Africa shares on a P/E of 12, compared with the engineering sector average of 18, indicating the market's view that there is some recovery on the way, but that the company is not yet out of the woods.

NEI Africa forges back into the black

B/Day 1/9/94

MUNGO SOGGOT

IMPROVED margins stemming from the elimination of unprofitable operations helped propel engineering group NEI Africa back into the black with earnings of R4m (R4m loss) for the six months to June.

The group's turnover dropped 20% to R196,5m (R245,1m) after the sale of Propower and AG Walker last year.

Earnings a share were 54,2c, compared with a 63,9c loss a share for the same period last year. Despite the group's return to profitability, no dividend was declared.

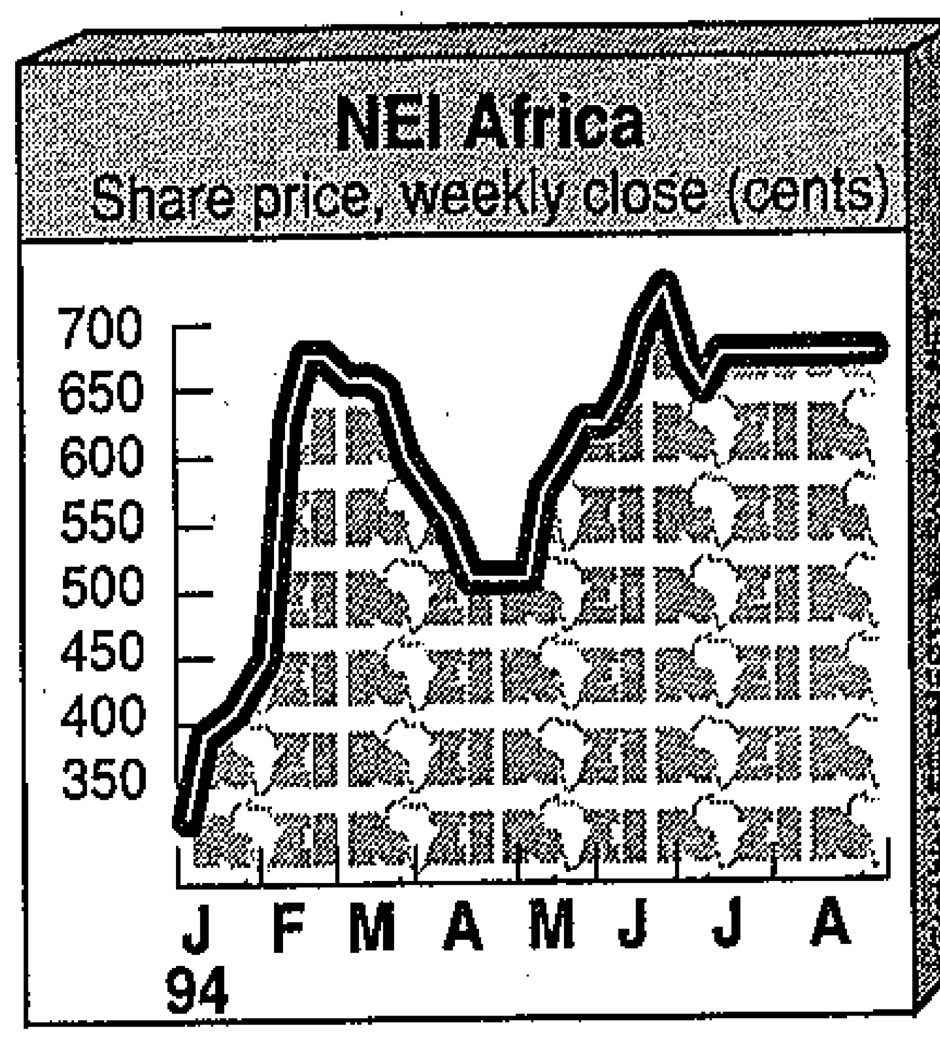
Yesterday the share was untraded at Tuesday's 675c, from a June 23 high of 725c and an August 30 1993 low of 270c.

MD John Kempster said NEI had sold its Probuilt diesel engine operation and would now focus on the generation and distribution of industrial power. (189E)

Kempster said the group's rights issue — which had raised R29,8m — had cut NEI's debt and resulted in lower financing costs. Gearing was down to 0,5%.

Net financing charges were sliced more than half to R4,2m, while income before tax was R4,3m against a loss of R5,1m in the same period last year.

Retained income was R300 000 (R9,4m loss), following a R3,7m extraordinary charge representing the loss from the sale of Probuilt.



Kempster was upbeat about the group's outlook for the rest of the year. Exports would continue to grow, he said, while the company had recently been awarded two multimillion-rand contracts in Africa.

"Our order book is looking healthy and the group is running ahead of budget. But more important is the fact that we have regained our focus on industrial power. It is the business that we know best."

Kempster said NEI's ICAL and John Thompson mechanical engineering operations were now performing profitably.

MURRAY & ROBERTS

Bullish projections

Fm 2/9/94

More important than Murray & Roberts (M&R)'s 2% bottom line growth — in itself a notable achievement for what is essentially an engineering and construction group — is the potential indicated by stronger trading in the last quarter of financial 1994. (189E)

With growth in gross domestic fixed investment, covered by all seven of M&R's operating divisions, just starting to outstrip growth in gross domestic product — and forecast to pull away strongly over the next two years — prospects are encouraging.

CE André van der Colff says there seemed to be a resurgence of business in June across all operating divisions, possibly from pent-up demand. "I see this as an indication of the industry coming out of the doldrums," he says.

To some extent, the income statement was helped by a R36m release from deferred tax (the same as 1993) from the lower corporate tax rate, and by consolidating M&R's Zimbabwe and Malawi activities, treated on a cash remitted basis the previous year. Figures for 1993 have not been restated, which adds 4c to EPS.

LOOKING BETTER

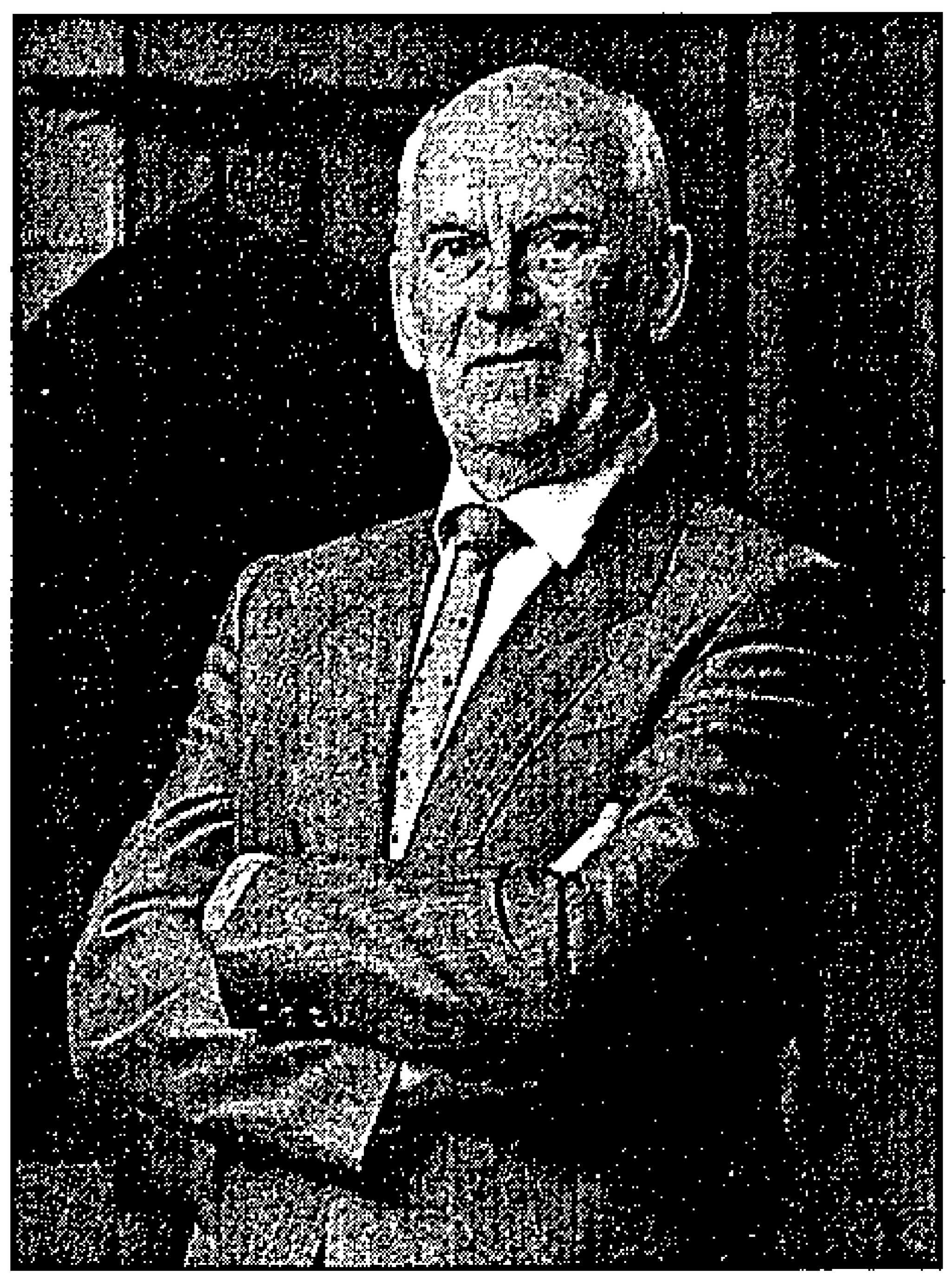
Year to June 30	1993	1994
Turnover (Rbn)	6,78	7,77
Operating income (Rm)	530	594
Attributable (Rm)	333	340
Earnings (c)	531	541
Dividends (c)	200	210

Fm 2/9/94

The big increase in contributions came from the materials division, up from R140m last year to R186m, or 31% of earnings before interest and tax of R594m.

Van der Colff sees this as the beginning of M&R's traditional cycle of activities. "The cycle we've detected is that materials moves first, followed by suppliers & services, engineering, construction and, finally, property."

He forecasts that attributable earnings should outpace expected growth in inflation of 9%-10% this financial year, but expects 1996 and 1997 to be the boom years as engineering and construction start to kick in, aided by a number of fixed investment projects currently on the drawing board.



M&R's Van der Colff ... *ready for upswing in fixed investment*

Van der Colff also sees potential benefits for M&R coming from government's Reconstruction & Development Programme. "For us, the major benefit should come from supplying materials, like cement, concrete and steel pipes, bricks and timber, and from infrastructural work. It's also likely, though, that while government will probably try to involve the smaller black builders in housing construction, they may have to call in the bigger groups at some stage. About 80% of SA's building capacity now exists with 20% of the companies."

Internationally, M&R also sees growth prospects. International trading, represented across all divisions by exports and activities outside SA, comprised 12% of turnover in 1994. Van der Colff expects its contribution to increase to between 16%-18% in the current financial year.

Standard Engineering has R900m worth of exports — locomotive and train sets for Taiwan.

Apart from activities in Africa, M&R is doing marine pipeline contract work in Thailand and Hong Kong and has a timber operation in Singapore. That leaves it well poised to exploit strongly developing eastern markets.

Backed by sound cash flow — operating cash flow increased by 50% to R633m — M&R will increase capital spending for the first time in two years, planning investment of about R600m in 1995. In addition to last year's capex of R430m, it expects to spend a total of R2bn by the end of financial 1997. (189E)

Smart investors picked up the share last year. In September, it was trading around R46. The price has more than doubled to R94,50 on significantly firmer ratings. It's notable that the volume of shares traded has increased strongly, particularly since the unbundling of pyramid M&R Investments. Volumes have increased from an average in 1993 of 260 000 shares a month to more than 600 000 a month in 1994.

But it may not be too late to consider the share. A dividend yield of 2,2% and p:e ratio of 19,5 is slightly off the average for the sector. If M&R's projections for 1996 and 1997 are correct, the share should be a sound medium- to long-term investment.

Shaun Harris

STOCKS & STOCKS LTD

FM 2/9/94

Diversifying profit base

Stocks & Stocks Ltd (SSL) now stands on a p:e of 11,4, indicating a steep and favourable rerating since the interims were released in October, when the p:e was 3,3. The price is now at a hefty premium to NAV; a year ago it was at a discount. The change has resulted from investor appreciation of SSL's diversified activities and the potential earnings growth resulting from low-cost housing programmes. (189E)

But the impressive 47% increase in earnings, from R18,9m to R27,8m, did not come from benefits of improved business confidence and increased activity. Work on hand improved only marginally to R1,5bn; the industry has received no major investment injection yet. (189E)

Rather, says chairman Reg Edwards, the restructuring started several years ago, and the reduced reliance on local construction activities as the main source of income, are behind the earnings boost. Though construction regained its position as the principal income contributor, Edwards says this division's importance will be diminished by good growth in contributions from leisure and property development.

Previously, the leisure division comprised only timeshare management and sales. Development of a fully fledged hotel owning and management operation has been swift. The hotel arm is to open four new facilities by the end of calendar 1995. Edwards says locations chosen are Cape Town, Sandton, Windhoek and Swakopmund. Management is pinning its hopes on tourism growing into one of SA's largest industries and has positioned itself accordingly.

A revival in demand for office and industrial space, prompted by economic upturn, should benefit SSL's property development activities. The formation of a vehicle, possibly to be listed, to hold strategic income-earning properties indicates the optimistic outlook in this area.

Turnover increased a creditable 21% to R1,33bn; operating income rose 26% to R48,9m, the margin widening from 3,5% to 3,7%.

The group has emerged from the recession with its balance sheet in good shape. At end-April it had R69m cash, partly accounting for the R91m rise in current assets to R501m. The 45% stock increase to R17,2m is perhaps excessive, though this is influenced by the timing of contracts. Net contract receivables and work in progress increased 11% to R156m. Borrowings fell and year-end gearing was conservative at 0,11. With benefits of the RDP only expected to be felt on SSL's bottom line next year, the share looks high enough for now. (189E)

Shirley Greig

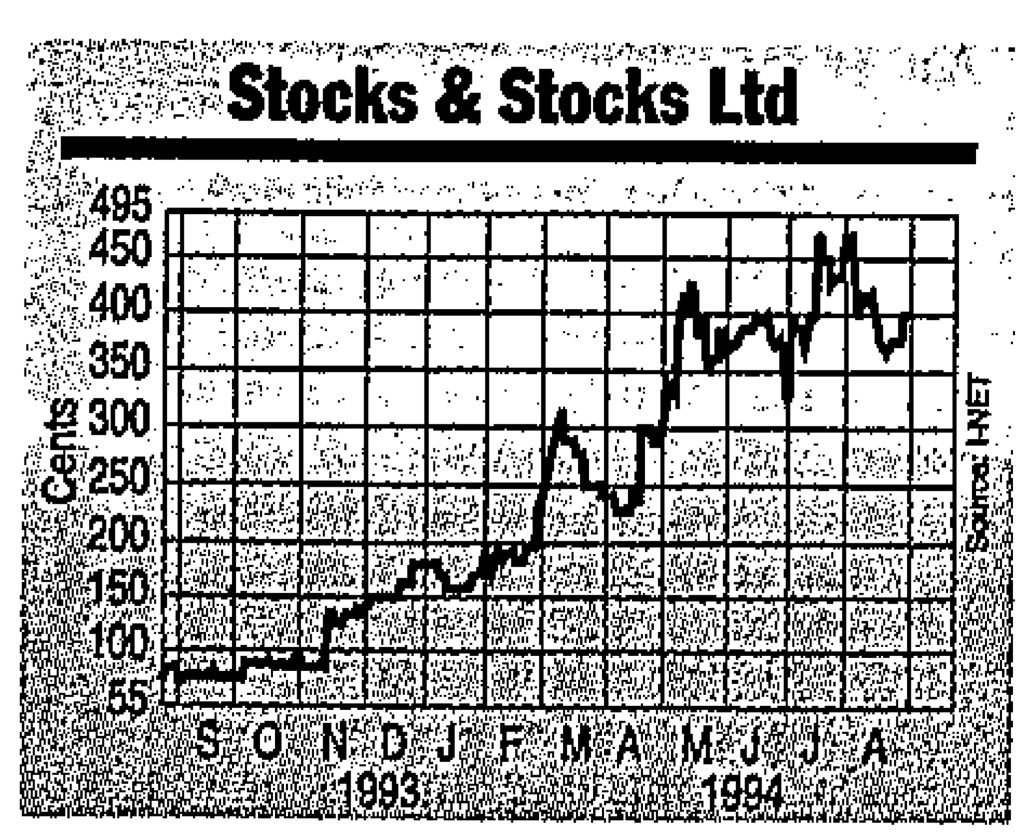
DIVISIONAL MIX (%)

	Turnover '93	Turnover '94	Income '93	Income '94
Construction	74	66	43	51
Property	13	21	37	39
Leisure	3	3	11	8
Steel reinforcing & trading	5	5	7	5
Info technology	5	5	2	(3)
Total	100	100	100	100

FM 2/9/94

Activities: *General building, residential construction and development, civil engineering construction, property, resorts, hotel and timeshare, steel reinforcing and trading and information technology.*
Control: *Stocks & Stocks Holding 65%.*
Chairman: *R A Edwards; MD: A H Dorrestein.*
Capital structure: *80,4m ords. Market capitalisation: R313,6m.*
Share market: *Price: 390c. Yields: 2,3% on dividend; 9,0% on earnings; p:e ratio, 11,1; cover, 3,9. 12-month high, 475c; low, 77c. Trading volume last quarter, 3,69m shares.*

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	56,0	25,6	61,5	56,4
LT debt (Rm)	17,9	18,3	35,8	36,4
Debt:equity ratio	0,38	0,18	0,20	0,11
Shareholders' interest	0,29	0,29	0,31	0,29
Int & leasing cover	3,6	4,4	2,5	3,8
Return on cap (%)	7,5	6,7	6,6	6,7
Turnover (Rm)	1 347	1 439	1 104	1 334
Pre-int profit (Rm)	44,6	53,1	38,9	48,9
Pre-int margin (%)	3,3	3,7	3,5	3,7
Earnings (c)	31	25	24	35
Dividends (c)	10	10	7	9
Tangible NAV (c)	189	203	216	249



COMPANIES

FM 2/9/94

Group Five earnings up 12%

SI Times (Buss)

By JULIE WALKER

(332) U89E)

GOOD performances from buildings, civils, engineering, roads and from Everite helped Group Five to lift earnings a share by 12% to 42,7c in the year to June.

Group Five managing director Theunis Kotzee says operating margins showed a marked improvement; income was 126% higher at R43,3-million on a 17% higher turnover of R1,8-billion.

A change in accounting policy into line with international standards now includes extraordinary items as operating income and adjustments have been made to the comparative figures of 1993. Assessed tax losses kept the bill low and attributable earnings were R17,8-million. A cash dividend of 5,5c was declared.

Group Five's order books are healthy and Mr Kotzee is hopeful that the promised land is within reach.

Fancourt has been sold and the proceeds paid into a trust account controlled by the liquidator. Group Five hopes to recoup its R18-million of claims before the end of the year and spend the money on reducing debt. Group gearing is below 10% but interest absorbed R18-million in the year to June.

Group Five's claims regarding a loss-making bridge project in the US are at a similar stage. Mr Kotzee says that the design of the bridge, in Houston, was being revised even as Group Five was building it, resulting in costly delays. The claims are in dollars and Group Five should get the benefit of the falling rand when they are finally met.

4/9/94

Only property was a loss-maker. Mr Kotzee says the group, including Everite, has carried residential and industrial property through 68 months of recession and its value could begin to be realised in the upturn.

First prize would be for Group Five's reconstruction and development proposals to be given the go-ahead. Mr Kotzee says that with the group acting as contractor, houses of R55 000 or so can be built at an adequate return and even at the most basic R12 500 level, it would do business.

So far, the RDP has not had much effect on the group and general business conditions are picking up. Everite's problem areas have also been attended to. The granite operations have benefited from a change in quarrying procedure away from outcrops to excavation and removal. Demand outstrips supply at present.

The complicated control structure might be tidied a little. With Group Five shares at 450c, Group Five Holdings and Goldstein are cheap at 375c as they should trade at the same price. Everite and Evhold are both 570c.

Everite helps Group Five boost earnings to R9,6m

BDay 5/9/94

SAMANTHA SHARPE

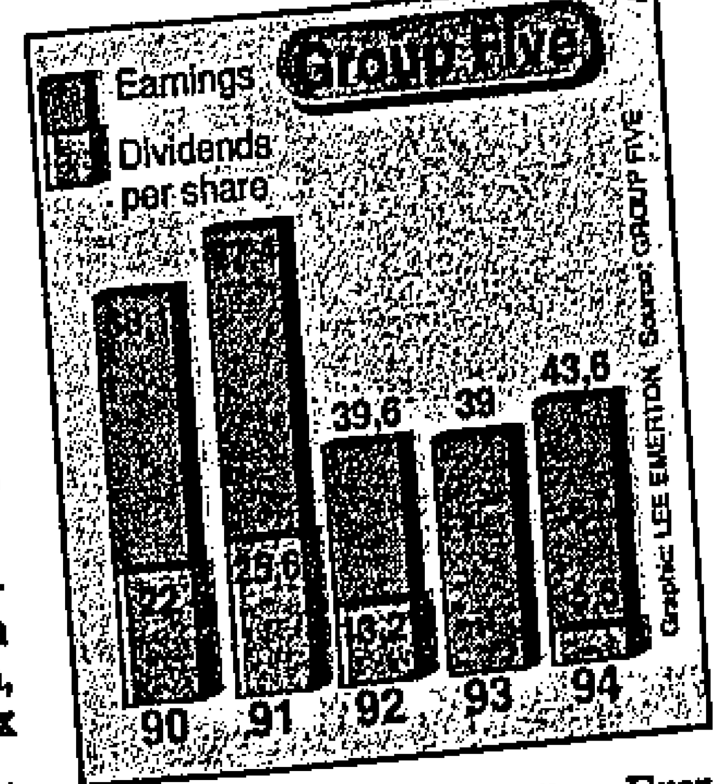
ACCOUNTING policy changes to include extraordinary items in operating income and the treatment of jointly controlled associates as joint ventures meant construction company Group Five's attributable earnings rose to R9,6m (R833 000) for the year to June.

Comparative figures based on previous accounting policies showed a 17% increase in turnover to R1,85m, with income before interest and tax up 3% to R50,4m.

An abnormally low tax charge of R1,3m from the use of assessed losses, exemption of certain income from taxation and favourable foreign and local tax rates also helped towards the favourable bottom line.

Earnings a share rose 12% on a comparative base to 43,6c and translated to a total dividend declaration of 5,5c. There was no dividend declaration in 1993.

Group Five executive chairman



Theunis Kotzee said subsidiary Everite had made a major contribution to improvement in operating margins.

Group Five's building, civils, engineering and roads divisions also performed well under difficult circumstances, he said. (189E)

Kotzee said the group had suffered from losses in its property division resulting from the sale of unused properties, write-offs on low cost housing land and trading losses in commercial property operations.

But Group Five's construction companies had secured considerably more work for next year than they had at the same time last year.

Employment opportunities within the group were increasing and should continue to rise with the growth in activity, he said.

"Prospects for the year ahead look promising and should signal the start of a move towards the realisation of the group's full potential."

He said he was pleased with the results of the Everite Group — largely because of cost reductions and improvement in operating efficencies. But overall return on capital was unsatisfactory and would have to enjoy special attention.

The Everite Group showed an increase in turnover of 9% to R547m, with operating income up 93% to R22,5m.

Earnings a share rose 106% to 13,4c, with a total dividend of 4c declared. There was no dividend declared in 1993.

Tax writebacks help boost Shoredits income

ROBYN CHALMERS

SIGNIFICANT tax writebacks and a lower interest bill helped construction and civil engineering group Shoredits boost attributable income 17% to R2,4m for the year to June from R2m previously.

This was equivalent to earnings a share of 21,9c (18,6c) and directors declared a final dividend of 8c, double the 1993 dividend of 4c. Comparative figures are shown on a pro forma basis as the group changed its year-end in 1993.

Wet weather and poor productivity over the election left turnover marginally lower at R196,2m from R203,2m previously. The interest bill fell to R5,7m from R7,1m, leaving pre-tax income more than five times higher at R2m (R347 000).

Significant tax writebacks saw the tax charge fall to R407 000 from R1,6m, and chairman Andy Shoredits said the group was unlikely to pay tax in the current year.

"Shoredits took a strategic decision some time ago to invest in plant and equipment in anticipation of an upturn in the economy.

"This strategy is now paying off. We have already won several major contracts, notably the Olifantsvlei sewage works south of Johannesburg and the Suikerbos water purification works near Vereeniging."

BDay 6/9/94 189E

GRINAKER

Better all round

FM 9|9|94

For those cautious investors not convinced of the sustainability of Grinaker's profit recovery in 1993 after 1992's poor performance, latest results should provide comfort. Earnings climbed 38% to R41,1m, giving EPS of 117,7c. (189E)

While shareholders will be pleased with management's efforts to glean better performances from the two operating arms — Grinaker Construction and listed electronics firm Grintek — they should be equally impressed with the strengthened balance sheet. Gearing has been reduced to 9% from 17% last year and 1992's 27%.

SWEET SUCCESS

Year to June 30	1993	1994
Turnover (Rbn)	2,30	2,78
Operating income (Rm)	77,4	107,3
Attributable (Rm)	29,7	41,1
Earnings (c)	85,1	117,7
Dividends (c)	18,0	26,0

Operating income increased 39% to R107,3m on turnover of R2,78bn — up 21%. Turnover of R1,1bn in the construction business is 18% up on a year ago. Chairman Jan Robbertze says this was largely because of greater efficiency and the benefits of participating in large construction projects such as Alusaf and Columbus. The civil engineering division in particular had an impressive turnaround, with excellent results from Duraset, piling and quarries in the supplies and services division. Construction provided two-fifths of group turnover.

Increased volumes, operating efficiencies and curtailed overheads saw Grintek report earnings up 23% at R42,1m, on a similar increase in sales, to R1,7bn. Grinaker Electronics continued to face lower defence

FM 9|9|94

spending though demand from traditional customers underpinned profits. Earnings increased 33% to R10,6m on turnover up 12% at R285m. Robbertze attributes the much improved performance to a broader base of commercial products.

All divisions produced creditable performances, says Robbertze, with good results again coming from the specialised engineering divisions. Usage of manufacturing capacity rose, and agency products derived from foreign alliances increased their contribution. (189E)

Listed information technology subsidiary Siltek again produced enviable results, with turnover up 26% and EPS rising 23% (*FM* September 2).

Grinaker's effective tax rate was brought down by tax incentives and losses. In the 1994 year it climbed from 26% to 29%, all but eliminating effects of the R3,8m drop in finance costs, to R12,9m.

With the group performance gaining momentum in the second six months to June — turnover was up 21% on the first half and operating income up 67% — it is not surprising management is looking for improved results for the current year. Nevertheless, the forecast of real earnings growth depends on a similar increase in SA's fixed investment.

The share has been rerated over the past year from 510c to R16 now. On a p:e of 13,6 and dividend yield of 1,6%, below the sector's 17,8 average p:e, it could strengthen further.

Marylou Greig

Basil Read suffers net loss of R14,2m

BDay 9/9/94

SAMANTHA SHARPE

A POOR performance from Basil Read's civil engineering division was a major culprit behind the construction group's net loss of R14,2m for the 12 months to June, compared with a previous R20,01m loss.

The recently restructured group said it had changed its year-end to December to put it on par with major stakeholder French construction firm Bouygues, resulting in interim results for the year to June.

Turnover showed a marginal increase to R391,49m from a previous R381,6m, but the group said the 1993 figure would have included certain activities curtailed after the Bouygues capital injection of R12m earlier this year.

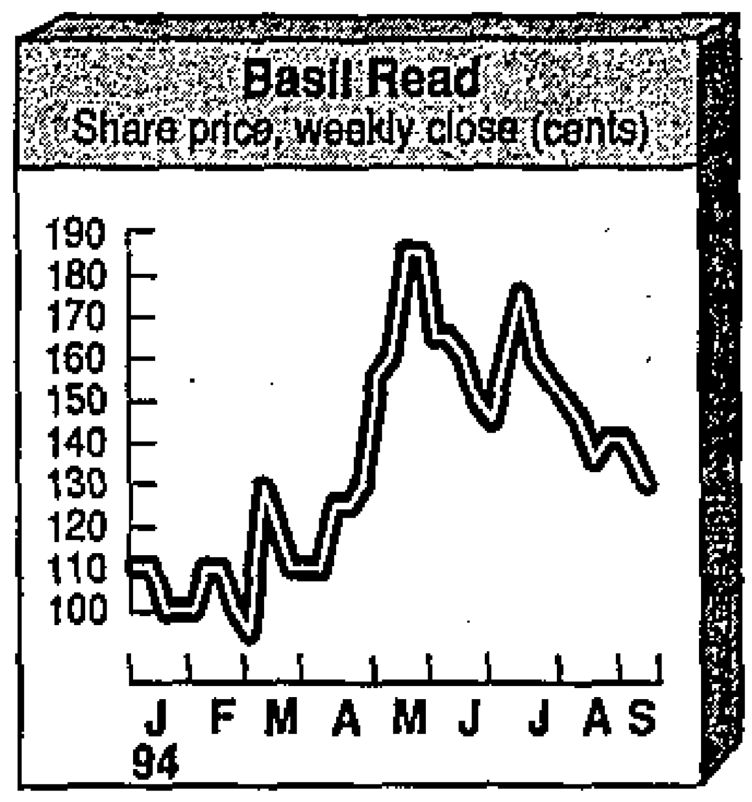
Its operating loss was confined to R11,4m compared with a R17,25m loss at the same time last year, with interest payments reduced nearly 74% to R3,06m.

Losses a share were pegged at 68,8c — a significant improvement on last year's 139,8c, and were based on the average number of shares in issue for the last year.

Chairman Leon Dison said that while the results still showed a loss they were an improvement on the previous year.

"We've been going through a terrible time and it finally looks like we're pulling ourselves out of the red."

He said the group had taken a knock from the poor performance of its civil engineering division, especially its activities in Botswana, and from strike action in June and July.



The negative effect of the strike action had, however, been fully accounted for in the latest results, he said.

He said the French connection boded well for future prospects and further forays into the subcontinent.

"Bouygues is determined to get the whole thing right and it has tremendous resources and expertise at its disposal," Dison added.

Turnover and profit for the next six months was expected to show an improvement on the latest figures, with the prospect of international development aid to many southern African countries boosting construction opportunities in the region.

Bateman arm scoops multimillion contract

AT 13/9/94 (189E)

From MICK COLLINS

JOHANNESBURG. — Engineering group EL Bateman subsidiary Bateman Project Holdings (BPH) yesterday announced it had secured a $120m contract for Zimbabwe's Hartley platinum mining project.

The contract would include engineering, procurement and construction management for Zimbabwe's first platinum mine, near Harare. A new office would be opened in Zimbabwe shortly.

The controversial $211,5m Hartley project is a joint venture between Australian companies Broken Hill Proprietary (BHP) and Delta Gold. The project, in which BHP holds 67% of the equity and Delta 33%, will employ about 2 700 people.

Platinum production, at full production in 1997, is expected to be 150 000 ounces. Hartley will be the biggest platinum producer outside SA which produces about 75% of the world supply.

Analysts have been critical of the launch of the new project at a time of historically low platinum prices.

BPH executive chairman John Herselman said the company had been appointed as client engineer and overall project manager. Construction was expected to begin early next year.

The contract was one of four awarded to the company in Zimbabwe. Internationally, new contracts included a $93m contract in Western Siberia for a gas compression station, two contracts in Australia and a fast track engineering procurement and construction management contract for a chemical plant in Israel.

Herselman said BPH had established itself as a major global player with the result that turnover nearly doubled compared with the previous year and a new office had been opened in Mexico City.

● Meanwhile, strong growth in foreign and domestic markets drove attributable earnings at EL Bateman up nearly a quarter to R31,2m for the year to June.

Turnover rose more than two-thirds to R1,1bn but chairman Bill Bateman said due to the nature of the contracts reflected in the figure there was no direct correlation between turnover and profit.

Operating income rose more than a third to R52,1m but increases in interest and tax resulted in only a 15,7% rise in after-tax income to R39,2m. Earnings a share rose 24% to 113,8c and a final dividend of 29,25c raised the annual dividend 18,8% to 38c.

● Bateman Industrial Holdings (BIH) reported turnover up 47% and attributable profit up 44%.

Strong market growth benefits EL Bateman

BDay 13/9/94

MICK COLLINS

STRONG growth in foreign and domestic markets drove attributable earnings at engineering group EL Bateman up nearly a quarter to R31,2m for the year to June.

Turnover rose more than two-thirds to R1,1bn but chairman Bill Bateman said due to the nature of the contracts reflected in the figure there was no direct correlation between turnover and profit in the same accounting period.

Operating income rose more than a third to R52,1m but increases in interest and tax resulted in only a 15,7% rise in after-tax income to R39,2m.

The interest bill more than doubled to R8m due to a significant investment by the group's equipment supply division in its information technology operations.

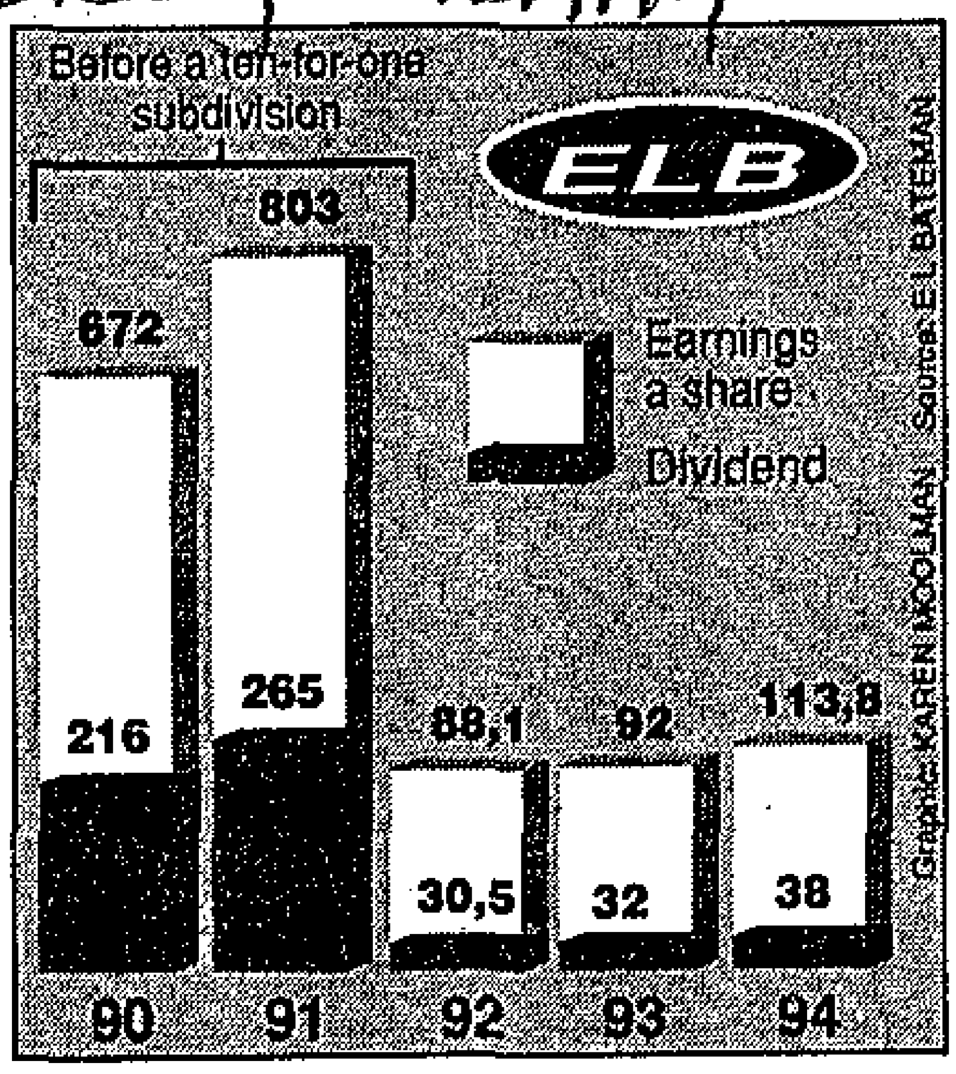
Tax quadrupled to R5m off a low base of R0,9m last year, when the group enjoyed tax credits in respect of adjustments to deferred tax provisions.

Earnings a share rose 24% to 113,8c and a final dividend of 29,25c raised the annual dividend 18,8% to 38c. (189E)

Bateman said the results surpassed expectations at the interim period.

The group's equipment subsidiary Bateman Industrial Holdings (BIH) had a good year with turnover up 47% and attributable profit up 44%.

BIH CE Peter Brereton said order books across the company's operations reached record levels. Mine safety requirements and a revival in BIH's traditional mining and minerals markets boosted the market for hydraulic stope systems.



Contracting/engineering subsidiary Bateman Project Holdings (BPH), which experienced difficult trading conditions in the southern African markets, saw a 41,8% increase in after-tax profit. BPH was able to ride out the slump due to its international contracting activities, which now comprised more than half its business.

BPH executive chairman John Herselman said the company had established itself as a major global player with the result that turnover nearly doubled compared with the previous year and a new office had been opened in Mexico City.

KNJ goes from bad to worse

AMANDA VERMEULEN

ENGINEERING equipment group KNJ reported a 141,5% increase in attributable loss before extraordinary items to R39,6m in the year to June due to poor trading conditions.

Loss per share increased to 27,1c (11,2c), on continuing, discontinued and sold operations, while loss after extraordinary items more than doubled to R58,9m (R20,9m). B Day

Turnover, however, was up 10,9% at R378,9m, but a net operating loss of R21,3m was reported against an operating income of R63 000 the previous year. 23/9/94

The directors said that during the period the group concentrated on disposing of loss-making companies and addressing the high levels of borrowings. (189E)

Interest bearing debt was reduced to R64,4m from R110,9m last year. Debt would reduce further in the current year as negotiations were concluded for the disposal of various group properties.

COMPANIES

Group Five might restructure

BIDay ROBYN CHALMERS

CONSTRUCTION and engineering firm Group Five was exploring ways of simplifying its group structure to create a more streamlined entity, executive chairman Theunis Kotzee said yesterday. 189E

Kotzee said while no final decision on the proposed restructuring had been taken, the aim was to ultimately reduce the five listed companies within the group to three.

"It may not be possible to downsize to three listed entities immediately, and we could initially reduce the number to four.

"We are considering options such as the swapping of assets which we believe will lead to a more streamlined entity able to trade more effectively and reduce costs."

The group is controlled by a management consortium through a voting pool arrangement between listed Group Five Holdings and SM Goldstein. The remaining listed firms within the group are Group Five, Everite Holdings and Everite Group.

Everite Holdings is controlled through a voting pool agreement between Group Five and Fedlife Assurance, with management control vested in Fedlife. 13/10/94

Prospects for Group Five have picked up significantly over the past year, with earnings rising to 42,7c for the year ended June against last year's restated 3,7c.

Kotzee said the results were bolstered by a solid performance from subsidiary Everite, contributing R2,6m to Group Five's attributable earnings of R17,8m.

Also, the traditional core businesses — building, civils, engineering and roads — performed well under pressure and showed healthy operating profit growth.

The properties division was the group's bugbear, however, with a loss on the realisation and write-down of surplus residential land holdings and a trading loss in the commercial property division.

EDWARD L BATEMAN

Gaining global reach

FM 14/10/94

Activities: *Process and project engineering and supplier of capital plant and equipment.*

Control: *Directors 43%.* (189E)

Chairman: *W G L Bateman. Joint MDs: J P Herselman and H P N Brereton.*

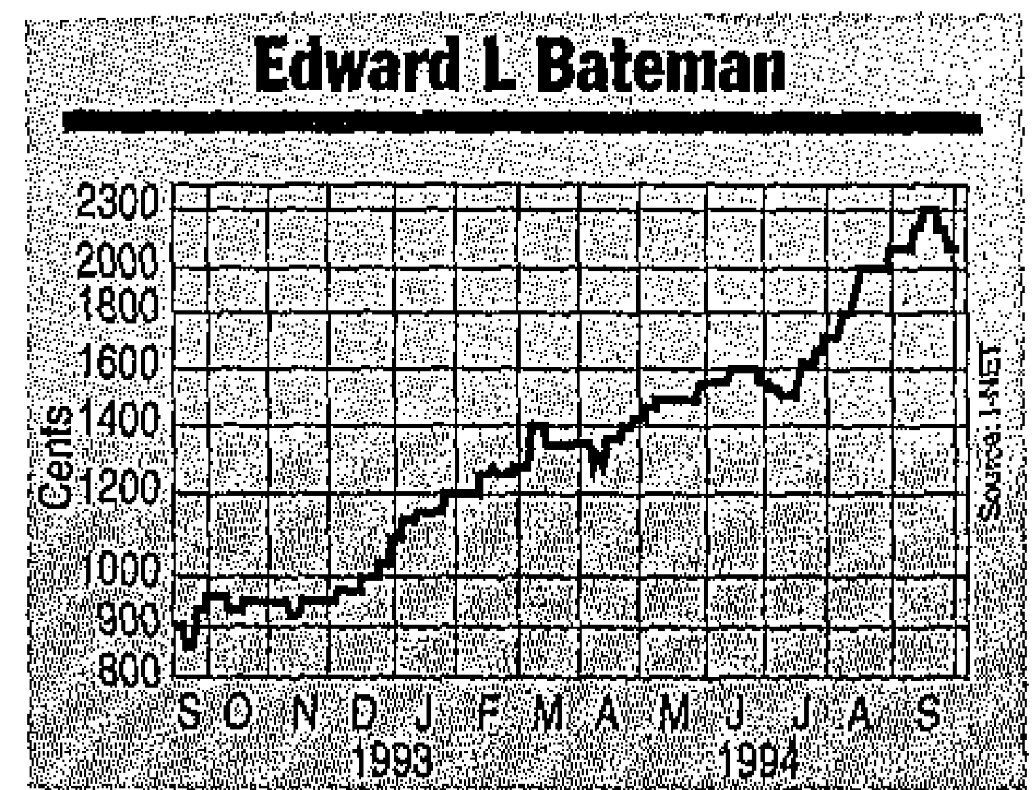
Capital structure: *27,4m ords. Market capitalisation: R575m.*

Share market: *Price: 2 100c. Yields: 1,8% on dividend; 5,4% on earnings; p:e ratio, 18,5; cover, 3,0. 12-month high, 2 300c; low, 925c. Trading volume last quarter, 234 000 shares.*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	18,0	14,2	34,2	54,9
LT debt (Rm)	0,2	0,8	2,4	1,7
Shareholders' interest	0,26	0,30	0,29	0,28
Int & leasing cover	15,3	7,2	7,5	7,5
Return on cap (%)	8,8	8,7	8,9	9,5
Turnover (Rm)	786	634	667	1 127
Pre-int profit (Rm)	36,2	36,9	40,6	50,9
Pre-int margin (%)	4,6	5,8	6,0	4,5
Earnings (c)	80,3	88,1	92,0	114,2
Dividends (c)	26,5	30,5	32,0	38,0
Tangible NAV (c)	336	381	396	452

It seems fitting that in its 75th year of operation, engineering and project management group Edward L Bateman is at last enjoying the fruits of extensive diversification.

Earnings in the year to June increased 24% to R31,2m, giving EPS of 113,8c. The contrast with the 69% growth in turnover



FM 14/10/94

to R1,13bn is explained partly by prudent accounting policies. The bulk of the profits from contract work is brought to account only towards the end of the contract period, when profits are assured, and the turnover figure is distorted by inclusion of notional invoicing representing contract work or clients of R232m (1993: R1m) handled for clients. (189E)

With offshore activities and exports now accounting for over half of Bateman's earnings, the tax position benefits from foreign and exempt income and incentive allowances. This is expected to change adversely in future — affected by the transition levy and the abolition of the tax-related incentive from March 1995.

There are two distinct types of activities: Bateman Industrial Holdings (BIH) supplies equipment to the mining, process industries and construction sectors; Bateman Projects (Batepro) has engineering, contracting and project management interests.

Batepro's after-tax profit of R14,4m jumped 42%. The 1993 increase was a mere 6%. The contribution to group profits increased from 30% to 34%, still some way behind BIH's 45% but ahead of contributions from property and investments (21%). Batepro's globalisation process has led to the division of its business into four main regions: Africa, the Americas, Australasia and the Middle East.

During the year it secured a US$93m contract in western Siberia for a gas compression station, two contracts in Australia and one for a chemical plant in Israel. More recently it has been awarded three contracts in Zimbabwe, including the $120m contract for Hartley's platinum mining project.

The continued export of equipment and services and the development of its international contracting paid handsome dividends for BIH. Sales increased 47% to R522m and attributable earnings 44% to R20m. In the last two months of the 1994 year, a revival in traditional mining and minerals markets secured for BIH major orders which will benefit the bottom line this year. The earthmoving equipment operations had a record year, and further gains are expected. The venture into information technology as part of BIH's diversification strategy into markets with high growth potential is on track, and fulfilling the group's market share expectations.

Prospects for both BIH and Batepro are

FM 14/10/94

good, at least in the short-term — longer-term returns depend heavily on the world economy. Management is confident, given the record order books, that real earnings growth is possible.

The share has climbed steadily over the past year from 900c to R21. (189E)

On a p:e of 18,5 and dividend yield of 1,8%, the counter is probably fully priced for now.

Marylou Greig

(189E)(...)

'SA has too few engineers'

PARLIAMENT. — South Africa produces only 32 engineering graduates per million of its population, compared with 323 by the United States and 694 by Japan.

This limited technological advance, Department of Mineral and Energy Affairs director general Mr Piet Hugo said yesterday.

He told the joint committee on the Reconstruction and Development Programme the low level of technical expertise was linked to low rates of mineral refinement.

The RDP would benefit if more was done locally. — Sapa

DORBYL

FM 21/10/94

Some way to go

'Turnover is vanity, profits sanity and cash reality'

(189E)

Newly appointed CE Bill Cooper has remodelled management, modified the group culture and is intent on setting Dorbyl's earnings on a secure growth trajectory. He is also determined to change market perceptions of the share, which has trailed the Industrial index and has been seen as a lame duck investment for the best part of 10 years; at R15, it stands 38% below the peak set in 1989.

As one of SA's largest and most diverse engineering groups, Dorbyl should have entered a recovery phase. Haggie, for example, reported a strong profit rebound last month. Also, a number of operations — automotive components, transport, construction and ship repair — lead in their respective markets.

But size and breadth have not brought attractive profits; earnings have fallen at an increasing pace. In 1992, EPS were 287,6c, in 1993 169,3c — and a large question mark hangs over those for financial 1994. The year-end was September 30 and if the collapse in interim EPS to just 1,6c (1993: 70,3c) is any indicator, results will be poor. Analysts are asking how large the attributable loss will be. That's assuming the costs of shedding underperformers are not treated below the line as extraordinary items, in which case shareholders' funds will still bear the brunt.

Problem areas abound. Much capital is tied up in fixed assets, some of them dormant or under-used. In 1993, the R1,1bn asset base earned just R55m after tax and it will be painfully lower this year. The upshot is high debt and thin interest cover. Cooper concedes this but says: "We are not going to rush out to sell assets just to improve cover or gearing. Any decision will be strategic."

He has kept his word. To reduce exposure to overcapacity in the small bore welded tube industry, Dorbyl a fortnight ago disposed of the related manufacturing interests to Robor Industrial Holdings (*Fox* October 7). Cooper says more assets could be sold but he emphasises the group's markets will be virtually unchanged. "No assets will be disposed of that fit strategically into Dorbyl's future in the medium term."

Among the aims must be a higher overall margin. After extensive reshaping, the nine operating arms of a few years ago have been consolidated into three: manufacturing, contracting and trading. These have always run independently, perhaps too much so since they are perceived by some as driven by sales rather than margin.

Another factor deterring investors from considering Dorbyl a serious investment could be the share's oscillation on small volumes. Of the more than 32m shares in issue, only 377 000 changed hands when the price moved from R19 to R28,25 in a few months in late 1991 and it fell again on trade of only 162 000. This may have influenced market perceptions of the stock more than anything the recession did.

Cooper's move from engineering group T&N Holdings could hardly have come at a worse time. Budgets had already been set and divisional management confessed they would not be met. Cooper then gave management the opportunity to redraw budgets just two months before year-end. These will be used to determine capital expenditure for the year to September 1995 — and to decide whether spending will be cut yet again. Capex was slashed from R175m in 1992 and R100m in 1993 to R80m in 1994.

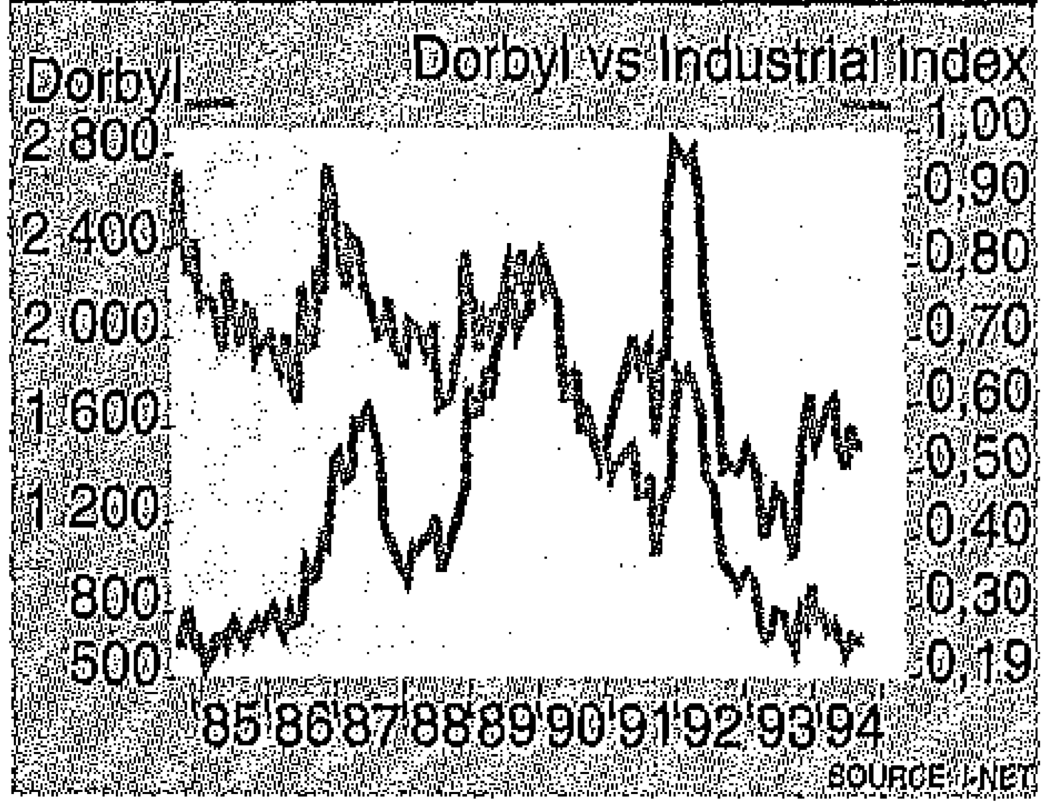
"If budgets prove better than projected, we could loosen the purse strings," says Cooper. Targets set internally have often been missed. For example, the target for pre-interest return on net capital employed is 25%. Good progress was made to 1989; thereafter, it declined and is now 8,8%.

This can only be addressed by eliminating lossmakers and disposing of non-productive assets. Previous CE Dawid Mostert, who retired in June, realised this in 1993 and closures began. Traditional markets such as power generation and mining all but disappeared, resulting in the decision to close Dorbyl Heavy Engineering Vanderbijlpark. And, with turmoil in the international shipbuilding market, Dorbyl stopped building large vessels.

About R66m was lost on the sale or discontinuance of parts of the business. Cooper won't quantify the rest of the pain of disposing of or closing other non-performers but the implications will be clear in the 1994 results.

Two other important targets, pre-interest margin and interest cover, have also missed the mark. Pressure on margins, particularly in the contracting division, has seen group

MORE BUMPS AHEAD



New CE Cooper ... *looking to the medium term*

operating margins fall to 4%, well below the targeted 8%. Interest cover has narrowed from 1989's 6,2 to a mere 2,7 in 1993. Cash flow has been negative for four of the past five years.

Operational management can cite sound reasons for poor performances: in the manufacturing division, demand for rolling stock and buses has fallen and hampered profits; in the contracting division, there has been a dearth of projects; and, in the trading division, demand from the construction and mining sectors has weakened and share of the automotive market was held at the expense of profitability.

But Cooper says: "Dorbyl will not be excuse- or sales-driven. Cash flow must improve, underperformers must be eliminated and costs have to be cut." He maintains that "turnover is vanity, profit sanity and cash reality."

The property portfolio is under the microscope and could unlock sizeable quantities of cash. Dorbyl's head office is in large premises in Bedfordview. A few years ago, it was filled with group staff. Now smaller, often unreliable, tenants occupy part of it; so the sale of the building could be an option.

Salary costs are certain to fall. Since Mostert began cutting staff in 1989, the payroll has been halved to about 11 000 and pruning is largely complete. One of Cooper's early decisions was to cut a layer of management. The three divisional chairmanship positions have disappeared. Manufacturing chairman Mike Smithyman left to join BTR Dunlop, contracting division chairman Louis Taljaard retired and trading division chairman Brendan O'Connor left to pursue other interests. Cooper contends these changes will bring him closer to the rest of the board which, interestingly, now includes ex-T&N human resources director Martin Parry.

Cooper was CE of T&N from 1990. In the four years before joining Dorbyl, his strategic approach more than halved T&N's gearing to 28%, doubled interest cover to 2,8 and added almost 65c to the 35c EPS of 1990. This recovery was achieved during recession — particularly severe in the motor industry, which accounts for more than four-fifths of T&N's sales. But Dorbyl is a much bigger and tougher nut. Its market capitalisation is double that of T&N and turnover is five times higher.

This is not the first attempt that has been made to revive Dorbyl's profits — or share price, for that matter. Last November, Murray & Roberts negotiated to take control of Dorbyl and holding company Metkor. They have complementary activities, so this seemed feasible. Dorbyl is M&R's biggest competitor and edging out the opposition is an important goal. But the talks ended in mid-December.

Rembrandt Group effectively controls Dorbyl, with a direct 10% stake plus about 50% of Metkor. The Stellenbosch group plainly needs to take a more active approach towards ensuring better returns from underperformers in its portfolio, especially with tobacco under pressure.

Meanwhile, Cooper's strategy does not rely simply on cutbacks. One avenue he intends to pursue aggressively is exports — a topic on which he holds firm views.

"SA manufacturers have to be export-orientated, not only to grow the business but to become competitive with potential exporters to SA," he says. "Exports normally can be achieved only at low profitability but it is incredible how operating management can squeeze costs to enhance these export margins. Dorbyl has many additional opportunities for export and these will be strongly targeted. Significant resources will be invested to develop profitable niche markets."

Because of the timing of contract closures, exports declined from R409m in 1992 to R330m in 1993, about 12,9% of turnover. (Profits are taken on to the income statement only on completion of a contract, though losses are recorded immediately.)

Cooper says cost-cutting is unavoidable if the business is to compete internationally. The laager mentality, he adds, must end. Five years ago, Dorbyl had to compete against only a few local engineering concerns. Now the large internationals are showing interest in SA.

"We'll enter into joint ventures where possible," he says. "In China, for example, it is virtually impossible to tap the market unless local partners are involved."

FM 21/10/94

FM FAX NUMBER

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(189E)

Here Cooper will notice the difference in managing a company without an international parent. T&N had T&N (Plc) in the UK to turn to for advice, exposure to new markets or financial assistance — though this was rarely needed.

Dorbyl does not have this edge. Through mergers, acquisitions and organic growth, it has evolved into one of the largest engineering companies in the southern hemisphere but its roots stretch to 1898, when Lloyds & Lloyds of Britain established itself in Kimberley.

In 1903, Sir Arthur Dorman established Dorman Long in Cape Town. Twenty-four years later, Stewarts & Lloyds built its first tube plant in Vereeniging; it was later named Tubemakers of SA and is today called Tosa. During World War 2, Dorman Long headed SA's armaments combine, of which Stewarts & Lloyds was a prominent member. In 1944, Dorman Long's armoured car works switched production to railway rolling stock.

Vanderbijl Engineering Corp (Vecor) was established in 1945 to serve Iscor's iron and steel works. In 1973, Dorman Long Africa and Vecor merged to form Dorman Long Vanderbijl Corp. And a major expansion came in 1985 when Dorbyl acquired Stewarts & Lloyds, part of which was sold to Barlows' unlisted subsidiary Robor Industrial Holdings last month.

This will result in two separate joint ventures being formed by Dorbyl and Robor: engineering and tube products. They will be controlled by the two respectively. Robor also bought Dorbyl's small bore welded tube manufacturing interests.

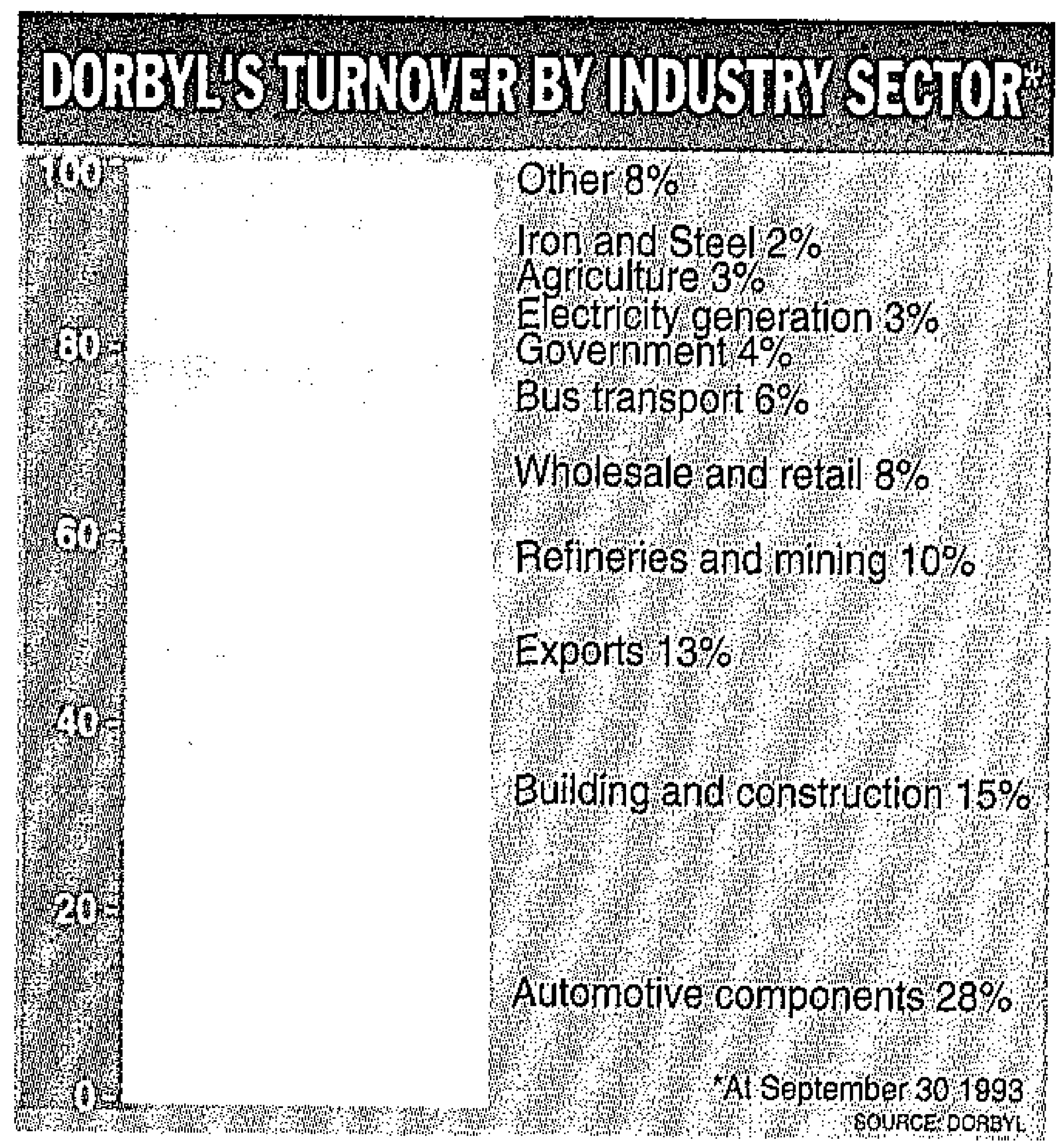
Effects of the R109m cash inflow are striking. Had the effective date been the beginning of financial 1993, gearing would have been 19,7% instead of 33,5%; interest cover improves from 2,7 to four times. Borrowings would have dropped from R272m to R154m. EPS would have been 16% higher at 169c.

This gives some indication of what the sale of a few assets can do. Cooper would like gearing to be below 30% and interest cover at five. He will concentrate on developing a positive cash flow culture by "changing reward structures, minimising working capital and ensuring all business is orientated toward cash generation in the short to medium term."

This makes feasible Cooper's aim to return Dorbyl to health within 12 months. It is hoped the share can then begin ascending like those of fellow engineering groups Haggie and E L Bateman.

Already, a major order worth R120m has been secured by Dorbyl's structural engineering operations for Alusaf potroom structures. Orders have also been secured from Columbus and Namakwa Sands. Activity relating to the Cabinda platforms should benefit Dorbyl Marine this year through the intershore partnership with Amec and M&R (worth R107m). Stewarts & Lloyds Trading is expected to turn profitable in the new year and improved computer systems should ensure better asset management and returns. Exports would benefit from rand depreciation.

However, there is some way to go before the refocusing programme is complete. When year-end results are published next month, they will contain numerous non-recurring items which could see an attributable loss — and the share could lose more ground. But Cooper suggests the market look beyond this towards the medium and long terms.



The contracting divisions, he says, are now the right size to be profitable. Skills and capacity to take on larger projects are still available and written-down assets can be staffed for projects.

If the efforts to turn Dorbyl into a leaner, hungrier giant succeed, the share could have the makings of a good recovery stock. A deciding factor will be whether financial 1995 results show evidence of a profit turnaround. *Kate Rushton*

Seartech set for listing

CT 21/10/94 (189E)

By ARI JACOBSON

SEARDEL will list its electronics arm Seartech separately on Diagonal Street in December, according to a statement released this morning.

Seartech will be listed at R1,75 a share and with 60m shares in issue will amount to an initial market capitalisation of R105m.

Projected earnings of 16,3c a share for the year to June places Seartech on a forward price earnings of 10,7 times — cheap against the electronics sector average of about 16,7 times.

The issue of new Seartech shares will be in the form of renounceable letters of allocation conferring the right to subscribe for 65 Seartech shares for every 100 shares held by existing shareholders in Seardel or Searcon.

Seardel will initially hold a 75% stake in Seartech, with 25% of the share capital offered to shareholders.

Seardel financial director Arthur Jacobson said that hiving off the two companies would allow investors to focus on Seardel as a clothing company and Seartech for its electronic base.

He believed that value would be "unlocked in both companies in this way" and expected the Seardel and Seartech shares to be rerated upwards.

The last date for registration is November 4.

Fm 28/10/94

CONCOR Fm 28/10/94

The burden of cash

Activities: *Civil engineering, building, roads and toll management.*
Control: *Eurafrica GMBH 34,8%.*
Chairman: *B W Murphy.*
(189E)
Capital structure: *11,4m ords. Market capitalisation: R120m.*
Share market: *Price: 1 050c. Yields: 3,3% on dividend; 12,8% on earnings; p:e ratio, 7,8; cover, 3,9. 12-month high, 1 050c; low, 350c. Trading volume last quarter, 153 095 shares.*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	2,6	2,0	2,0	9,2
LT debt (Rm)	2,9	2,9	2,2	2,8
Debt:equity ratio	—	(0,78)	(0,39)	(0,86)
Shareholders' interest	0,24	0,24	0,27	0,26
Return on cap (%)	9,2	5,3	6,7	8,0
Turnover (Rm)	550	506	488	632
Pre-int profit (Rm)	11,8	11,3	13,1	19,3
Pre-int margin (%)	2,2	2,2	2,7	3,0
Earnings (c)	112,1	89,8	112,3	134,9
Dividends (c)	30	30	30	35
Tangible NAV (c)	391	448	454	550

It says much for the financial strengths of Concor that it was able to emerge from the Time Holdings debacle with only scratches instead of scars. After the sale of Time Life Insurance, and after taking into account other recoveries, the net damage seems to have been confined to 1993's R8,7m write-off (including goodwill arising from the original investment), and a remaining potential exposure of R4m treated in the 1994 financial statements as a contingent liability as the directors do not expect further losses. Fm 28/10/94

Concor resumed strong cash generation in the year to June 30. By year-end gross cash holdings had jumped from R34,8m to R66,6m, exceeding shareholders' funds by almost R4m, while cash net of borrowings rose from R30,6m to R54,7m, equivalent to 479c a share out of a total net worth of 550c.

The high liquidity underlines another point made by the *FM* at the time of the preliminary results — that Concor's investment rating appears to be out of line with the record results of last year. If one takes the cash out of the present 1 050c share price, the operations appear valued by the market at only 571c a share, or R65m in total. Operating earnings (excluding taxed interest receipts) exceeded R10m, giving an operating p:e ratio below 6,5.

That's a large improvement on 1993. Operating earnings were then R9,2m, when the market value excluding cash was only R9,4m — the share price having been 350c last October, of which 268c was backed by cash. (189E)

None of this explains why the market is unwilling to give Concor a rating more in line with the Building & Construction sector, where the average p:e ratio is almost 16.

Ironically, the proven cash-generating ability — which one would normally see as a major plus — may be impairing the market rating. The reason for saying this is that there is not much evidence — particularly after the Time Holdings affair — that the group has the ability to maximise the benefits of its cash pile. That raises the question of what value should be placed on this cash if it is not going to be put to fully productive use.

If one was to consider the cash holding as a fifth "division" of the group, gross interest receipts of R7,8m in 1994 would have made this the second-most important profit source, after construction which earned R12,8m pre-tax. (189E)

Yet interest receipts still represent a return of under 12% on the gross cash holdings which, in turn, account for almost 28% of the total asset base at June 30. That, it could be argued, hardly makes the cash worth having.

A related aspect is that, though Concor's financial structure was hardly dented by the liquidation of Time Holdings, the R7,9m write-off against this investment was the equivalent of almost two years' dividend at 1994's increased rate. Given that Time hit the wall barely six months after the investment was made, perhaps shareholders would have been better off with an additional 69c in dividends instead of the investment and subsequent write-off.

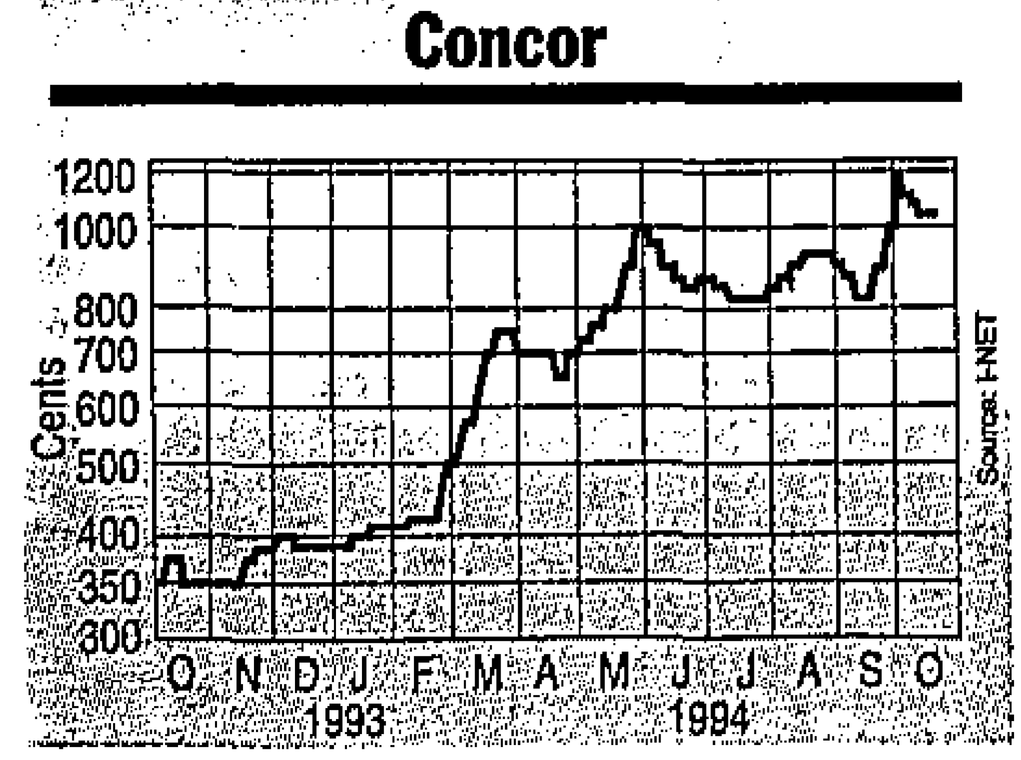
Similarly, if Concor is generating cash which is not being used fully, is the dividend policy appropriate? The 1994 cover of 3,9 was the same as the average over the past six years, during which period Concor earned a total of 589c a share (before extraordinary items) and paid out 153c. It retained 436c a share, or just short of R50m.

If calculated on dividends, the discount of 27% at which Concor is rated relative to the rest of the sector is only half the discount if the calculation is earnings-based. A more liberal dividend policy would not, by itself, guarantee a more favourable market rating. But it is hard to accept that shareholders' interests are being best served while the share is trading at a discount to the sector when, by all appearances, it is outperforming its competitors in terms of earnings. *Brian Thompson*

PROFIT PATTERN

	1993		1994	
Pre-tax profit	**Rm**	**%**	**Rm**	**%**
Concor Construction	11,5	63	12,9	49
Concor Technicrete	2,5	13	5,1	19
Concor Roads	3,5	19	,8	15
Investments/Other	0,9	5	4,5	17
Total	18,4	100	26,3	100

Concor



Dorbyl's Angolan deals threatened

CT 31/10/94

(189E)

From MICK COLLINS

Access to account denied

JOHANNESBURG. — Engineering group Dorbyl may lose out on contracts worth nearly R1bn for the construction of four offshore production platforms for the Angolan oil fields, sources said at the weekend.

The failure by Angolan authorities to meet certain payment conditions for the contracts had led to an impasse. Alternative avenues were being explored in an effort to push the deal through.

Dorbyl entered a joint venture with Murray & Roberts Engineering and UK-based Amec Process & Energy International to carry out the contracts and a new company, Intershore, was formed.

The deal would have seen the creation of 500 to 600 jobs in Durban at Dorbyl subsidiary, Dorbyl Marine, which was to build and supply the platforms for Angola's Cabinda Gulf Oil.

Dorbyl Marine MD Joe Bullough said at the weekend that a meeting of the partners had taken place last Wednesday, at which certain decisions were reached. A statement would be made this week.

Part of the funding was to come from the Industrial Development Corporation (IDC), and Credit Guarantee agreed to provide credit insurance cover for the first of the contracts — worth $107m — in June.

Conditions in the contract, which was signed in September last year, included access to the escrow account of state-owned Angolan oil company Sonangol. Oil proceeds from Sonangol were to have gone through the escrow account from which creditors would be paid, including repayment of loans to the IDC. But Angola had refused access.

The first contract worth R370m was for the construction of two rigs for the Cabinda phase two project. Intershore obtained prequalification status for the second contract worth R560m which was for the construction of a further two offshore platforms for the Cabinda phase three project.

Dorbyl, through Intershore, was to have been responsible for construction of the piling, jackets and platforms as well as the hook-up and commissioning of the rigs.

Cabinda Gulf Oil is a subsidiary of Chevron Overseas Petroleum which trades on behalf of Agip Angola, Elf Petroleum (Angola) and Sonangol.

Dorbyl may lose R1bn Angola deal

BDay 31/10/94

MICK COLLINS

ENGINEERING group Dorbyl may lose out on contracts worth nearly R1bn for the construction of four offshore production platforms for the Angolan oil fields, sources said at the weekend.

The failure by Angolan authorities to meet certain payment conditions for the contracts had led to an impasse. Alternative avenues were being explored in an effort to push the deal through.

Dorbyl entered a joint venture with Murray & Roberts Engineering and UK-based Amec Process & Energy International to carry out the contracts and a new company, Intershore, was formed.

The deal would have seen the creation of 500 to 600 jobs in Durban at Dorbyl subsidiary, Dorbyl Marine, which was to build and supply the platforms for Angola's Cabinda Gulf Oil.

Dorbyl Marine MD Joe Bullough said at the weekend that a meeting of the partners had taken place last Wednesday, at which certain decisions were reached. A statement would be made this week. He declined to comment further. (1892)

Part of the funding was to come from the Industrial Development Corporation (IDC), and Credit Guarantee agreed to provide credit insurance cover for the first of the contracts — worth $107m — in June.

Conditions in the contract, which was signed in September last year, included access to the escrow account of state-owned Angolan oil company Sonangol. Oil proceeds from Sonangol were to have gone through the escrow account from which creditors would be paid, including repayment of loans to the IDC. But Angola had refused access to the account.

The first contract worth R370m was for the construction of two rigs for the Cabinda phase two project. Intershore obtained pre-qualification status for the second contract worth R560m which was for the construction of a further two offshore platforms for the Cabinda phase three project.

Dorbyl, through Intershore, was to have been responsible for construction of the piling, jackets and platforms as well as the hook-up and commissioning of the rigs.

Cabinda Gulf Oil is a subsidiary of Chevron Overseas Petroleum which trades on behalf of Agip Angola, Elf Petroleum (Angola) and Sonangol.

NEI Africa doubles its export orders

MICK COLLINS BiDay

POWER engineering group NEI Africa had doubled export orders to R80m to end-September and newly appointed CE John Kempster said he was confident the group would break the R100m mark before year-end.

Kempster said he was bullish about future export prospects, particularly in sub-Saharan Africa, where a concentrated marketing drive had laid a solid foundation for new export business. 2/11/94

NEI, a member of Rolls-Royce Industrial Power, was also looking beyond Africa for export opportunities.

"Increased co-operation with Rolls-Royce will lead to future sales in markets outside sub-Saharan Africa." Exports were now accounting for about 20% of the group's power manufacturing capacity.

The group reported a R4m attributable profit at the June half-year compared with a loss of R4m for the same period last year. (89E)

GROUP FIVE

Unravelling the web

Fm 11/11/94

Activities: *Composite construction/engineering group.*

Control: *Management through S M Goldstein.*

Chairman: *TJ Kotzee.*

Capital structure: *41,8m ords. Market capitalisation: R251m.*

Share market: *Price: 600c. Yields: 1% on dividend; 7,1% on earnings; p:e ratio, 14; cover, 7,7. 12-month high, 650c; low, 88c. Trading volume last quarter, 1m shares.*

Year to June	**'91**	**'92**	***'93**	**'94**
ST debt (Rm)	0,7	115,4	146,7	29,5
LT debt (Rm)	—	3,5	6,6	20,5
Debt:equity ratio	(0,93)	0,20	0,21	0,10
Shareholders' interest	0,17	0,36	0,35	0,38
Int & leasing cover	n/a	6,6	1,4	2,6
Return on cap (%)	7,2	2,8	2,1	4,9
Turnover (Rbn)	1,3	1,4	1,6	1,8
Pre-int profit (Rm)	39,1	28,3	21,0	47,4
Pre-int margin (%)	3,0	1,8	1,3	2,6
Earnings (c)	77,4	39,6	3,7	42,7
Dividends (c)	25,6	13,2	nil	5,5
Tangible NAV (c)	221	244	213	252

* Re-stated following accounting changes.

(89E)

The casual announcement by chairman Theunis Kotzee that consideration is being given to simplifying the control structures around Group Five and Everite could not be better timed or justified. These are a dog's breakfast; if the original intention was to frighten off predators, it must surely be unnecessary now.

Meanwhile, the results for financial 1994 confirm recovery: turnover rose 17% to R1,9bn and operating income rocketed to R43,4m, up R24,2m, or better than double 1993's result. Operating margin has improved from 1,2% to 2,4%; while these sound small numbers, they become large when set against turnover.

If there is disappointment in the income statement it is in financing costs, a net R18,5m — almost precisely the same as for 1993. Yet the balance sheet shows borrowings down to R50m from 1993's R153,3m; this highlights the essential time differences in the two documents. Income after a tax clawback of R1,3m was R27,7m (1993: R7,2m); after providing for outside shareholders, attributable is R17,8m and EPS 42,7c (1993: 3,7c). Dividends were resumed with a payment of 5,5c.

A puzzling feature of the balance sheet comes in the investments, which include endowment policies: last year, these were shown as R46,4m; this year, nil. The implication is that payment was made and received. However, the income statement reveals R4m in fund value increases from this source, and the cash flow throws out R50,4m in proceeds on the maturity of investments. Fm 11/11/94

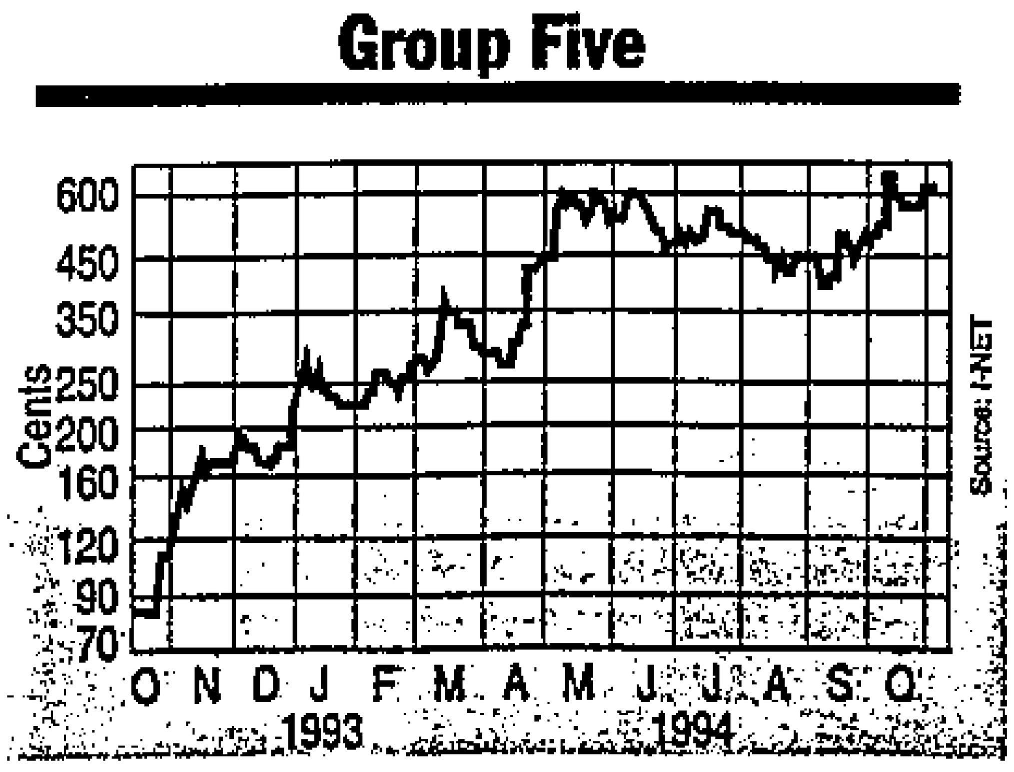
Of course, the increase in fund value, taken with 1993's value, exactly equals the cash inflow. Isn't it strange, given such a large movement (actually in Everite) that the chairman's comment is restricted to a single line? Shareholders are entitled to better disclosure and explanation.

This year's results confirm the importance of Everite to the group: its contribution to pre-interest and tax profit was R22,5m or 47,5% of a figure confused by the huge loss of R16,4m in Goldstein Properties. However, Everite's contribution to Group Five's bottom line is only R2,6m because the effective holding is only 23%. Everite is controlled through Everite Holdings by a voting pool of Group Five (40%) and Fedlife Assurance (20%); Kotzee says the group investment increased to 40% this year, because Fedlife exercised its right to put shares to it. The indication is that another 5% of the equity will be put to Group Five over financial 1996.

Short-term prospects hinge around a real and sustained resurgence in economic activity. Kotzee places importance on the RDP. Other factors of potential benefit over 1995 may be a resolution of claims in respect of the Houston Bridge project in Texas, and the ill-fated Fancourt project near George. (189E)

The p:e of 14 sits strangely with Everite's 37 and Evhold's 42. What this underlines is that the market is more confident about Group Five's major constituent than it is about the spider at the centre, though this may merely reflect Everite's tight share control. Take note. *David Gleason*

Group Five



Titaco runs into profit

MUNGO SOGGOT

ENGINEERING group Titaco bounced back into the black in the year to August, reporting yesterday an attributable profit of R1,3m compared with a loss of R536 000 for the eighteen months to August 1993.

MD Basil Smidt said the return to profitability had been spurred by several new contracts and the company now had a healthy order book. BD 94

Turnover for the year was R27,681m, compared with R40,689m for the 18 months to August 1993. Earnings a share were pegged at 21,7c, against a loss of 8,9c a share.

Income before tax was R998 000 compared with a loss of R699 000. Titaco had a tax write-back of R315 000. 17/11/94

The share went untraded at 60c yesterday. (18 9E)

The company's net asset value a share increased to 107,9c, previously 92,1c.

Abnormal losses erode Dorbyl

Star 21/11/94

BY CHARLOTTE MATHEWS

Dorbyl more than halved earnings to 51,5c a share in the year to September from 107,2c in the same period in 1993 after heavy abnormal losses on a contract.

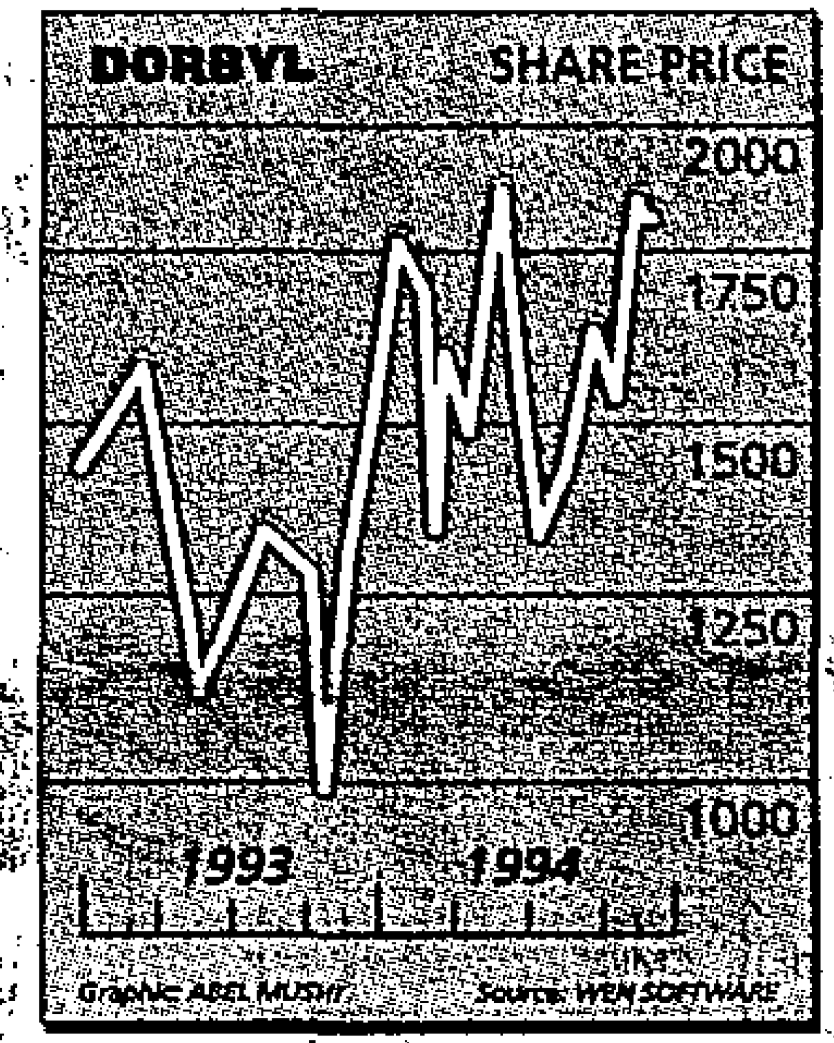
Group turnover rose 11 percent to R2,9 billion and operating income was 15 percent better at R88,7 million.

Interest paid grew marginally to R37,4 million (R36 million) and the tax rate was 22 percent from 15 percent previously.

Attributable earnings were R16,6 million (R34,6 million). The dividend has been cut to 20c from 60c previously.

A R29,3 million abnormal write-off has been taken on the cancellation by an overseas contractor of a deal to make structural steel for the Kiel Bridge.

A prior-year adjustment of



R26,7 million, arising from the Board of Trade and Indsutry's rejection of a claim made under the General Export Incentive Scheme, reduced operating income by R20 million in 1993. The 1992 figure has been reduced by R6,7 million.

An extraordinary item of R36,97 million arose mainly from the sale of Tosa's small-bore tube interests and a 40 percent interest in Steel Pipe Industries. (1895)

Since year-end, Dorbyl has sold its 60 percent interest in Tosa Seamless Tubes and the Tosa property in Vereeniging to Iscor for R177 million.

If the non-recurring losses and effects of the disposals had been in place for the full year, group earnings would have been 254,5c a share, says financial director Eric Diack.

The proportional contributions to turnover of the three main divisions — contracting, manufacturing and trading — were little changed from the preceding year.

Chief executive Bill Cooper says the underlying strength of the company is significant and that it has large potential. Dorbyl is now focusing on cash flows and enhancing exports, which will not only help carry overheads, but also sharpen the local focus.

No more disposals of a size similar to those of the past year will be made.

The contracting division, which had been the Achilles Heel of the group, will benefit from the reduction in overheads and the group's refusal to tender below cost for contracts.

Many group products will benefit from Reconstruction and Development Programme expenditure and the stronger economy predicted for the coming year.

Dorbyl's shares were trading around R18,25 last week, close to their highs for the year, but well below the levels of some years ago.

Net asset value of the shares is now around R23.

Contract loss hits Dorbyl bottom line

B/Day 21/11/94

MICK COLLINS

ENGINEERING group Dorbyl's earnings plunged by more than half to R16,6m in the year to September as an abnormal loss on the international market took its toll.

Turnover was 11% higher at R2,88bn, with Dorbyl Heavy Engineering returning to profit for the first time in 10 years. Operating income rose 15% to R88,7m, but was subsequently decimated by the loss of R29,3m caused by the cancellation of a contract for the fabrication of structural steel for the Kiel bridge in Europe.

The loss was reflected as an abnormal write-off and although the group had instituted legal proceedings against the overseas contractors, it warned that protracted delays were expected. Operating income after the abnormal item was 23% down at R59,4m. Interest paid rose 4% to R37,3m.

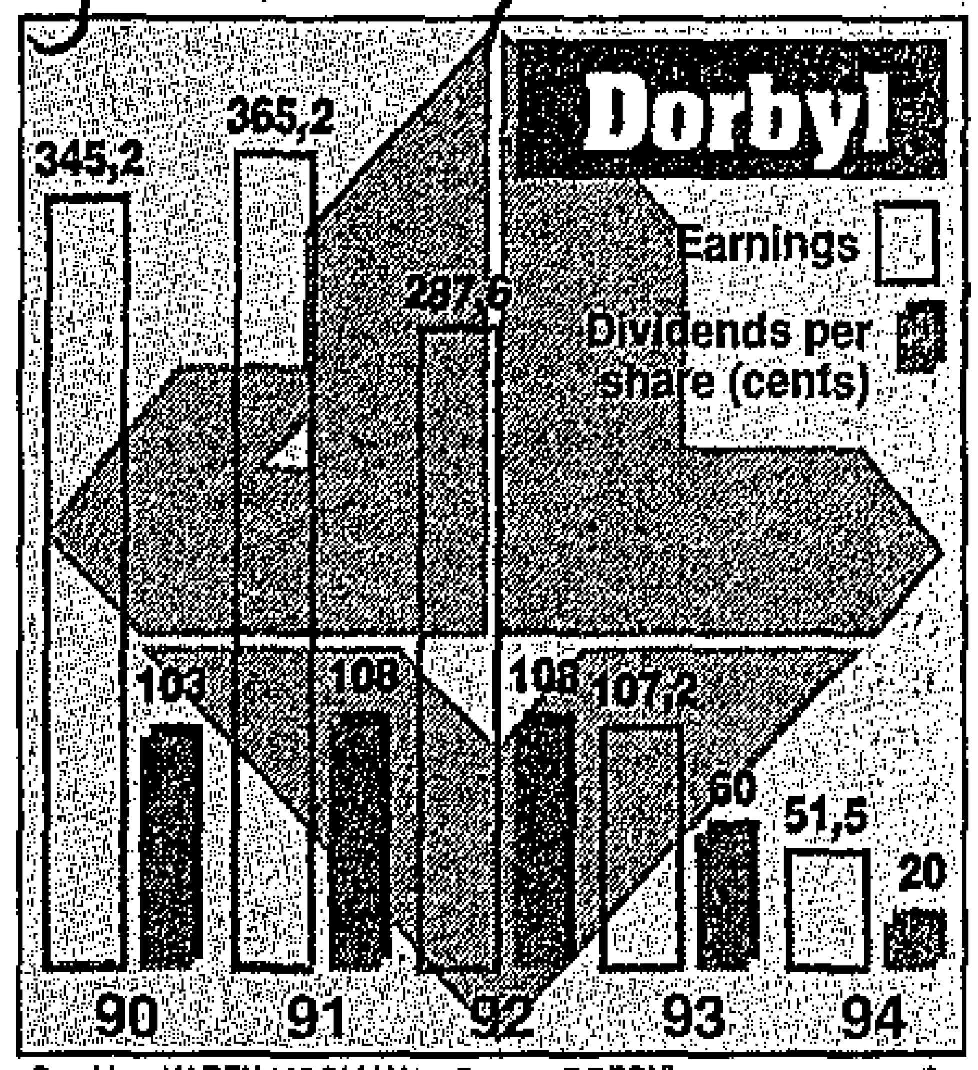
Pre-tax income dropped 46% to R22m and despite a lower tax bill of R4,8m (R6,1m), after-tax income dropped 51% to R17,2m.

Earnings a share more than halved to 51c (107,2c), but the directors declared a 20c (60c) dividend.

A dispute with the Board on Tariffs and Trade resulted in a major claim in terms of the general export incentive scheme being rejected.

(189E)

Newly appointed CE Bill Cooper said the dispute would go to mediation and though a recovery was expected, the full claim of R26,7m had been written off as a prior year adjustment. This had reduced last year's



Graphics: KAREN MOOLMAN Source: DORBYL

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Dorbyl

B/Day 21/11/94

□ From Page 1

operating income by R20m and the income of the previous year by R6,7m. (189E)

Cooper said the repositioning strategy implemented in the last financial year strengthened the group's balance sheet and its earnings potential. Steps were taken to exit over-traded markets of a cyclical nature while other non-performing assets and loss makers were either disposed of or repositioned and focused on niche markets.

Subsequent to the year-end, negotiations were concluded with Iscor for the sale of the group's 60% interest in Tosa Seamless Tube operations for R177m. Other operations disposed of included an interest in the trading operations of Stewarts & Lloyds and Guestro Alloy Wheels.

The deals reduced the group's borrowings and interest burden significantly. A positive cash flow of R91m was generated.

The contracting division had been reduced but retained the ability to gear up for major projects provided the margins were acceptable relative to the risk.

"The group continues to develop strategic alliances with international technology leaders," Cooper said.

Stronger earnings would be underpinned by improved demand at Dorbyl Transport Products, Steel Pipe Industries and Stewarts & Lloyds.

Is there such a thing as 'coloured' nationalism? Or is ethnicity being exploited to garner political support, asks ***PAULA FRAY***

Black and white focus makes coloureds see red

Star 21|11|94

154

Burning barricades in the streets of usually quiet townships earlier this year, more than anything else, drove home the point that all is not well within the coloured communities.

The kernel of the protests is best encapsulated by poet Adam Small's oft repeated anecdote on the townships' view of SABC's coverage of "coloured" issues which has become legendary in the community: *"Ons betaal teevee licence en ons betaal vir colour teevee oek, ma' wat kry ons vir 'n image? Altyd net blerrie black and white!"* (We pay television licence and we pay for our colour TVs. But what image do we get? Always just bloody black and white.)

The problems within many residential areas formerly designated "coloured" are real. Inadequate services, high rents for decayed homes and large arrears are all ideal rallying points for some activists in these areas.

But the racial nature of the rallying call has divided coloured political leaders — some of whom question whether the issues are unique to their communities.

About 30 km south of Johannesburg is Ennerdale, a relatively new township built on Grasmere Farm which is now surrounded by informal settlements. In Ennerdale, pre-township structures stand alongside new double-storey homes. In places, sewage water overflows into the streets; litter is strewn along the potholed roads.

Civic Association of Johannesburg (CAJ) leader Roger McCullogh has only recently moved back into his home from which he was evicted two years ago following a protracted community battle with the Johannesburg City Council over the township's structurally defective houses.

His home has huge cracks, and is not unique. In fact, some houses have been condemned and the entire township is in need of upgrading. Like most former "coloured" areas, Ennerdale is integrated.

Ennerdale escaped the recent unrest, although McCullogh does not deny there probably is a small group supporting the call for "coloured action", which is linked to the South Western Joint Civics Organisation (Sowejoca), which detractors say is racist and divisive.

Its chairman, Basil Douglas, rejects the charges. What Sowejoca wants, he says, is equal justice. Their short-term demands include writing off arrears; a flat or affordable rate and the reinstatement of Coronation Hospital as a general hospital. To this end, Sowejoca has called for a rent boycott.

Douglas does not have to go far in his birth town of Noordgesig to show council houses which are falling apart brick by brick, backyard squatters, houses built in flood areas or rows of houses with leaking roofs: *"Die hele plek is papnat."*

Just across the highway, he says, is Diepkloof (formerly designated a black township) where residents are paying a flat rate of R45 for services and R33,80 for electricity: "There are millionaires living there who are paying a flat rate," says Douglas, who describes his organisation as non-aligned.

"They accuse us of being racist yet we have been living mixed all these years. Our people speak different languages and there are all kinds of people living here. They are hiding behind racism to disguise the fact that they must address our problems. They make out as if we are aiming this at black people ... but there are black people living in our areas. A lot of my family live in Soweto. *Ons bly deurmekaar."*

In turn, Sowejoca accuses PWV Premier Tokyo Sexwale of being racist by his statement that coloured protesters make him vomit: "Who's racist now?"

Douglas explains away his call for an exclusively "coloured" television station as a mere tactic to get attention: "It was a tactic not a principle."

But, there has been a groundswell of coloured nationalism, says Douglas, as the community has learnt from the past: "If you go back into history, ... coloured people have been used as disposable commodities by politicians."

Douglas says coloured people previously not white enough for certain franchises, are now not black enough to benefit from the new dispensation. "We are sandwiched between the ideologies of the NP and the ANC."

What does fuel the call for "coloured" nationalism, says McCullogh, is the fear of affirmative action — a policy he believes is essential to make State institutions more representative of the communities they serve.

"Affirmative action was misused as a tactic of fear in the run-up to the election," he says.

Says Douglas: "To put it crudely, in our view, affirmative action has led to affirmative discrimination. I'm not saying give special attention to the coloured community. Everyone who is poor and oppressed ... their problems must be addressed. We're being ignored. Put the spotlight on our plight too," he says, claiming PAC membership and allegiance.

But McCullogh says the RDP is a policy aimed at all communities to redress imbalances of the past: "Poor facilities are not unique to "coloured" areas. They are a legacy of apartheid."

According to McCullogh, "coloured" areas in the central Witwatersrand fall under 14 different legally constituted structures and the delivery of services and tariff structures vary within these authorities.

"Anybody who advocates flat rates or boycotts in this new dispensation is obviously working against the RDP ... what we've been struggling for is to give everyone access to basic services," says McCullogh, adding that non-payment could see this policy fail.

Problems in all areas, not just those formerly designated "coloured", are being exacerbated by paralysis in local government ahead of the formation of new, non-racial structures, says McCullogh. RDP policies too, cannot be implemented without a third tier of government at local level.

The issues now being militated for were raised and fought for by civic associations working in "coloured" areas, says McCullogh: "The Metropolitan Chamber has agreed that arrears are irrecoverable and must be written off. The Met Chamber has decided this and the TMC must implement it in conjunction with regional government. It is our (civics') understanding that the arrears in all areas will be written off."

It is time to drop the prefix "so-called" and proudly claim the name "coloured", says South African poet Professor Adam Small.

"I don't only think it is a description that will stay, I think it is one that must stay ... and I'm thinking of the rainbow people of this country," says Small.

"As far as the law book is concerned, we are beyond apartheid. I can fully understand why, during that terrible past when the term 'coloured' was a racial category enforced upon people through legislation in the most vicious manner, people would say to hell with this discriminatory name. The fact is that people were known as and referred to themselves as coloured long before 1948," says Small.

"I have no problem with that whatsoever. I do have a problem with people who deny their roots in the sense of their cultural, religious and every other derivation."

Small says the coloured community is not homogenous or unified: "It is the rainbowness of these people that makes them one."

But Dr Roy du Pre, author of *Separate but Unequal: The "Coloured" People of South Africa — a Political History* (Jonathan Ball Publishers), argues that coloured people have been successfully indoctrinated into the culture of segregation.

A crisis of identity among coloureds is marked by the fact that coloured people have never really identified with their fellow oppressed, says Du Pre. Standing together merely on the basis of a coloured identity would give victory to the principle of racial segregation, he says.

To South Western Joint Civic Organisation chairman Basil Douglas, the term "so-called coloured" encourages self-denial. There is, he points out, no restriction on labelling people Xhosa or Zulu.

But he admits that it is difficult to define what makes a coloured community unique: "We are then so mixed up. But we do share most things in common."

But there is also a growing feeling that the tag "coloured" has no place in the new South Africa.

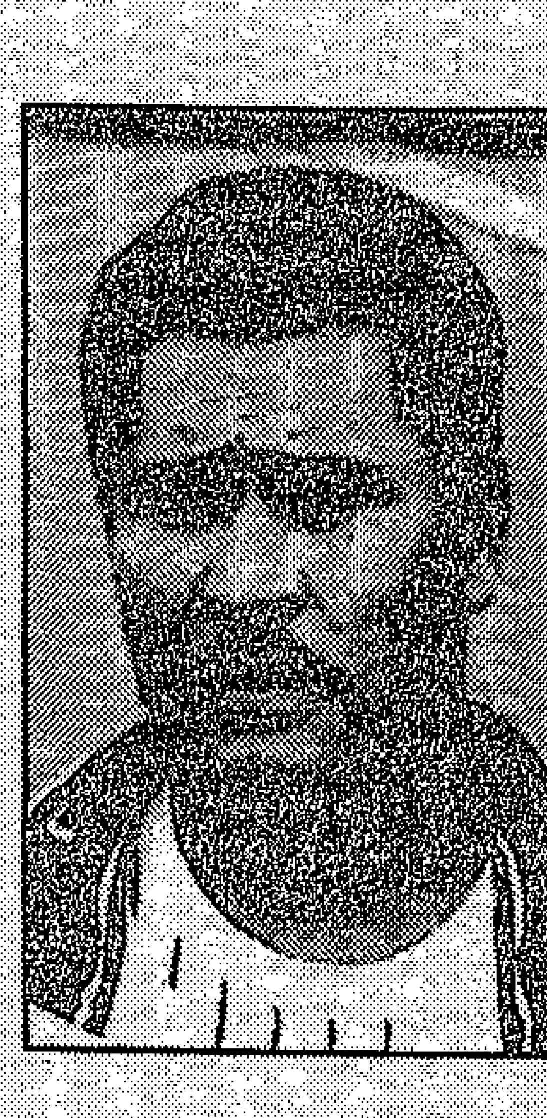
Civic Association of Johannesburg (CAJ) community leader Roger McCullogh does not identify with the tag "coloured" which he believes is an imposed one: "If we remember the struggle in South Africa, from the very early years it has been nonracist and for a nonracist society. The new constitutional framework obviously does away with derogatory terms such as coloured."

McCullogh believes the community at large lacks a group identity and this must be debated at national level. It is not, he says, an ethnic grouping.

"I do not see myself as coloured. It does not fit in within the context of the struggle for liberation through this country's history. Have we been liberated from a racist tag only to voluntarily enforce that racism?"

Like McCullogh, Small rejects the idea of coloured nationalism, saying people who made these calls had misunderstood what things were about. Their calls could lead to racism.

Adam Small ... "I can fully understand why, during that terrible past when the term 'coloured' was a racial category enforced through legislation in the most vicious manner, that people would say — to hell with this discriminatory name."



Basil Douglas ... "There is no restriction on labelling people Xhosa or Zulu. However it is difficult to define what makes a coloured community unique: We are so mixed up. But we do share most things in common."

'Dorbyl's image restored'

B/Dorbyl 23/11/94

MADDEN COLE

THE sharp rise in Dorbyl's share price yesterday to just off its eight-year high indicated the market had received the message it was no longer drifting rudderless, newly appointed CE Bill Cooper said yesterday.

"We have taken the right moves and have generated more than R300m cash from sales of non-performing subsidiaries. Our losses have disappeared, interest payments were reduced and we have got rid of the laggards in the group."

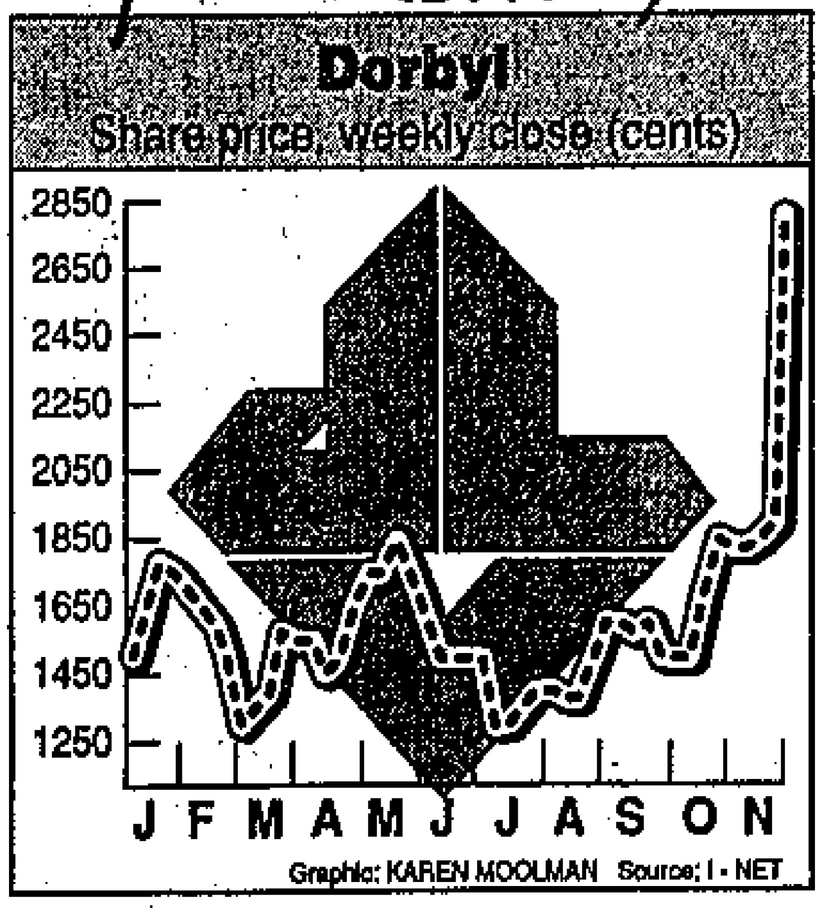
The share price rose R9 to R28, above its annual high of R19 reached on Monday, and off the eight-year high of R32 in November 1992.

Cooper, who announced yesterday subsidiary Busaf had received a R65m order from the Johannesburg City Council for 100 single-decker buses, the biggest order in 10 years, said he expected the balance sheet to be degeared and turnover to increase threefold within three years.

The group was well poised to benefit from the reconstruction and development programme.

Export markets in Africa and the Pacific Rim offered great potential for the transport division.

MICK COLLINS reports that the rise in the share price had taken the market by surprise. But one analyst



said the share was now fully valued.

Results, which were released last week, had shown non-recurring abnormal items well accounted for. These included the Kiel bridge contract in Europe where R29m or 90c a share had been written off as well as losses in Dorfin of R11m (34c). The disposal of the two Tosa operations in which the company was involved would show savings of R4m (13c) and R16m (51c) respectively. (189E)

The company had stripped out its bad business. There was also new management and no more debt.

Another market commentator said the fact that earnings had finally bottomed had encouraged the market, which could see growth in the company next year.

Dorbyl knocks debt sideways, seeks cash flow

SI Times (Buss)

By DON ROBERTSON

STRATEGIC restructuring at Dorbyl has captured the attention of investors, with the share price gaining 50% in just over a day.

"We have cleaned out the cupboard and have got rid of a lot of skeletons. We could treble turnover in the next couple of years," says Bill Cooper, Dorbyl's new chief executive.

The shares, trading at R18,25 last Friday, moved to R28 on Wednesday, but eased to R26,50 at the close on small volume.

The shares are tightly held by Rembrandt Group, Amic and institutions.

The company has "taken the pain" for the restructuring as recorded in Monday's preliminary report for the year to September which shows a 52% decline in attributable profits to R16,6-million compared with R34,5-million in the previous year.

Adopting a conservative accounting policy, an additional provision of R36,9-million against R59,6-million previously has been made.

This represents the loss on the sale of Guestro Alloy Wheels and the small-bore tube interests of Tosa. The previous year's provision relates to the closure of Dorbyl heavy engineering division at Vanderbijlpark.

The sale of these assets, however, generated R142-million and this was used to reduce borowings from R272-million in 1993 to R180,5-million.

The company has also made provision for R29,3-million following the cancellation of a contract for the fabrication of structural steel for the Kiel Bridge in Germany. This is being disputed, but could take years to resolve.

Since the end of the financial year, the 60% interest in the Tosa seamless tube facility and property in Vereeniging has been sold to Iscor. This will generate R177-million which will also be used to reduce borrowings to a mere R7,6-million.

In financial 1994, the company paid R37,3-million in interest. These charges will be almost wiped out in the current financial year.

If earnings were restated to eliminate non-recurring losses and the effects of the disposals, they would equate to 254,5c a share compared with the 51,5c a share reported and the 107,2c a share in the previous year.

These developments have set Mr Cooper a new base on which to develop the company in the next few years. But he has even more encouraging news.

The Busaf division has won a R65-million order for the supply of 100 single decker buses for the Johannesburg municipality. This will keep the division almost fully operational for about a year. Exports of bus kits for Hong Kong and Singapore are also possible, with perhaps 50 to 75 units a year being delivered.

In addition, Dorbyl has joined a venture with the Johnson Controls Automotive Systems group of the US for the manufacture of complete car seating systems and components for Volkswagen.

(189E)

"Three other original equipment manufacturers (OEMs) are interested in this operation and it is possible we will be able to supply all seven manufacturers in time," says Mr Cooper.

The marine division has been restructured.

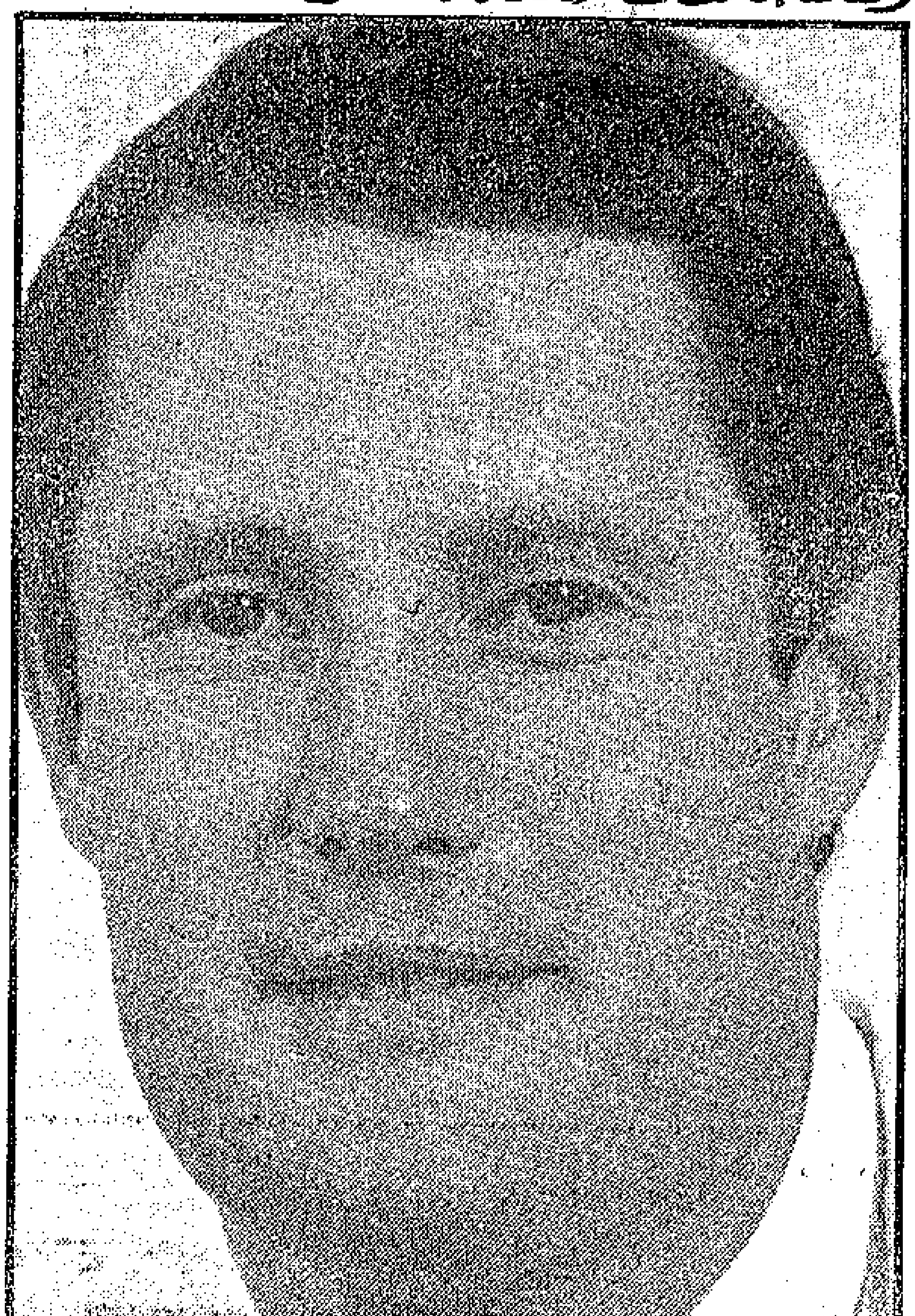
"Operations have been slimmed down and overhead structures are now right. We are happy with ongoing business, including the $107-million oil platform for the Cabinda oil field. We can now look for bigger projects," says Mr Cooper.

The company has had discussions with the Department of Trade and Industry with regard to re-establishing ship building and the tax concessions which generally go hand-in-hand with the industry.

The company is also hopeful that it might be given a contract to build at least two of the four corvettes required by the navy.

The Dorbyl heavy engineering division has returned to profitability for the first time in 10 years while the railway and automotive divisions as well as metal merchants, Baldwins, are doing "exceptionally well".

"Cash flow is now the number one priority in the group and what we have done with the under-performing assets will further advance our position as being almost debt free."



CLEANING UP ... Billy Cooper, Dorbyl's new chief executive

27/11/94

Union Carriage plans new mill

(189E) BD 14/12/94

MICK COLLINS

STANDARD Engineering subsidiary Union Carriage is to invest R6m in an on-site steel profiling mill following the company's successful tenders for R900m in contracts for train sets to Taiwan.

The mill, complete with tooling and ancilliary equipment, will manufacture all the necessary stainless steel profiles to complete construction of the train sets.

The Far East contracts, for the supply of 72 electric train sets to the Taiwanese Department of Rapid Transport and 64 locomotives to the Taiwanese Railway Administration, were clinched in August.

A R100m deposit on one of the contracts enhanced Standard's operating cash flow to R128,5m (R84,4m) for the year to June.

A new division, Union Carriage and Wagon Company Steel Profiles, has been established to produce the vast number of profiles needed for the Taiwan order.

GM of the new division John van Rensburg said up to now Union Carriage had obtained its profiles from outside suppliers. "With the new mill, not only will we be able to cut costs significantly, we will also be able to control production, delivery dates and quality."

He says the mill will not only cater for Union Carriage but will also ultimately supply both local and international companies. "We are negotiating with major industry players locally and abroad, and prospects look promising.

"Having our own mill also enables us to contribute to the beneficiation of stainless steel as a finished product."

All of the steel required for the Taiwan contract will be supplied by Columbus Stainless Steel.

Shoredits looks forward to boom in years ahead

(189E)

BD 20/12/94

MICK COLLINS

CONSTRUCTION and civil engineering group Shoredits had secured a number of major contracts and order book levels in most divisions were higher than ever, chairman Andy Shoredits said in his annual review.

He said the turning point in the civil construction industry was reached late last year, with the building construction industry following a few months later.

"The latest scenarios suggest that boom times in the building industry such as those experienced in 1982/83 will again be experienced in 1995/96, and will thereafter further increase to 2000," Shoredits said.

Much of the activity would come from the substantial reconstruction and development programme spending on infrastructure and housing.

The group's available capacity had already given it a distinct advantage in tendering for the increased business, he said.

Satisfactory growth in turnover was expected following the high levels of orders. "Even if margins remain the same, our operating income should benefit accordingly. We are, however, already experiencing the improved margins which are the inevitable result of reduced spare capacity in the industry."

The group's recent R19,2m rights offer would improve the capital base to fund growth. Shoredits said the group had already demonstrated its flexibility and ability to adapt to a rapidly changing environment, which should serve it in good stead for the challenging times ahead.

The year to June saw a further consolidation in operations, as the group invested in the divisions which showed potential for growth in line with the improved economic environment, and streamlined others to bring down overhead costs.

"There can be no doubt that the diversified nature of the group, with its interests in civil construction, property development, and niche markets in certain areas in the industry, has helped to maintain margins during the worst building industry recession in the country's history.

"Our strategy throughout these extremely difficult and trying times has been to retain key staff while reducing overheads and maintain the quality and condition of our plant register, and refusing to chase turnover at the expense of profit," he said.

This strategy had positioned the group to take advantage of the new business opportunities which were already being experienced.

M&R plans to spend R2 billion

Star 22/12/94

BY DEREK TOMMEY

The local construction industry is about to receive a shot in the arm from Iscor's R3 billion Saldanha Steel venture.

This has come at just the right time for the major construction companies as it will help fill the gap being left by the completion of the Alusaf and Columbus Stainless Steel projects.

It is understand that tenders for the venture have to be submitted in the next few days.

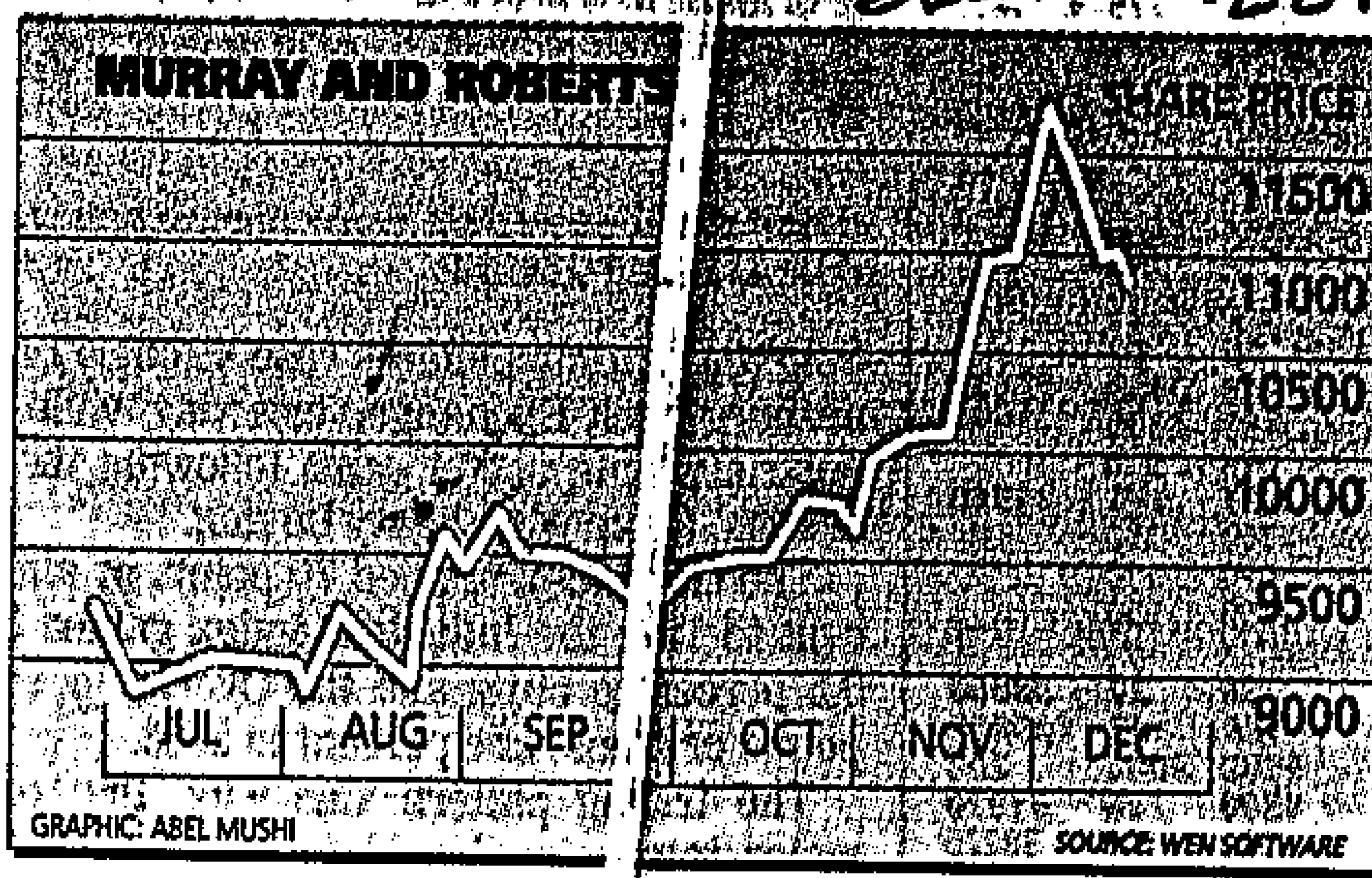
One company which the venture could help is Murray and Roberts, the construction, engineering and transport giant, which has ambitious plans to grow rapidly in the coming years.

Chairman David Brink told shareholders a little while ago that M&R plans capital expenditure of R2 billion in the next three years on improving its plant and facilities.

This is part of a plan aimed at growing M&R to twice its 1993 size in real terms by the year 2000. (189E)

He added that a significant part of this growth would come from overseas. Because of the country's political situation only 10 percent of the group's total turnover in recent years has come from foreign work and exports.

But following the progressive falling away of sanctions, it is developing new export and foreign activities.



The ending of the recession and the new spirit of cooperation in Southern Africa could provide an abundance of opportunities which will suit what M&R has to offer.

He says these foreign activities are targeted to reach 20 percent of group turnover in value by 1998.

However, exports are growing faster than expected and it is possible that M&R could reach this figure a year earlier, says chief executive Andre van der Colff.

Brink says that M&R's prospects for improving current attributable earnings depend on the timing and the extent of RDP expenditure in the year ending June, 1994.

Ambitious housing plans have been announced but before these can be implemented, the problem of ensuring that mortgage payments are made needs addressing.

"In addition, it is essential to develop the infrastruture to support communities in a sustainable manner".

He reports that that the prospects for a better business climate are noticeable in many parts of the group.

Order books have shown a marked improvement and this, together with the group's involvement in major projects should lead to solid growth in operating profits in 1994-95.

Dorbyl set for new drive to expand exports

189E CT 30/12/94

Own Correspondent

JOHANNESBURG. — New-look engineering group Dorbyl is poised to make a fresh attack on foreign markets with a commitment to shareholders to increase exports next year.

Chairman Joop de Loor said in the long run the survival of the group would depend heavily on its ability to compete abroad, especially in niche markets where competitive advantages existed.

In his annual review, De Loor said a process of strategy formulation aimed at a tight definition of the group's core businesses had already started.

A key objective would be cash generation and enhancement of shareholder wealth through the correct positioning of the group in the medium to longer term.

He said the senior operational management layer between the group CE and the divisions had been removed to facilitate flexibility and communication.

"The executive committee has been revised to include all the divisional heads, and a management style driven through full participation of all team members with a clear definition of performance requirements has been instituted.

Restructure

"A very promising start has been made in implementing this culture change, although it is clearly recognised that it will require continuing dynamic leadership to ensure full acceptance throughout Dorbyl," De Loor said.

The restructuring, which caught the attention of investors when the company announced its results in November, has seen the share price move from the R15 mark in late October to its current R30 level.

The shares are tightly held by the Anglo American Industrial Corporation, the Rembrandt group and institutions.

De Loor said prospects for all divisions were much improved. The strategic refocusing, including the disposal of the Tosa welded and the Tosa seamless operations, had placed the group in a sound financial position with significantly reduced borrowings and enhanced earnings potential.

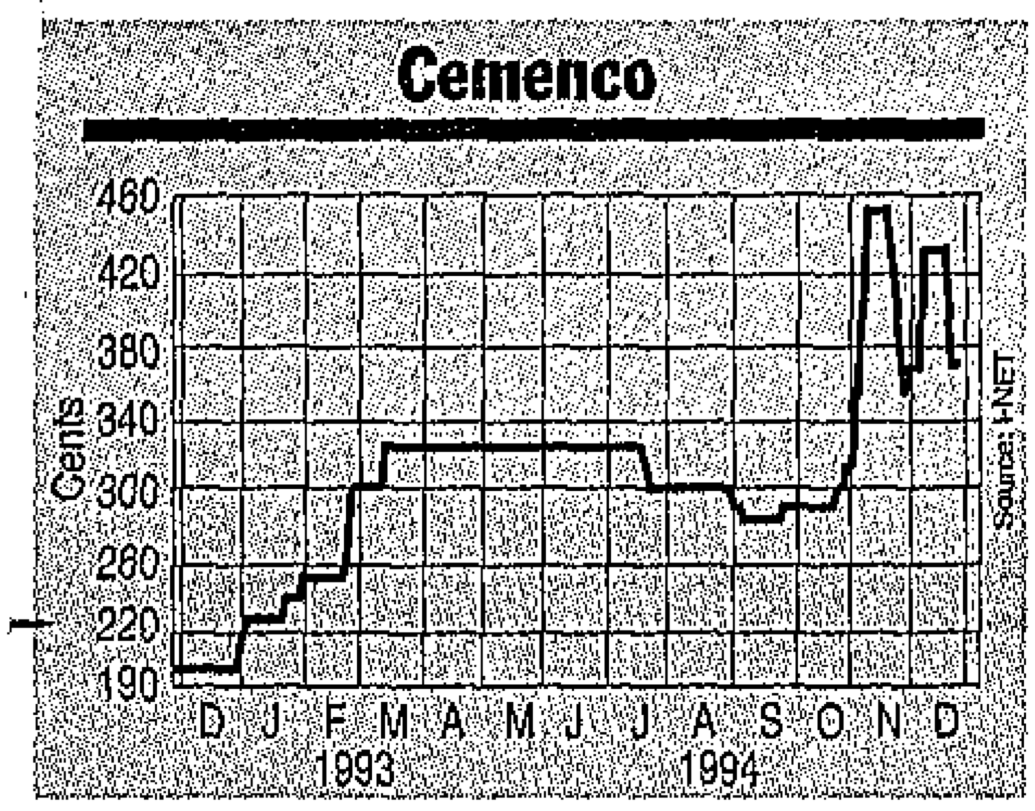
The sale of the Tosa small-bore tube interests to Robor Industrial Holdings and the sale of a further 40% in Steel Pipe Industries to Tubemakers of Australia contributed to a reduction in borrowings from R272m to R181m. The sale of Tosa Seamless Tubes to Iscor for R177m would further reduce the debt level. The sale would be effective from January 1 next year.

The use of joint ventures to ensure technical and project management competence was considered a key for the future. A joint venture company, Intershore, recently established with UK-based Amec and Murray & Roberts, had been awarded a $107m contract for two oil platforms for the Cabinda oil field.

MANUFACTURING – ENGINEERING & METALLURGICAL INDUSTRIES

(E)

1995



(189E)

CEMENCO

Stability needed

FM 6/1/95

Activities: *Specialised engineering and mining contracting operations.*

Control: *Trafalgar House Plc 37,3%, Old Mutual 27,6%.*

Chairman & CE: *G B Lotter.*

Capital structure: *8,9m ords. Market capitalisation: R32,9m.*

Share market: *Price: 370c. Yields: 1,5% on earnings; p:e ratio, 66; 12-month high, 450c; low, 200c. Trading volume last quarter, 55 000 shares.*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	35,5	19,2	10,6	17,8
LT debt (Rm)	6,2	3,3	1,1	0,5
Debt:equity ratio	0,44	0,28	0,35	0,16
Shareholders' interest	0,34	0,39	0,47	0,40
Int & leasing cover	—	1,5	2,5	1,6
Return on cap (%)	(2,7)	3,4	5,1	2,4
Turnover (Rm)	325	265	270	300
Pre-int profit (Rm)	(13,8)	5,1	7,9	4,2
Pre-int margin (%)	(1,5)	1,9	2,9	1,4
Earnings (c)	(78,0)	4,4	16,8	5,6
Dividends (c)	—	—	—	—
Tangible NAV (c)	664	667	804	775

Cemenco's 1994 annual report provides an unusual dichotomy. The optimistic tone of the chairman's statement contrasts sharply with the 67% decline in earnings. EPS of just 5,6c (1993: 16,8c) and no dividend do little to entice investors.

On closer examination, a marked improvement in trading during the second six months is apparent. Turnover during this period increased 23% on first-half figures, lifting full-year sales 11% to R300m. The biggest boost came from an almost doubling of operating income.

Chairman & CE Graham Lotter says benefits from the continuing restructuring and consolidation of the operating divisions were magnified by the surge in recent months. During the year, Cemenco acquired a 70% stake in marketing and sales company Techno Arms; associate Barracuda Granite Tile was disposed of in March.

Mining contributes the biggest slice (R152m) of turnover, followed by engineering and construction (R142m). Attributable earnings contributions look different, mining's R1,5m far exceeding the R464 000 from engineering and construction. The loss from Cemenco's share of associates (R1m) all but wipes out the group profit.

Cash flow looks somewhat strained. Compared with the R5,3m cash retained from operations in 1993, R6,8m was raised in 1994 through higher borrowings.

Lotter says: "Investment over the past three years in the development of new products should begin to pay dividends in the year ahead, with the real possibility of material returns in 1996."

He says this investment will continue in the first six months of the year, with attention being paid to development overseas. The fact that the counter still trades at about 47% of NAV suggests investors are wanting to see some stability in the earnings record before buying. *Marylou Greig*

Urban chair could make RDP engineers a reality

(189E) ARG 12/1/95

ANDREA WEISS
Municipal Reporter

RDP engineers could become a reality if a proposal to establish an Urban Engineering chair at the University of Cape Town gets off the ground.

But the success of the proposal depends on whether the Cape Town city council can supplement the salary the university is able to offer to attract a top calibre person for the task.

The idea of an urban engineering chair is given the support of city engineer Arthur Clayton in a letter which is to be presented to the executive committee today.

Mr Clayton points out the proposal would hold considerable benefits for the Cape Metropolitan Area.

This is because it would aim to produce engineers with a broad understanding of the urban development process and the associated socio-economic requirements.

However, a major constraint would be the relatively poor salary structure associated with such a post.

Mr Clayton said that the council could support the move by making money available in return for services available to the city for a limited period to solve specific problems in the field of urban engineering.

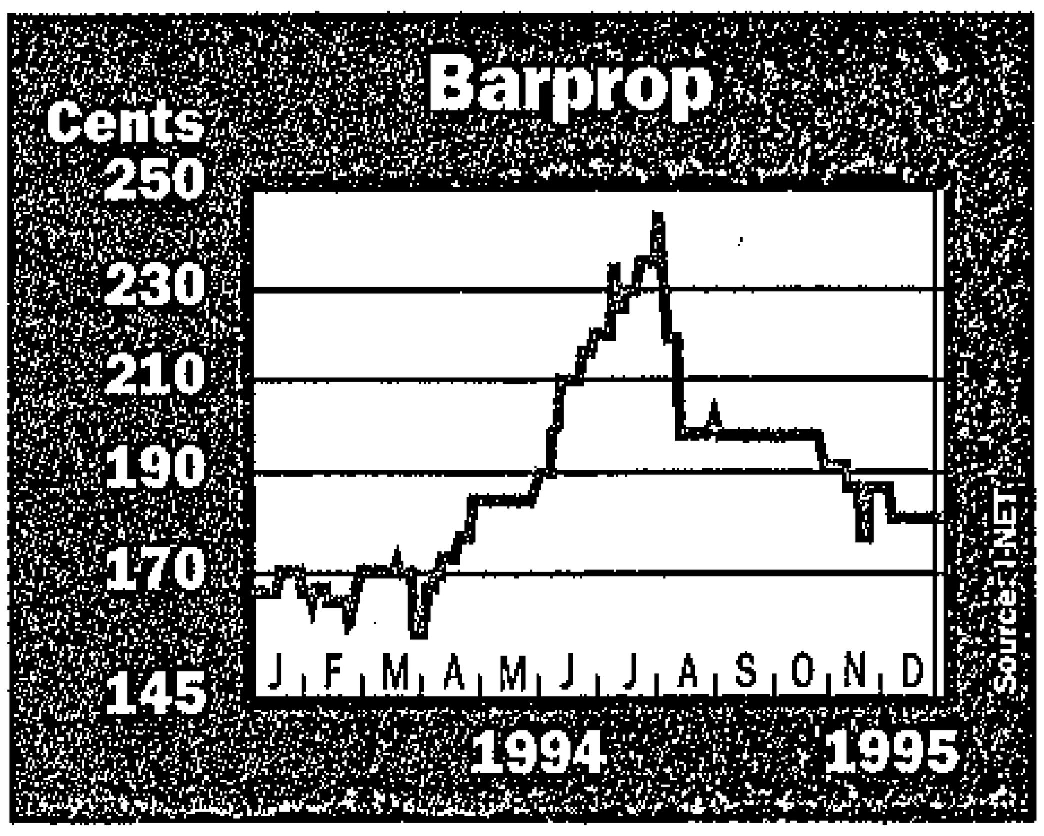
"By providing a retainer for a limited period, the incumbent will be given time to establish a consultant capacity which could then serve to augment the remuneration associated with the chair."

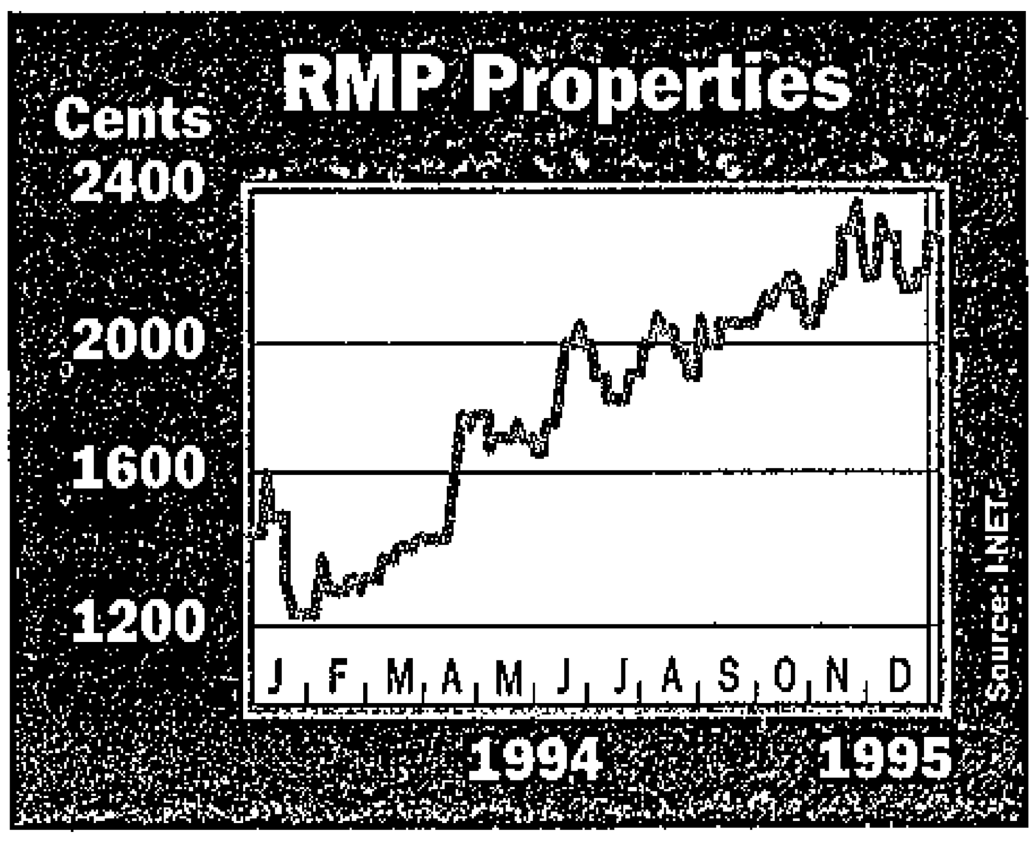
The executive committee is being asked to enter into an agreement with UCT whereby council agrees to give R30 000 a year for three years.

Engineering dean professor J B Martin said in a letter to Mr Clayton that the chair reflected a shift in emphasis in the teaching programme at the university.

"This change is linked to the recognition of the fact that for at least the next generation civil engineering in South Africa will be largely concerned with the development of urban infrastructure, and that this development will take place in a way which is very different from what has happened in the past."

with the takeover of Baker Street Associates, which provides professional property management and broking services in the commercial and industrial sectors of the property market. Though now insignificant in its contribution to profits, there are synergies with RMP's own property management activities.





The acquisition also takes RMP into the third-party service sector of the property industry and its broking activities could prove useful to Barprop which tends to trade its property portfolio (with a view to upgrading) rather more actively than most of its rivals.

So far, so good. However, the picture changes on the financial front because each of the components of RMP has its own specific accounting needs, and on this level they make uneasy bedfellows. This problem has been recognised by the group which, to its credit, has gone to considerable lengths in the latest annual report to spell out exactly where its profit came from. However, the process needs to be extended to the balance sheet, as the different financial structures of the components of the group make the globular whole difficult to analyse and prone to misinterpretation.

The dichotomy is apparent from the company's own analysis of its income statement. This shows, for example, that the gold recovery/land clearing division accounted for 61% of 1994 turnover but only 20% of operating profit — despite an almost five-fold increase in profits compared with 1993.

In contrast, Barprop's 25% share of group turnover produced 75% of total operating profit. However, after including interest on Barprop's loan stock and outside shareholders' interest in its profits, its contribution to RMP's attributable earnings, at 36%, was less than the 42% derived from gold recovery/land clearing.

There is nothing particularly unusual in a group comprising divisions with widely differing profit margins. The crunch comes in the balance sheet and the question of how Barprop's loan stock should be treated. At R210m, this finances nearly 56% of Barprop's total assets and, consolidated into RMP, 41% of the group. Is this debt or permanent capital?

Even management is ambivalent — in the Barprop balance sheet the loan stock is grouped with share capital to form an item called "shareholders" and loan stock holders' interest," implying the loan stock is more capital than debt.

But once one gets to RMP, the loan stock is shown completely separately from shareholders' funds, giving an opposite interpretation. So, depending on the mood of the analyst, RMP could be shown either to have a net debt:equity ratio of 0,65, or a net cash: capital ratio of 0,16, a range which would certainly affect perceptions of risk and the investment rating of the share.

The *FM* has chosen to treat the loan stock as capital for two reasons — firstly, apart from the ultra-long-term nature of this funding, the circumstances under which the loan stock may be redeemed are unlikely to eventuate; and secondly, (subject to a minimum annual interest rate of 11%) the loan stock participates equally with the share capital in the fortunes of Barprop and is thus more equity than loan capital.

Part of the rationale for merging Barprop with RMP in 1993 was to provide RMP with an income stream more stable than its traditional dump retreatment and land activities. In the long term, this should work. But for the immediate future, Barprop may be a drag on the group, especially as the gold recovery seems to be on a roll.

After a threefold rise in attributable income last year, revenue from gold is set to improve by at least 8,6% for 1995 based on the minimum average rand gold price secured in respect of the year's total production which has been sold forward. This could be more if the gold price increases, but anyway is likely to translate into a larger proportionate improvement in profit from this source provided grade and working costs meet expectations.

Similarly, the land development and sales division is forecasting a recovery after last year's decline in attributable earnings from R11,8m to R5,9m, leaving property investment — Barprop — the only major division where no significant growth is anticipated.

This should be temporary, however, as the company expects growth to resume once the benefits of its portfolio upgrade start to take effect.

Overall, chairman John Hall is forecasting a 15% gain in RMP earnings which, relative to the virtually static situation expected at Barprop, justifies the 16% discount at which Barprop is now trading relative to its parent. *Brian Thompson*

METKOR (189E) FM 13/1/95

Broad recovery

Signs of turnaround at chief contributor Dorbyl suggest Metkor should perform better this year (see Dorbyl report).

In 1994 Metkor's operating income fell by 8,5% on 1993 while turnover climbed 11%. This was mainly because of an abnormal loss suffered by Dorbyl on the cancellation of a contract and losses incurred by Tosa Seamless Tubes since its commissioning in February 1994. Dorbyl has sold its 60% interest in Tosa to Iscor and, in response to the sale, both shares have more than doubled in three months: Metkor to R3,30, Dorbyl to R32,50.

Metkor had a positive cash flow of R99m last year (1993: negative R35,1m). After the Tosa sale, debt and interest charges should

P.T.O.

UNIT TRUST DIVIDENDS

Last day to register for unit trust dividend distributions: 31.12.94.

Payable Dates:

GENERAL EQUITY FUNDS:
Community Fund 2,43c, Jan 16: Composite Allshare 0,66c, Jan 31; Fedgro 3,21c, Feb 7; Guardbank 58,22c, Jan 31; Guardbank Prosperity 2,5c, Jan 31; Guardbank Stability 2,83c, Jan 31; Metfund 3,54c, Jan 15; Momentum 6,28c, Jan 9; NBS Hallmark 2,61c, Jan 5; Old Mutual Growth 5,18c, Jan 30; Old Mutual Sentinel 6,8c, Jan 30; Sanlam Index 18c, Jan 17; Standard 34,62c, Jan 31; Syfrets Growth 1,39c, Jan 16; Syfrets Trustee 1,14c, Jan 16; UAL 15,49c, Jan 5.

SPECIALIST EQUITY FUNDS:
Guardbank Resources 3,94c, Jan 31; Old Mutual Gold 4,14c, Jan 30; Old Mutual Mining 6,24c, Jan 30; Old Mutual Top Company 4,44c, Jan 30; Sanlam Industrial 12,7c, Jan 26; Sanlam Mining 3,8c, Jan 25; Standard Gold 5,18c, Jan 31; Standard Industrial 3,69c, Jan 31; Standard International 1,98c, Jan 31; Syfrets Balanced 1,61c, Jan 16; Syfrets Mining & Resources 1,45c, Jan 16; Syfrets Prime Select 1,13c, Jan 16; UAL Managed 15,05c, Jan 5; UAL Mining & Resources 2,67c, Jan 5.

INCOME/GILT FUNDS:
ABSA Income 2,95c, Jan 15; Fedgro Income 2,83c, Feb 7; Guardbank Income 3,73c, Jan 31; Metboard Gilt 3,56c, Jan 15; Metboard High Income 3,54c, Jan 15; Old Mutual Income 3,39c, Jan 30; Sage Income 6,1c, Jan 15; Sanlam Income 2,5c, Jan 30; Standard Income 2,49c, Jan 15; Syfrets Gilt 32,17c, Jan 16; Syfrets Income 3,10c, Jan 16; UAL Max Income 36,54c, Jan 5.

Activities: *Interests primarily in the metal engineering field, including a controlling interest in Dorbyl.*

Chairman: *J H de Loor.*

Capital structure: *120,5m ords. Market capitalisation: R398m.*

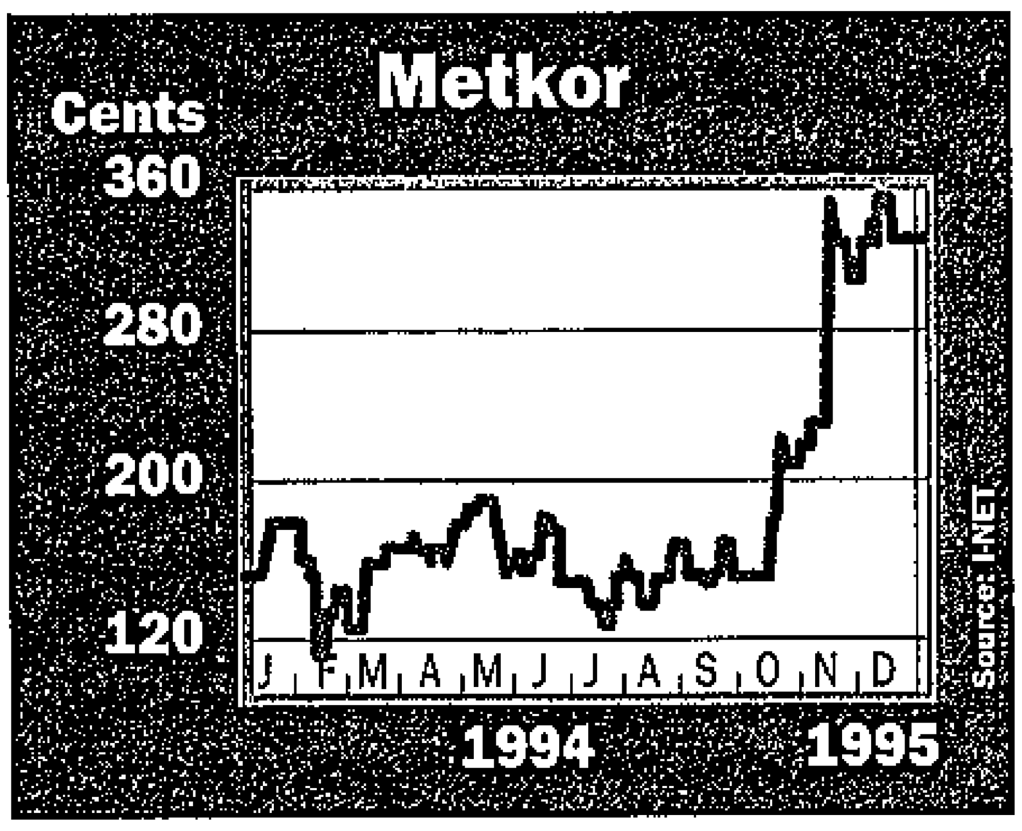
Share market: *Price: 330c. Yields: 1,1% on dividend; 2,0% on earnings; p:e ratio, 51,0; cover, 1,7. 12-month high, 350c; low, 110c. Trading volume last quarter, 1,3m shares.*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	131,6	122,8	145,2	112,9
LT debt (Rm)	110,6	155,6	185,2	143,5
Debt:equity ratio	0,24	0,24	0,34	0,25
Shareholders' interest	0,56	0,55	0,48	0,50
Int & leasing cover	3,78	2,77	1,70	1,49
Return on cap (%)	10,6	7,1	3,7	3,6
Turnover (Rm)	3 216	3 229	2 777	3 081
Pre-int profit (Rm)	185	131	70,5	64,5
Pre-int margin (%)	5,6	3,9	2,3	2,0
Earnings (c)	21,5	9,6	0,54	6,5
Dividends (c)	15,68	13,84	9,06	3,75
Tangible NAV (c)	377	336	309	313

fall further this year.

Other subsidiaries and associates also improved. Window and door frame manufacturer Wispeco lost money for the first six months, mainly because of stock written off, but earned net income of R1,9m before preference dividends in the second half. So it seems the restructuring of this wholly owned subsidiary carried out in 1993 had the desired effect. Metkor's equity investments in Wispeco and Usko were written off. The group also fully provided for Wispeco's R5m loan account.

Associate Usko, which makes nonferrous conductors and electrical cables, posted a R13,4m profit (1993: R2,6m loss). Details of a major recapitalisation were released in October, aimed at cutting debt from R105m to R23m. Some prefs are to be redeemed into cash and ords. In addition, this year's



results could be boosted by the housing and electrification programmes.

Metkor's smallest associate is Apsap gas, which produces and markets industrial gases under the name Air Products. Apsap slightly increased its contribution to group earnings.

Improvements in all subsidiaries and associates point to a good 1995. The best buying opportunity has passed. At R3,30, Metkor's price is in line with NAV. But it could go higher over the year. *Kate Rushton*

DORBYL

Leaner and stronger

Activities: *Diversified engineering group with extensive manufacturing, contracting and trading interests.*

Control: *Metkor 34%.*

Chairman: *J H de Loor. CE: W W Cooper.*

Capital structure: *32,3m ords. Market capitalisation: R1bn.*

Share market: *Price: 3 250c. Yields: 0,6% on dividend; 1,6% on earnings; p:e ratio, 63,1; cover, 2,6. 12-month high, 3 250c; low, 1 250c. Trading volume last quarter, 595 000 shares.*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	43,2	104,6	108,9	69,8
LT debt (Rm)	128,7	151,5	182,9	142,6
Debt:equity ratio	0,21	0,27	0,35	0,24
Shareholders' interest	0,55	0,52	0,46	0,48
Int & leasing cover	5,2	3,8	2,1	1,6
Return on cap (%)	11,7	8,5	4,5	3,8
Turnover (Rm)	2 896	2 977	2 590	2 885
Pre-int profit (Rm)	173	141	77	59
Pre-int margin (%)	6,0	4,7	3,0	2,1
Earnings (c)	365,2	287,6	107,2	51,5
Dividends (c)	108	108	60	20
Tangible NAV (c)	2 525	2 617	2 386	2 303

This worm has turned thanks to new CE Bill Cooper's determination to change perceptions of the share by laying the groundwork for strong cash and earnings growth. Since mid-October the share price has gained R17 to R32,50 — a sharp contrast with the 50% decline in 1994's EPS. Then again, the price movement is all about potential rather than historical earnings.

Post-balance sheet events are exciting: the disposal of the small bore welded tube businesses to Robor Industrial Holdings (RIH), and the sale of 40% in Steel Pipe Industries to Tubemakers of Australia, reduced borrowings from R272m to R181m. The sale of Tosa Seamless Tubes with effect from January 1 to Iscor for R177m further reduced debt to R7,6m, gearing to about 1%, and fixed assets to R506m (1993: R758m.) Other, much smaller, underperforming assets are also under the microscope, so Cooper's aim to keep gearing below 30% is feasible.

Obviously, 1994's income statement didn't benefit from the post year-end sales. Interest payments increased by R1,3m to R37m. Operating margins were a slim

Cooper

2,1%, but income included a R29m abnormal loss caused by the cancellation of a contract for the fabrication of steel for the Kiel bridge in Germany.

However, cash inflow was R91,8m after two consecutive years of outflow. Costs were cut in many departments. The senior operational management layer between the group and CE has been removed. And the London office has been closed. Each division will now take responsibility for its own export drive and customer base. Though exports fell R60m to R270m, or 9,4% of sales last year, Cooper says "in the long run, the survival of Dorbyl will depend heavily on its ability to compete abroad, especially in niche markets where competitive advantage exists."

Dorbyl operates four divisions: contracting, trading, manufacturing and corporate. For the past two years, contracting has lost more than R40m but this division has now been "right-sized" for the tight market conditions. Cooper adds it has, however, "retained the competencies to gear up on a project basis, provided the margins available are acceptable relative to risk."

Dorbyl Transport Products is experiencing better demand. The RDP must hold potential for Stewart & Lloyds and Steel Pipe Industries (large-bore water conveyance tube) in the medium term. However, lower activity in Dorbyl Structural Engineering is expected with the completion of the Namakwa Sands, Columbus and Alusaf Hillside Smelter contracts.

Cooper says joint venture structures — to ensure technical and project management competence, as well as critical mass — are the key for the future. For example, a joint venture company, Intershore, established with Amec (a world leading technologist in offshore oil platforms) and Murray & Roberts, has been awarded a US$107m contract for two platforms for the Cabinda oil field. "The potential is good for additional contracts for this customer, as well as the West African oil field markets."

Four months ago, he suggested the market should look beyond the 1994 results towards the medium-to-long-term prospects. If the changes he has made go as hoped, the stock should rise well above the current 41% premium to NAV.

Kate Rushton

		NIL PAID LETTERS					FULLY PAID LETTERS OF ALLOTMENT						PRICES OF LETTERS		
COMPANY AND TERMS:	Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Take up price	Price Jan 3 cents	Price Jan 9
FALCON INVESTMENTS — Rights offer: 40 new ords for every 100 ords held at $4 per share	6.1.95	13.1.95	13.1.95	13.2.95	14.2.95	15.2.95					28.2.95	7.3.95	$4.00		
McPHAIL HOLDINGS — Rights offer: 53 new ords for every 100 ords held at 325c each	6.1.95	9.1.95	13.1.95	1.2.95	2.2.95	3.2.95					2.2.95	10.2.95	325	—	—

Investors may have missed the boat with NEI Africa

Star 24/1/95 (189E)

BY CHARLOTTE MATHEWS

Market hopes of an increasingly positive outlook for engineering group NEI Africa have pushed the shares up significantly over the past year from 320c in January 1994 to their current level of about R12,00.

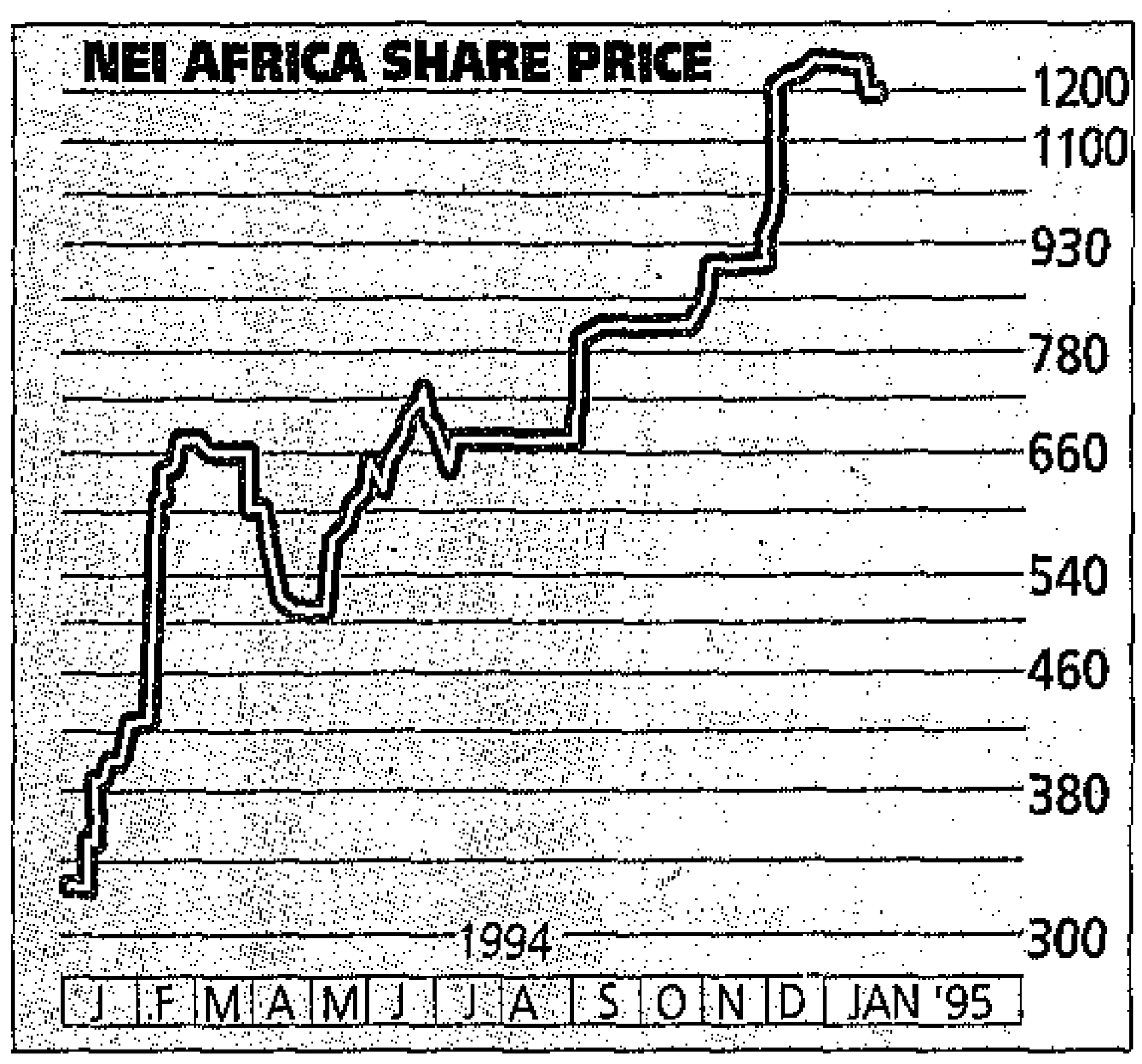
The share hit an all-time low of 270c in August 1993.

The share does not receive much attention from analysts, partly because of the company's chequered history and partly because it is not very tradeable.

NEI Africa's shares are 53,3 percent held by NEI Africa Holdings, 60,3 percent of whose shares are held by NEI Overseas. The ultimate holding company is Rolls Royce Plc of the UK.

In 1989 the company was well regarded and the shares were R40. But market confidence was hit by the news that profits for the year to December 1990 had been overstated.

This was followed by several years of bottom-line losses and the dividend has been passed for the last two years. Finally, there has been a series of management changes.



According to an analyst, there are a number of reasons for the upturn over the last year in the share price.

The appointment of the highly-regarded former Afrox chairman Peter Joubert in 1992 was seen as the beginning of a recovery for the company. It was felt that he would not have accepted such a high-profile appointment unless he believed he could turn the company around.

As well as Joubert, a new MD, John Kempster, who had been head-hunted from Asea Brown Boveri, was appointed in early 1994.

New management has eliminated subsidiaries AG Walker and Propower while John Thompson Africa and International Combustion Africa were merged.

A second turning point was the rights issues held last March to raise R30 million for NEI Africa and R16,5 million for NEI Africa Holdings. At interim stage group gearing was reported to be down to 50 percent.

Thirdly, the upturn in the economy as well as the Reconstruction and Development Programme are expected to hold out benefits. NEI Africa is involved in industrial power generation and distribution.

Finally, the group has reported some success in export markets, especially in Africa where it has won some multi-million rand contracts.

The analyst said NEI Africa's parent, Rolls-Royce, would promote this area of activity because it would probably look to its SA subsidiary to set up boiler manufacture operations elsewhere in Africa.

All these steps contributed to the profit improvement seen at interim stage, when Kempster reported prospects for the rest of the year looked promising.

According to one analyst, the increase in the share price over the past year could mean that investors have already missed the boat.

However, even if the group only doubles June's interim earnings a share of 54,2c, it would place it on a forward p:e of 9 at its current share price of R12 against the engineering sector average of 19,4.

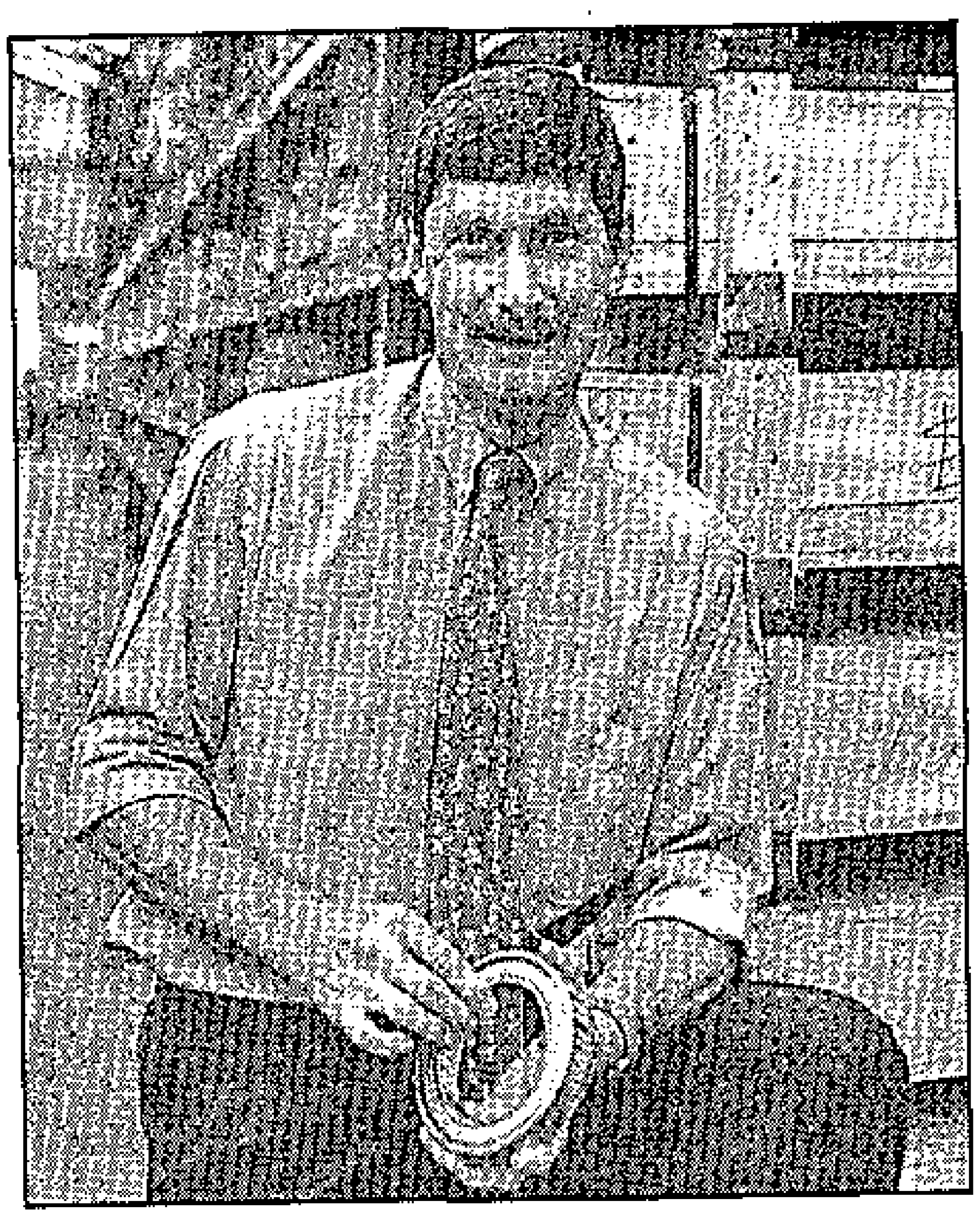
HUDACO FM 27/1/95 (189E)

On a spending spree

Hudaco is now the fifth largest group by market capitalisation in the engineering sector and its prospects are markedly better than they have been for at least five years.

For starters, its sales are closely linked to GDP. Mining sales contributed 26% of turnover, manufacturing 25%, agriculture 13%, automotive 11%, the public sector 11%, and construction 8%. Hudaco's turnover never waned when GDP fell for

FOX



Hudaco's Connelly ... *plans to remain on the acquisition trail*

in management's three-pronged strategy, with emphasis on marketing (maintaining market share), cash management (ensuring a sound balance sheet) and cost containment (internal efficiencies). Despite two acquisitions (R35m) last year, the balance sheet still shows R5,6m cash (1993: R1,3m debt).

Also, more often than not, Hudaco has produced more in cash flow per share than EPS. In financial 1994, cash flow was 193c against 140c earnings. This enabled an almost halving of interest payments, to R2,3m.

CE Stephen Connelly warns that 1995 will probably be one of the last years in which Hudaco will enjoy this position. Reasons are simple: Hudaco has been, and will remain, on the acquisition trail in 1995; and it is about to embark on a capex programme involving the upgrade of plant and machinery.

In January last year, Hudaco acquired the business of Wyko Bearings at net operating asset value for R14m cash. Wyko distributes a range of ball and roller bearings and has an annual turnover of about R30m. Earnings contributions, though relatively small, are expected this year.

In August, it bought an 80% interest in BEP Bestobell which operates in fluid measurement and control for R21m. Annual sales amount to R80m, but the cost of incorporation will probably equal profit contributions this year.

Connelly was acutely aware of the negative effect these acquisitions would have on margins. "But we decided to hit the acquisition trail at the start of an economic upturn. Businesses for sale rarely offer wider margins than existing operations." This is evident in 1994's operating margin, which fell from 11,2% to 10,5%. However, it won't be long before margin recovers and the share climbs a little higher. *Kate Rushton*

SALES BY DIVISION

(Rm)

	1993	1994
Diesel engines & spares	110	115
Bearings & seals	109	140
Belting & chain	92	96
Fluid power measurement & control	58	85
Brakes & clutches	62	72
Light industrial	84	94
Abrasives	57	59

Haggie on a discreet spree

(199E)

HAGGIE, the rope-making and engineering group, has made two acquisitions — one of them offshore — but only privileged shareholders know how much was paid.

Chris Murray, Haggie's managing director, says he has told 70% of the shareholders the costs of the Le Lis acquisition in Belgium and of Durban-based Hydrochem. Two shareholders, Anglo American Industrial Corporation and Malbak, own roughly that percentage. ST (BT) 5/2/95

Mr Murray says Le Lis, turnover about R40-million a year, was bought in the liquidation sale of Dutch ropemaker Verto. Haggie had already opened a distribution office to serve the Benelux region and its representative there alerted it to the sale.

He hopes the Le Lis distribution network can be used to double within two years Haggie's exports to Europe, from the current 3 000 tons a year worth R9-million.

Mr Murray says Le Lis was bought cheaply, with SA Reserve Bank permission, because Haggie has taken on the group's debt. Le Lis makes fibre ropes, a product Haggie has struggled to produce. The ropes moor oil tankers to buoys offshore during oil transfer.

Hydrochem already deals with Haggie's waste services division Reclam. Operating in high-pressure jetting, chemical cleaning, tank desludging and allied lines, Hydrochem turns over about R1-million a month.

Fast growth phase for engineering

(189E)

CT 9/2/95

GENEVA. — United Nations analysts yesterday predicted fast growth for world engineering industries over the next few years, with the United States leading the climb out of recession.

But in a detailed report on the global state of the sector, they said the upswing would come through increased productivity and was unlikely to have any major impact on unemployment, particularly in Western Europe.

"After passing through the worst recession in the post-war period, world engineering industries are now on the track for a buoyant recovery," said the report from the UN's Economic Commission for Europe (ECE).

Profits of the world's major engineering firms, with the exception of Japanese companies, have been soaring since the trough of 1992-1993, according to the report.

Investment goods sectors, and especially general and machine tools which were the worst hit during the early 1990s and saw production drops in key countries of up to 51%, are leading the recovery.

The report, "World Engineering Industries and Automation: Performance and Prospects 1993-1995", said the huge declines in the recession years — especially in Japan and Germany — had created huge unemployment problems. Across the globe, companies were hit by large losses, often leading to bankruptcy and staff layoffs mainly affecting highly-skilled employees.

But now the bleak picture had radically changed. Investment goods industries in many countries were running close to capacity which would lead to further investment, according to the ECE analysts.

Booming economies in North and South America and South-East Asia and a robust recovery in Western Europe and several eastern European countries "make the short- and medium-term prospects for the engineering industries look bright," they said.

However, the report warned, "the recovery will only have marginal effects on the rate of unemployment, at least as concerns Western Europe." — Sapa-Reuter

Demand boosts Haggie earnings

(189E) BD 10/2/95

MARCIA KLEIN

ENGINEERING group Haggie Ltd's attributable earnings were boosted 74% to R61m (R35m) in the year to December on strong demand for its products and an improvement in the performance of all its subsidiaries.

Group MD Chris Murray said the 13% rise in turnover to R1,4bn (R1,2bn) reflected a 20% growth in export sales and an 11% rise in domestic sales.

The group, which is involved in steel wire and rope, copper-based products and engineering consumables, increased its operating income 88% to R105,3m (R56,1m) with an improvement in the operating margin to 7,6% from 4,6% previously.

The margin was boosted by a significant turnaround in Consolidated Wire Industries and the copper-based products division Copalcor. Murray said both had benefited from rationalisation and cost cutting, "but still have some way to go to attain the group's target return on capital".

Operating profit from the core businesses held in Haggie Rand came back strongly off a low base. Haggie Rand, which recently announced the acquisition of Belgian steel wire rope distributor Le Lis, had opened offices in Antwerp and Denver.

Pre-tax income rose nearly 140% to R87,6m (R36,9m). The tax rate of 22,5%, which included a R1,9m transition levy, reflected export incentives and the recoupment of prior-year tax losses.

Earnings rose 74% to to 312,3c (180,1c) a share. Murray said although earnings had reached a level which had not been achieved since 1990, return on shareholders funds was still below target.

A final dividend of 100c a share was declared, bringing the full year dividend up 50% to 150c (100c) a share. Murray said the capitalisation share issue would reduce borrowings and support Haggie's capex programme.

He said the results reflected higher domestic demand, improved performance "by all 10 subsidiaries and the favourable effects of 1993's rationalisation programmes".

Looking forward to 1995 results, Murray said real gross domestic fixed investment was expected to grow 8%. This augured well.

Operating profit would increase, but the loss of GEIS benefits and an expected rise in the tax charge would stifle earnings growth in 1995.

Murray said export incentives earned under GEIS became taxable this year. If this had applied to export sales over the reporting period, R7,5m would have been knocked off the bottom line.

But Haggie had anticipated the loss of GEIS, and had "worked to ensure its products are competitive even without the benefits".

Seartec on course for profits target

(189E)

ARGUS 13/2/95

JOHN VILJOEN, Business Staff

CAPE electronics company Seartec Limited today announced six-month after tax profits of R5,6 million for its first period of trading.

The result put Seartec well on course to meet its June 1995 profit forecast of R9,8 million, financial director Tim Atkinson said.

The figures reflected a 30 percent increase on trade for the similar period a year before, when the company was a still a division of Seardel Investment Corporation.

Seartec imports and distrbutes Sharp Electronics office and consumer electronic products and distributes Scripto writing instruments and related products.

The six-month profit, on turnover of R96 million for the period ended December 31, produced an earnings per share of 9,3c.

Projected earnings per share for the period ended June are 16,3c.

Seartec listed at 175c, but the price has slipped to 160c. Mr Atkinson said the share should move after the positive results.

"We are the first company of our type to be listed independently on the JSE. Other electronics division are normally hidden within other companies.

"Most probably the market cannot make up its mind as to risk — it's the unknown," he said.

"We've been disappointed, but the share should move after these results."

■ Investment trust Genbel lifted its dividend to 12c a share in the six months to December from 10c previously as its net asset value grew by 26,4 percent to R12,34 a share.

Genbel shares are currently trading around 890c, which means their discount to net asset value (NAV) is close to 20 percent.

It manages a portfolio of shares valued last week at R5,25 billion and at R6,3 billion at the end of 1994.

It also undertakes securities trading and equity operations, which contributed R246 million to total income of R605 million.

The other major contributor was R296 million profit realised on the sale of Implats, Sappi, Sentrachem, De Beers and Sasol shares.

Strike hits Standard profits

(189E)

ARG 22/2/95

Business Staff

THE effects of the automotive industry strike and a slightly increased tax rate over the same period in 1993 limited Standard Engineering's attributable earnings growth in the six months to December to 10,6 percent on a 27,6 percent rise in turnover.

Turnover was R510,6 million from R400,0 million previously but operating income grew by only 11,4 percent to R45,5 million from R40,9 million, showing operating margins at 8,9 percent from 10,2 percent.

After the increase in issued shares over the past year, the 10,6 percent growth in attributable earnings to R25,8 million became earnings a share of 72c (66c). A dividend of 16,5c (15c) a share was declared.

Executive director Doug Campbell said the comparative picture for 1993's interims had been distorted by two exceptionally good months.

In addition, turnover in the the most recent six-month period had been affected by the automotive industry strike. The company aims for margins of about 10 percent.

The interest bill dropped sharply to R204 000 from R3,3 million mainly because a significant advance payment of about R100 million was made on a contract. This has now been mostly spent as intended.

Mr Campbell said it was decided not to award capitalisation shares because the group is under-geared, and to continuously issue shares would distort the group's financial statements.

■ Short-term insurer **Guardian National** reported a 15,1 percent drop in attributable profits in the year to December compared with 1993 owing to an underwriting loss of R19,6 million, a better performance than had been anticipated at interim stage.

MD Keith Nilsson said yesterday the performance was satisfactory overall. It was attributable to management's actions to divest the company of unprofitable business and to the excellent performance of the equity portfolio.

■ The purchase by **Gencor**, one of the country's leading mining houses, of the Billiton mining and minerals trading group in July last year is proving to have been a major coup, not only in terms of current returns but also in future prospects.

Executive chairman, Brian Gilbertson, said today that Gencor's group's income from operations rose 49,6 percent in the six months ended December to R392 million, and of this amount Billiton contributed R142 million or some 36 percent.

Against this, sales of assets to finance Billiton cost Gencor R38,9 million in forfeited income.

Attributable income from Billiton of £52 million helped increase Gencor's attributable income by 54 percent to R392 million equal to 28,5c a share.

Gencor has raised its interim dividend by 20 percent from 5c to 6c a share.

COMPANIES

Standard Engineering pumps up performance

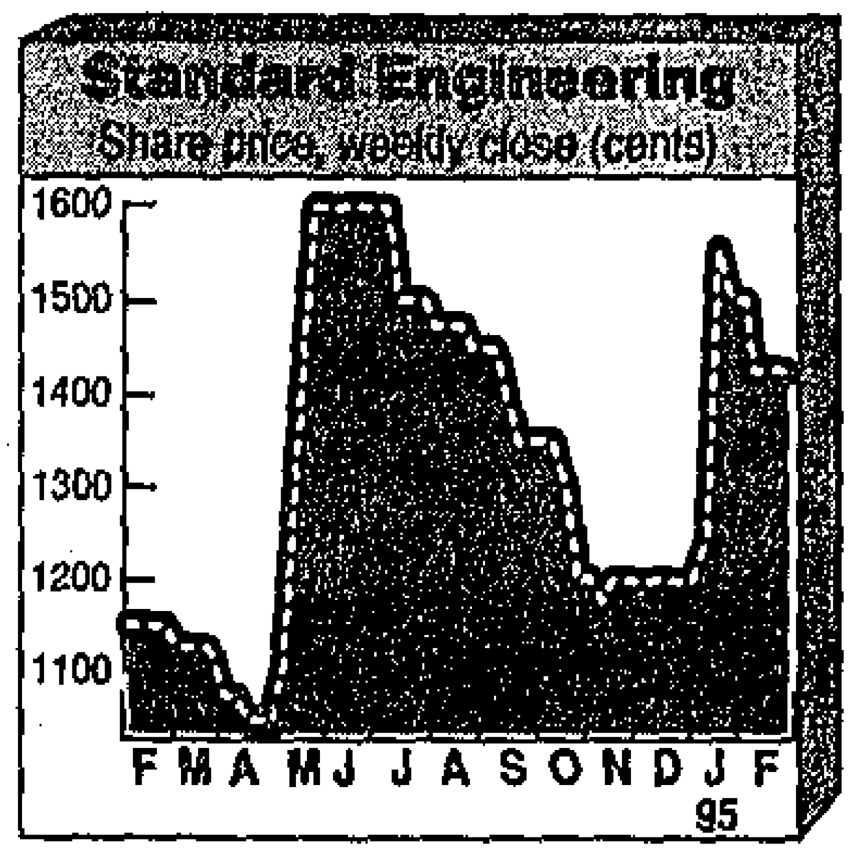
BD 22/2/95

SELLO MOTLHABAKWE

MURRAY & Roberts subsidiary Standard Engineering increased attributable earnings 10,6% to R25,9m for the six months ending December 1994 after experiencing improved trading and strong operating performances.

Earnings a share, reflecting the increase in the number of shares in issue after the recent capitalisation award and share trust allotment, increased 9,1% to 72c. Interim dividend jumped 10% to 16,5c a share.

CE Terry Davidson said overall results for the company could have been better, but the automotive division was affected by the industry-wide strike at the beginning of the period. Increased European demand had extended the lead times of certain imported components. This had interfered with the production and assembly of gearboxes and axles and the company was still grappling with this problem.



Divisional contributions from the automotive division were 10% for this period compared with 19% last year. Turnover increased 27,6% to R510,6m and operating income was raised 11,45% to R45,6m.

Interest dropped sharply to R204 000 from the previous period's R3,3m after the company received a R100m deposit on a Taiwanese government contract for rolling stock.

Pre-tax income increased 20,7% to R45,3m. Taxation was at R15,1m, from R9,9m previously. Income after tax was up 9,3% to R30,2m while outside shareholders' interest was marginally down to R4,3m from the previous R4,4m.

The two pump companies in the fluid handling and measurement division had record sales following the drought conditions which persisted in large parts of the country. This division had contributed a total 21% to earnings from last year's 20%, Davidson said.

The rolling stock division had started work on two major export contracts and profit was expected to be brought to account conservatively as work was being performed.

Improved conditions, and the change in the timing of Union Carriage's long-term contract profit-taking, were expected to lift earnings.

M&R sets a first-half record

(189E) Star 1/3/95

BY DEREK TOMMEY

Engineering group Murray & Roberts (M&R) boosted earnings in the six months to December by 34 percent from 171c to 229c a share — a record first-half figure.

The previous best first-half earnings were 208c a share in the six months to December 1990.

Attributable earnings rose 36 percent from R107 million to R145 million.

Cash earnings a share, which are calculated before providing for depreciation, and are a measure of liquidity, rose 35 percent from 329c to 445c. As a percentage of earnings a share, cash earnings rose from 192 to 194 percent.

Shareholders have the option of receiving a capitalisation issue or a cash dividend of 65c, which is 12 percent higher than the 58c paid a year ago.

Jeremy Ractliffe, commercial director, says the growth in key areas of the income statement reflects the success of the group's strategic focus as the "unit trust" of the fixed-investment market sector.

As is usual at the start of a business upturn, the group benefited particularly from areas of the fixed-investment market served by the Suppliers and Services and the Materials Operating groups.

The Suppliers and Services group, which provides design and project management and sells construction materials and operates the group's underwater, marine and helicopter services, increased its earnings before interest and tax by 243 percent from R14 million to R48 million.

The Materials Operating group's contribution rose 27 percent from R86 million to R107 million, making it the group's biggest income provider.

The second-biggest profit increase was achieved by the transport division, where earnings rose 47 percent from R30 million to R44 million.

Standard Engineering's contribution rose 35 percent from R34 million to R46 million.

Construction's contribution was up 17 percent from R6 million to R7 million.

Engineering's contribution dropped 4 percent from R68 million to R65 million, reflecting the disposal of several non-core businesses at the end of 1993.

Ractliffe says the balance sheet remains strong, with a healthy ratio of borrowings and total liabilities to permanent capital of 24 percent and 98 percent rspectively.

The group is predicting that its earnings for thesix months to June will be modestly above the inflation rate but is expecting strong growth to continue for the next four years.

MacPhail continues offshore expansion

(189E) BD 2/3/95

MARCIA KLEIN

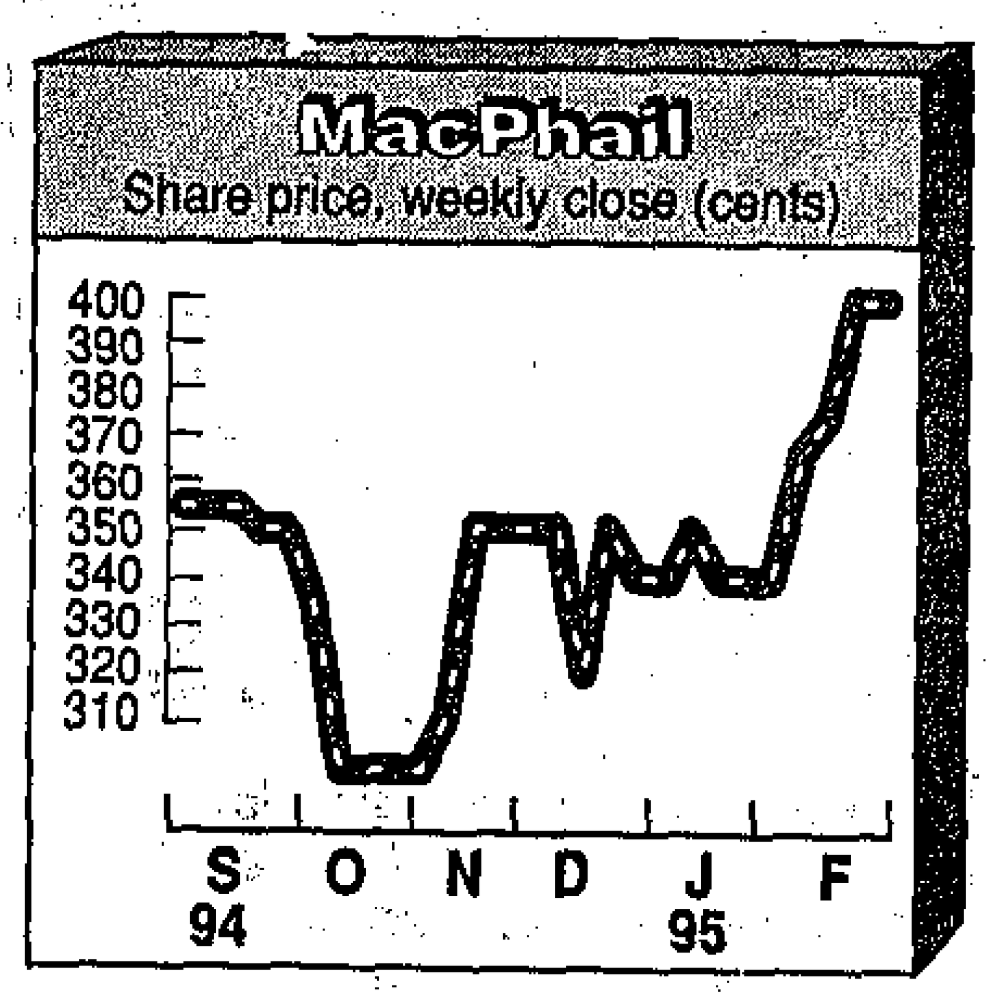
COAL distributor MacPhail's earnings rose 6% to 51,1c (48,1c) a share in the year to December as pressure on margins offset a sharp rise in turnover.

The W&A subsidiary, which was involved in a local and international acquisition during the year, said it would continue to focus on expanding offshore and diversifying its activities.

The 51% rise in turnover to R397,8m (R262,7m) reflects not only increased tonnage, but also higher railage costs. Severe pressure on margins saw pre-tax profit rise by just 14% to R11,3m from R9,9m.

Taxed profit was up similarly, but after MacPhail's R60 000 share of the loss of an associate and higher outside shareholders interest, attributable profit was 9% up at R7,5m (R6,9m). A final dividend of 9,5c a share was declared.

The extraordinary profit of R10m, taken below the line, largely includes the listing of MacPhail Namibia on the Namibian Stock Exchange.



Chairman Sidney Weintroub said the company's R30m rights issue towards year-end would have two effects.

"The first will be to repay the short term debt incurred in expanding the group during 1994. The second is the broadening of the shareholder base as well as an increase in the market capitalisation of the company". He said Old Mutual had acquired "a significant stake" in MacPhail.

MacPhail, which acquired Cape-based coal supplier Coalcor during the year, was proceeding with further expansion into the eastern and western Cape.

CE Paul McNaughton said rationalisation would result in cost containment benefits. Coalcor's facilities were complementary to the company's existing depot and distribution infrastructure.

Recently MacPhail acquired a 75% stake in UK coal trading operation MacDeca. McNaughton said it had good facilities and was geographically well positioned to supply the midlands market, which accounts for half the UK's coal consumption.

He said MacPhail, which had increased its market share in the past year, was consolidating its core business "and has no current plans to expand further into the coal distribution sector in SA".

Growth would come from offshore markets and "the development of new value added services".

NEI Africa in dramatic turnaround

Refocusing on its core business of power generation, distribution and transmission led to profit after 1993's loss

By Charlotte Mathews
Investment Editor

Engineering group NEI Africa turned in a profit of R11,5 million in the year to December 1994 after a loss of R11,7 million in the same period in 1993 by re-focusing on its core business of power generation, distribution and transmission.

Profits were also aided by a 71 percent climb in export business to R75 million.

After disposals in late 1993 and early 1994, turnover dropped by 14 percent to R409,4 million, but operating income grew 29 percent to R19,4 million.

Net financing costs, including preference dividends, were almost halved at R6,9 million.

A tax bill of R1 million, against 1993's R1 million credit, was taken.

Despite earnings of 113c a share, against 1993's loss of 187c a share, the dividend was again passed.

However, group chief executive John Kempster said if general business activity and confidence continued at their present levels, shareholders could expect dividends to be resumed for the 1995 year.

An extraordinary charge of R5,8 million (R25,3 million charge) was incurred because the disposal cost of Probuilt was higher than anticipated.

Gearing dropped to 34 percent from 74 percent after a successful rights issue in 1994 which raised R29,8 million and through strict asset management policies.

Kempster said the group took an optimistic view of the future.

This was based on research which showed that industrial development projects to the value of R95 billion could be started in South Africa between now and 2000.

"They are projects that have actually been committed to paper.

"We are focusing on developing the synergies between our operating companies to ensure that we participate in their implementation."

(189E) CT(BR) 9/3/95

COMPANIES

LTA and Bechtel teaming up

ROBYN CHALMERS

CONSTRUCTION and engineering group LTA has signed a co-operation agreement with International Bechtel, based in San Francisco and France, to work together in southern Africa. (189E)

An LTA spokesman said the combination of the strength and resources of the two groups would provide a comprehensive range of engineering and construction services in all fields of development.

The worldwide experience and resources of the Bechtel group, combined with LTA's southern African expertise and manpower, would allow the two organisations to play a significant role in the development of the region and the training of its people, he said. BD 14/3/95

Bechtel, one of the world's largest privately owned companies, provides technical and management services to develop and operate installations and perform related services on a global basis.

A Bechtel spokesman said the company had conducted more than 70 studies and projects in SA, including the development of the Phalabora mine complex in Northern Transvaal.

Other projects included development of the industrial city of Jubail in Saudi Arabia, the transnational highway system in Turkey, and the Shoubrah Elkheima fossil power plant in Egypt.

In addition, Bechtel supported the construction of the Los Angeles and the Barcelona Olympics sites and assisted in the reconstruction of Kuwait following the Gulf War.

Among large projects LTA has been involved in have been the Hillside smelter for Alusaf, the Lesotho Highlands Water Scheme and the Kingsway Mall, an office development in Maseru.

Lower tax charge gives fillip to TPN

(189E)

SELLO MOTLHABAKWE

ENGINEERING company TPN Investments lifted attributable earnings 31,5% to R1,8m for the six months to end-December, after benefiting from a lower tax charge for the period. BD 14/3/95

Earnings a share showed a corresponding increase to 3,5c compared with the previous period's 2,7c.

An interim dividend of 2,4c, up from 2c, was declared.

Turnover increased 24% to R21m, while net operating income rose to R3m (R2,4m). Interest was lower at R19 000 (R73 000).

Net income before tax improved to R3m from R2,3m, with taxation taking a R1,2m (R982 000) bite. The tax bill included provision for secondary tax (STC) amounting to R300 000. Net income after taxation stood at R1,8m.

The balance sheet showed long-term liabilities were reduced to R145 000 from R421 000. Deferred taxation was lower at R1,8m (R2,3m).

The company's board of directors expressed satisfaction with the group's results.

Bergman gets French partner (189E)

SELLO MOTLHABAKWE

SA CONSULTING engineering firm BS Bergman & Partners had formed a joint company, Bergman-Ingerop, with French counterpart Ingerop, the companies said.

Executives of both companies declined to comment yesterday on the value of the deal, but said the agreement provided for extensive co-operation in consulting, design and project management.

SA based Bergman-Ingerop chairman Ivor Evans said the French company would have a controlling interest, with the SA sectorresponsible for mostprojects.

The new company would primarily plan, design and manage construction projects on behalf of clients and agencies. It was expected Bergman-Ingerop would become involved in SA's reconstruction and development programme. BD 15/3/95

Yesterday's joint company came after 12 months of co-operation and contract collaboration between the companies.

These included a civil project in Maputo, a pipeline transport study in Gabon, the extension of an electrical power station in Senegal and a project in Hanoi, Vietnam.

Evans said the association would help the French company gain access to anglophone Africa and other parts of the world.

The 100-year-old French company has about 30 years consulting and project management experience in Africa. It currently has a \$250m water reticulation project in Buenos Aires, Argentina.

Ingerop associate company Safege president, Bernard Saunier said his group brought experience of big budget project management to the joint venture as well as technological expertise and software.

The joint venture would extend its activities into all SA's provinces as well as venture into countries neighbouring SA.

Haggie enjoying SA's upswing

(184E) BD 15/3/95

ENGINEERING Group Haggie Ltd said it expected gross domestic fixed investment to rise about 8% this year, and next year could be better in view of the large volume of capital projects expected to be carried out in the current economic upswing.

After following a declining trend for more than a decade, SA's real gross domestic fixed investment was expected to have improved more than 5% last year.

Haggie MD Chris Murray said in his annual review the increase augured well for Haggie's local sales, but the gold mining market remained an area of concern.

Further contractions in mining were inevitable if the gold price did not keep pace with inflation at least in rand terms.

"While we expect operating profit to show a useful improvement during 1995, earnings will be constrained by the increase in both the interest and tax charges," he said.

Haggie reported a 73% rise in earnings a share to 312,3c for the year to end-December with a full-year dividend of 150c versus a previous 100c. — Reuter.

Consortium wins Mali deal

ROBYN CHALMERS

A CONSORTIUM of civil and engineering group LTA, French-based construction group Sogea and GEC Alsthom has been awarded a $65,2m contract to build a gold plant in the West African state of Mali.

The consortium, called LSA, is a joint venture between LTA civil engineering and Sogea, LTA Autecon and GEC Alsthom. The plant is being built for Société d'Exploration des Mines d'Or de Sadiola (Semos).

All engineering and architectural design work for the project is being carried out on behalf of Semos by the Anglo American Corporation.

Anmercosa Services Mali, a wholly owned subsidiary of Anglo, will be the operator of the project.

(184E)

An Anglo spokesman said site handover would take place on March 21, after which work would begin on the 19-month contract. Cold commissioning was set for October 21.

The consortium said it was confident it could achieve the amount of work needed in the time available.

LTA group MD Colin Campbell said LTA's Autecon division had been involved in major infrastructural projects over the past few years. These included the Columbus stainless steel project in Middelburg and the upgrading of the Engen refinery.

The civil engineering division had also participated in large schemes, such as Namakwa Sands, the Sappi Saiccor pulp paper mill expansion in Umkomaas and the Hillside Smelter for Alusaf at Richards Bay.

Scharrighuisen feels benefit of upturn

(189E)

BD 20/3/95

ROBYN CHALMERS

ENGINEERING and mining group Scharrighuisen Holdings posted a 34% hike in earnings to 105,5c (78,9c) a share for the year ended December as the tentative upturn in the economic cycle filtered through.

Scharrighuisen, which is involved in open-cast mining, plant hire, construction, earthworks and engineering, increased turnover more than 60% to R251,7m (R156,2m in the year-earlier period).

Operating income rose 51% to R56,6m against R37,6m previously, but a significant increase in net interest charges to R9,8m (R2,3m) left pre-tax income a third higher at R46,7m (R35,2m).

The tax charge dipped to R3,1m against R4,3m previously to leave post-tax income 41% higher at R43,6m.

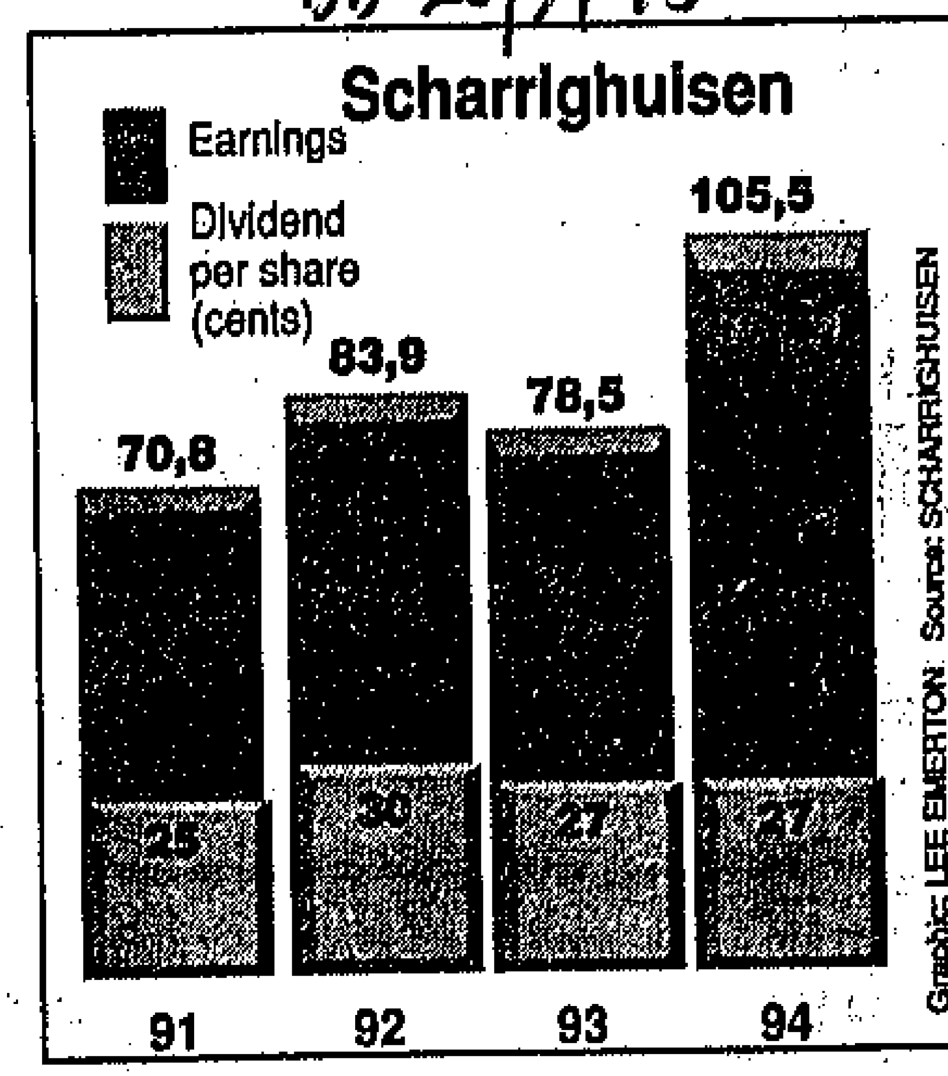
Attributable income swelled to R47,9m from R23,5m and directors declared a final dividend of 16,5c (10,5c) a share, leaving the total dividend unchanged at 27c.

Joint MD Laurie Fisher said the improvement in group results was attributable largely to the bigger contribution made by the industrial division, which contributed 26% towards the group's bottom line.

Scharrighuisen Industrial Holdings, listed in November last year, achieved earnings of 11,3c a share, which was well ahead of market forecasts of 10,5c a share for the current year.

Fisher said Scharrighuisen Industrial Holdings was well positioned to take advantage of the improved economic cycle and was expected to show continued strong earnings growth.

The first export orders had been received from Europe and the US and although small in value, there were encouraging signs of success, with export sales expected to gain momentum this year, he said.



Scharrig Mining lifted earnings to 28,6c from 24,4c a share on good growth in turnover to R196,4m from R137,3m, but a reduction in margins left pre-tax net income only 9% higher at R33,5m.

Fisher said the group had begun a programme which saw the rationalisation of separate operating companies.

Scharrighuisen Opencast Mining, Frigate, Trojan Opencast Mining, Norman Mining, Scharrighuisen Plant Hire and Scharrighuisen Construction were all combined into one.

He expected the effect of this rationalisation to improve the bottom line as it would streamline operations, reducing administration and the duplication of functions.

"The rationalisation had the immediate benefit of reversing timing differences and releasing deferred tax provisions, resulting in a lower than usual tax charge," he said.

Dorbyl forms engineering division

189E

BD 20/3/96

MARCIA KLEIN

THE Dorbyl group has completed restructuring certain interests to form a new division called Dorbyl Engineering.

Dorbyl said its decision to rationalise its mainly gross domestic fixed investment-linked businesses was based on "current and future marketing opportunities". These businesses included heavy engineering, structural engineering and marine, which together contributed less than a fifth of group turnover.

The group said the overhead structure was drastically reduced, but core skills and capabilities had been retained. "The division will remain in the highly lucrative maintenance and refurbishment business in respect of the mining and ship repair industries."

The division would pursue gross domestic fixed investment projects. Dorbyl had a joint venture with Murray & Roberts and Amec of the UK. It would soon announce further joint ventures.

Dorbyl Engineering would look at small and large projects, but would not compete for large projects "unless the margins and risks are acceptable and the business focus will be to be the main contractor".

Serious lack of SA engineers

(189E)

MICHAEL URQUHART

A HOPED-for boom in the SA minerals industry could be thwarted by a serious shortage of qualified engineers and scientists, Mintek president Aidan Edwards said yesterday.

Projects such as the Columbus stainless steel joint venture and Alusaf required a large number of skilled personnel, which had to be provided by the SA education system.

Edwards said a lack of scientifically skilled personnel would also affect SA's neighbours, which drew a large proportion of their skills from SA.

He pointed to the falling proportion of students graduating with engineering degrees as one of the major factors for the lack of skilled scientific people in SA. BD 20/3/93

Edwards said 12 years ago 8% of all graduates were engineers. Today this figure was less than 5%.

The lack of engineers produced by SA was also reflected in that one-third of all engineers working in SA were foreign-trained.

Numsa demands a better pay deal

Sowetan 22/3/95

189E

THE National Union of Metalworkers of South Africa is to table a 15 percent across-the-board pay rise for workers in the engineering, road vehicle and tyre industries, general secretary Mr Enoch Godongwana said yesterday.

The union will demand a further five percent rise for the lowest-paid workers, he said.

Numsa would also demand a minimum of 160 hours a year for adult basic education during paid time and additional training in operational skills.

Godongwana said these decisions were taken at a central committee meeting at the weekend.

"To close the apartheid wage gap our lowest-paid members must earn no less than 60 percent of an artisan's wage."

The union would also table a demand for a 40-hour working week.

"Our members and the employers in the motor manufacturing sector have led the way with a 40-hour week. Our demand this year is clear — employers in the other sectors must follow that lead.

Follow auto industry

"Employers in other sectors must also follow the auto industry lead by contributing five cents an hour to a work security fund. The purpose of the fund is to give training to retrenched workers to enable them to get new employment when retrenchment is unavoidable."

Godongwana said the central committee agreed that a quarter of workers' wages on September 24 be contributed to the reconstruction and development programme.

"Employers must, in exchange, contribute one per cent of their wage bill to the programme."

Negotiations on wages in the engineering industry take place towards the end of April, with other sectors following later in the month and in May. — *Sapa*.

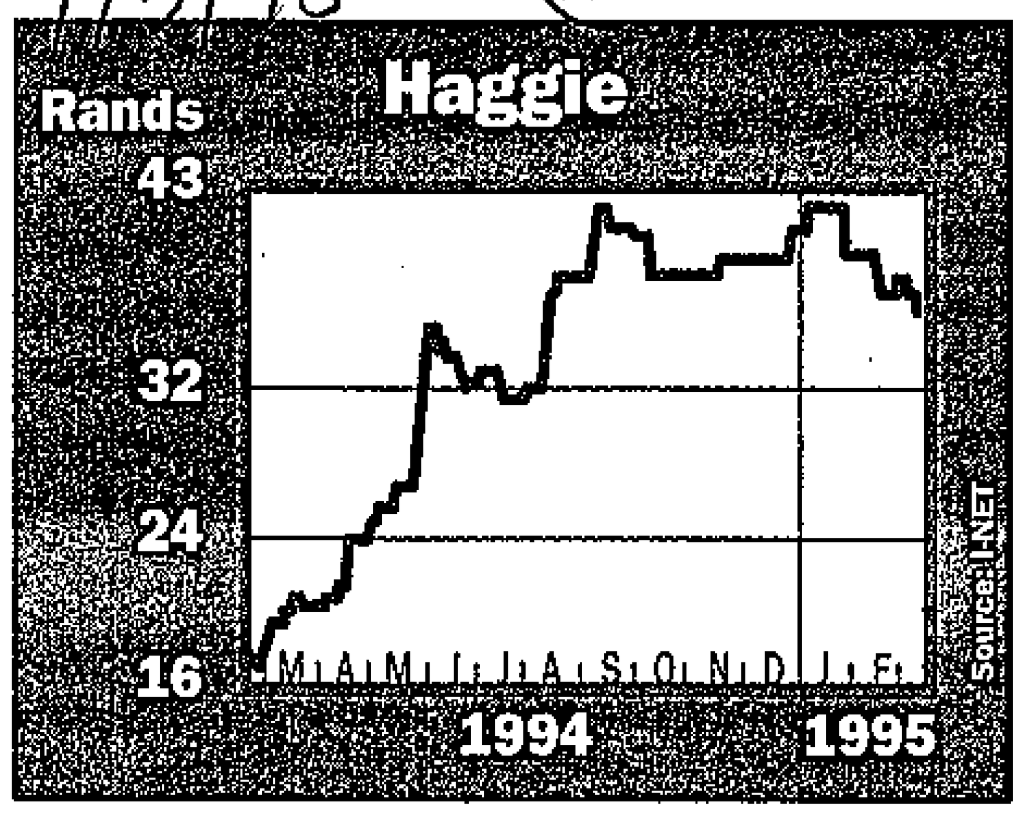
HAGGIE

Steeled for action

FM 24/3/95 (189E)

Activities: *Engineering holding company for businesses in steel wire and rope, copper-based products and engineering consumables.*
Control: *Anglo-American 35%, Malbak 35%.*
Chairman: *H Brown. MD: C Murray.*
Capital structure: *19,75m ords. Market capitalisation: R711m.*
Share market: *Price: 3 600c. Yields: 4,2% on dividend; 8,7% on earnings; p:e ratio, 11,5; cover, 2,1. 12-month high, 4 200c; low, 2 025c. Trading volume last quarter, 36 871 shares.*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	130,5	79,4	166,4	189,9
LT debt (Rm)	33,7	131,4	72,5	39,1
Debt:equity ratio	0,28	0,33	0,34	0,34
Shareholders' interest	0,61	0,56	0,58	0,60
Int & leasing cover	5,2	5,0	2,9	5,9
Return on cap (%)	12,0	11,8	6,0	10,5
Turnover (Rm)	1 182	1 195	1 224	1 378
Pre-int profit (Rm)	105,0	107,3	56,1	105,3
Pre-int margin (%)	8,8	8,9	4,5	7,5
Earnings (c)	296	300	180	312
Dividends (c)	157	157	100	150
Tangible NAV (c)	2 203	2 344	2 380	2 647

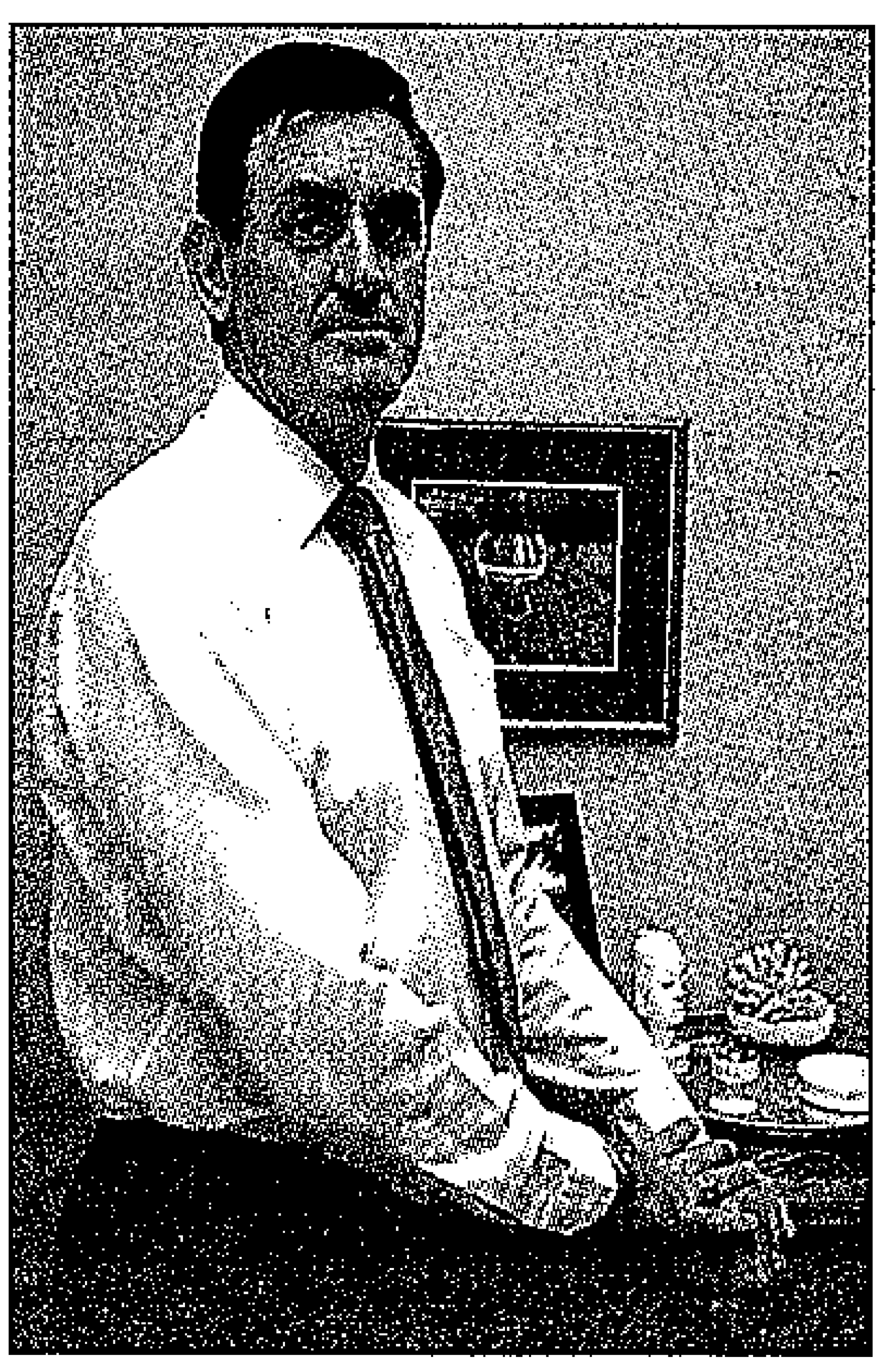


Results for financial 1994 show Haggie's resilience in a changing economy. Group MD Chris Murray says all operating subsidiaries did better than in 1993 and some are already operating at or above the target operating margin of 12%.

An 88% increase in operating income to R105m was helped greatly by strong performance in the copper-based products division. Its contribution to total profit rose from 7% in 1993 to 19% in 1994.

In the steel wire and ropes, a turnaround in 50%-owned Consolidated Wire Industries and full-year contribution from McKinnon Chain helped push divisional turnover to 58% (1993: 55%).

Subsidiary Haggie Rand, which has expanded into Europe and the US, acquired rope maker Le Lis, the largest Belgian distributor of steel wire rope. This acquisition, made after the year-end, is expected to enhance the technology base and provide a European distribution network.



Murray ... *all operating companies did better*

The engineering consumables division, operating at full capacity under pressure from increased demand, contributed 9% to total turnover and 13% to operating profit.

There are other satisfying aspects to the accounts. Long-term debt has dropped by nearly half to R39,1m (1993: R72,1m), with a commensurate fall in interest payments.

Short-term debt has risen, but total borrowings fell nearly 5%. The debt:equity ratio was held at a comfortable 34% even though working capital rose by R76m, due partly to higher copper stock prices.

The balance sheet was helped by the capitalisation issue, which means about R29,6m extra in reserves and further savings on STC. (How long can it be before government includes this mechanism in its witch-hunt against "tax avoidance"?)

Total tax charges are still low at 22% of pre-tax profit but will probably rise as export incentives are withdrawn.

The latest capex programme, R80m on the tyre cord plant in Boksburg, is complete. The plant will turn out steel cord for local and foreign consumption and Murray says the timing of the expansion is good in view of "the general tightening in the high-quality steel and steel cord markets."

The plant is not yet fully operational: industry testing is in progress and the plant is not expected to be profitable until 1997. Even so, the group can start rebuilding cash reserves in preparation for the next spending round. For now, though, the emphasis is on cost containment.

The group's next challenge is to make itself competitive internationally without the help of Geis. Haggie Rand plans to build on its hi-tech products, which Murray says "ensure a competitive edge in selected global markets." It aims to double exports in two years.

Engineering subsidiary Somta Tools exports about 47% of its output and will be hurt by the decline in export incentives but has obtained "preferential treatment" in the US and Europe. Increased sales should help offset lower export profits in 1995.

Murray expects 1995 results to be similar to those of 1994 as the group consolidates its gains. The share is on a multiple of 11,5, which is at the low end of the group's target range (11,5-15 times).

A drawback for the would-be investor is the extreme illiquidity. Only 6% of issued shares were traded in 1994 — admittedly a huge improvement on previous years (1993: 2,8%) but still low. At the current favourable position, demand for scrip is likely to exceed supply. *Margaret-Anne Halse*

MATHIESON & ASHLEY

Super office promises

Activities: *Investment holding company for retail office supply operations.*
Control: *Vestacor 76,2%.*
Chairman: *A L Ringo. CE: S Michel.*
Capital structure: *11,5m ords. Market capitalisation: R43,12m.*
Share market: *Price: 375c. Yields: 1,5% on earnings; p:e ratio, 68,2. 12-month high, 425c; low, 140c. Trading volume last quarter, 143 900 shares.*

Year to Sept 30	'91	'92	*'93	'94
ST debt (Rm)	0,4	5,1	10,7	0,2
LT debt (Rm)	12,9	9,3	0,2	6,4
Debt:equity ratio	0,29	0,37	0,32	—
Shareholders' interest	0,53	0,48	0,44	0,42
Int & leasing cover	0,86	0,17	0,92	2,6
Return on cap (%)	2,8	0,7	†3,9	6,0
Turnover (Rm)	125,0	145,7	†151,6	191,0
Pre-int profit (Rm)	3,0	2,2	(0,8)	5,4
Pre-int margin (%)	2,4	1,5	—	2,8
Earnings (c)	3,3	(6,5)	†(22,0)	5,5
Tangible NAV (c)	202	192	162	162

* 15-month period. † Annualised.

The age of the office superstore has clearly arrived. Turnover at Mathieson & Ashley (M&A)'s OfficeMart stores grew better than four times to R62m for the year to September 1994, says chairman Winky Ringo, driving up group turnover by 26%.

Sales for financial 1995 are on target to exceed R100m.

The group reversed a net loss in 1993 of R3,1m to show a profit of R635 000 for 1994 but extraordinary items taken below the line drove attributable income R31 000 into the red again (R3,2m). EPS before extraordinaries were 5,5c and no dividend was paid. However, Ringo is confident the group will return to profitability this year.

M&A is cash-positive and Ringo says the "focus on working capital management and steady reduction of debt over the last four years" contributed to the strong cash balance of R3,8m. Total borrowings have been reduced to 63% of their 1993 level, which also cuts down on interest charges.

Last December, M&A sold its 50% stake in furniture manufacturer and distributor Kallenbach-Hendler to focus on the "new core business" of office supplies.

Now three years old, OfficeMart has proved the salvation of M&A. It specialises in four sectors of the office equipment market: computer hardware and office automation products (including cellular phones), software, stationery and office furniture. A new, fifth division, in services, is proving highly successful.

The group plans to take advantage of the burgeoning Soho (Small office, home office) market. Ringo believes OfficeMart shares this market with MacroOffice. But it competes with businesses such as Waltons and Businessland in the stationery and computer sectors and Ringo says it's impossible to estimate sectoral market shares.

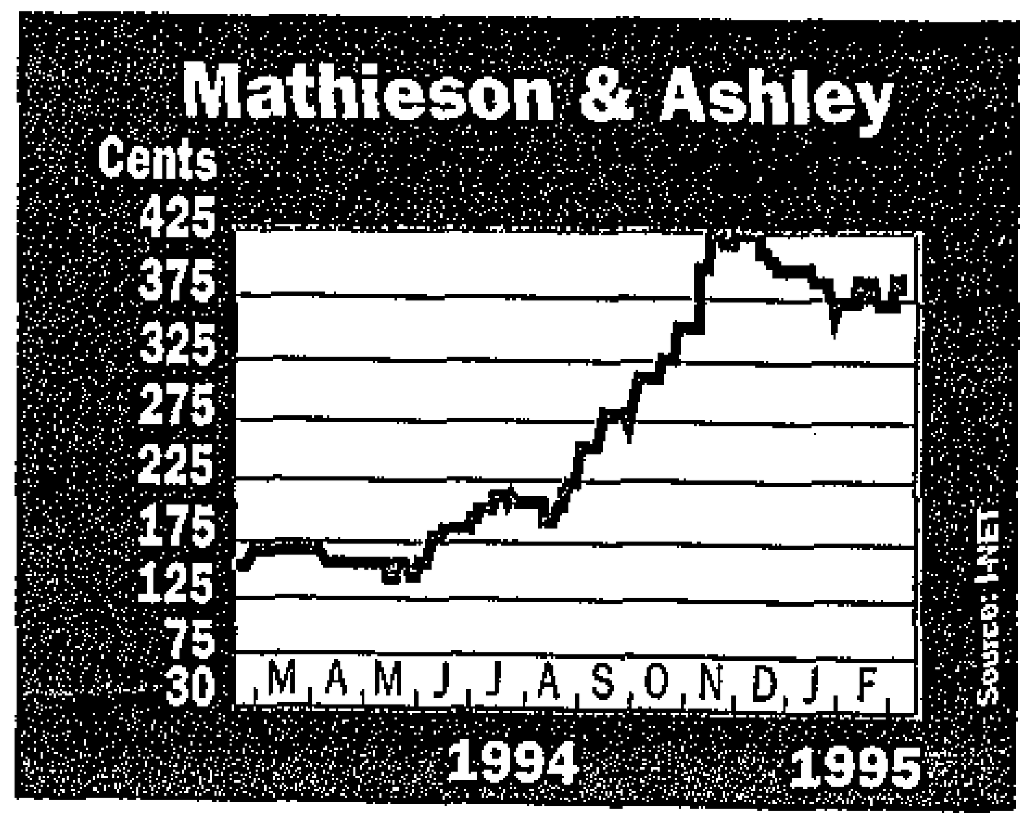
Ringo says the business has "grown exponentially." Since the 1994 year-end, the group has opened four new stores, taking the total number from five to nine, and four more are scheduled to open by June — two in Cape Town, one in Durban and one in Pietersburg. It has speeded up its roll-out programme for financial 1995 because it expects increased competition which it wants to pre-empt.

Ringo ... *may even pay a dividend this year*

The store openings, which cost the group about R4m each, will affect the bottom line because all one-time opening expenses are written off rather than being capitalised. This augurs well for the future in that the balance sheet will not be laden with debt.

In general, the outlook is promising. Office automation products, which contribute about 36% of the total income, are expanding rapidly in the wake of interest in the information superhighway and the group appears well positioned in this area.

The group is trading on a p:e ratio of 68,2, more than triple the sector average, which Ringo ascribes to high investor



expectations. The share price is considerably above its annual low and may well reflect market confidence in the new-look M&A. Unfortunately, the counter is comparatively illiquid, with only 1,25% of shares changing hands in the last quarter, so investors who want to join this ride may struggle to find scrip. *Margaret-Anne Halse*

OTIS

Going down?

Activities: *Manufactures, refurbishes and services elevators and escalators.*

Control: *United Technologies Holdings Plc 51%.*

Chairman: *J C Hall. MD: R J Robinson.*

Capital structure: *20,4m ords. Market capitalisation: R148m.*

Share market: *Price: 725c. Yields: 8,8% on dividend; 12,5% on earnings; p:e ratio, 8,0; cover, 1,4. 12-month high, 1 075c; low, 625c. Trading volume last quarter, 98 213 shares.*

Year to November 30	'91	'92	'93	'94
ST debt (Rm)	—	—	2,2	—
LT debt (Rm)	0,1	0,4	0,1	—
Debt:equity ratio	(0,31)	(0,39)	(0,42)	(0,75)
Shareholders' interest	0,40	0,31	0,34	0,43
Return on cap (%)	31,7	45,3	50,8	54,9
Turnover (Rm)	117,0	186,3	168,3	192,9
Pre-int profit (Rm)	13,1	21,1	28,6	32,9
Pre-int margin (%)	11,1	11,3	17,0	17,0
Earnings (c)	38,3	50,0	75,6	90,4
Dividends (c)	19	25	52	64
Tangible NAV (c)	97	71	94	121

For anyone outside the group, 1994 must have seemed a pretty mundane year for Otis. The only ripple in an otherwise placid pond was the rather unusual step of replacing both chairman and MD in the same twelve months, but even here the impact was muted by the fact that the impending changes were announced in the last annual report.

Otherwise, it was business as usual. Having completed its recovery in 1993 after the severe 1990 setback and with Melcorp (acquired in 1992) already successfully integrated, there were no special circumstances to boost results. After three unusual years, the earnings pattern reverted to normal to the extent that it more closely reflected the increase in turnover.

What, then, is the market so edgy about? After peaking at 1 075c in mid-1994, the share has been in a tail-spin that has wiped out almost a third of its market value. At 725c, the price is only 25c more than a year ago. After taking into account the 20% earnings growth recorded in 1994 and 23% increase in dividends, this means the market rating of Otis has declined significantly on a yield-relative basis.

It is a question easier to ask than to answer as, by all appearances, the group is in prime health — the most obvious indication of this being its continued strong cash generation which has resulted in net cash holdings increasing from R8,1m to R18,4m. This was achieved despite a small decline in dividend cover which nevertheless allowed the group to transfer more than half its gross cash-flow of R19,3m into the bank.

With cash now accounting for 32% of total assets, Otis is in an extremely strong — perhaps unassailable — financial situation. Playing devil's advocate, however, one is also tempted to ask whether this may be one of the factors bothering the market.

There are two aspects to this. The first, a practical one, is that Otis does not appear to have plans to use its cash resources productively. In a way, this mirrors the mid-Eighties and could raise the spectre of what happened in 1990 when, virtually without warning, earnings plunged 76%. Clearly, there is no direct link between how much money a company holds and the risk of an earnings setback, but there remains a feeling that complacency in the Eighties contributed to the debacle. This throws up the awful possibility that history might just repeat itself.

The second aspect is that while cash looks nice in the balance sheet, it is wasteful in terms of producing profit. Since almost one-third of the group's assets last year produced only R1,7m (5%) of its pre-tax profit, the point does not need to be laboured. A related aspect is that as Otis's cash pile increases, even with interest rates moving upward, it will find it more difficult to maintain existing profit ratios though this is unlikely to affect the market rating of the share in the short term.

Something the market may have got its teeth into is that, since the boost provided by the Melcorp takeover in 1992, there has been no real turnover growth. 1993 sales in fact were down 10% and, while there was a recovery last year, the R193m total was only 4% above the 1992 figure. This underlines the extent to which earnings growth has been influenced by factors other than natural organic growth.

New MD Robbie Robinson makes it clear he views the turnover conundrum with concern. 1995 will be something of a balancing act between declines expected from new equipment and export sales and improvements from a higher intake of modernisation contracts as well as continuing growth in maintenance and repair volumes.

The missing element is that Otis needs a resurgence in commercial construction which in the first instance would provide an improved order book for new equipment and, later, an increased base for the group's servicing division.

Civil engineering sector slows down

SELLO MOTLHABAKWE

THE civil engineering industry has slowed down after the winding up of the engineering phases of projects such as Alusaf's Hillside Smelter and Columbus Stainless Steel.

SA Federation of Civil Engineering Contractors (Safcec) spokesman Henk Langehoven said there was a "tender standstill" in the industry which should end once the reconstruction and development programme (RDP) gained momentum.

He said the establishment of local government structures was crucial to contract activity. (189E)

Local government projects would make up for the "slowdown".

Twelve engineering projects had contributed significantly to capacity utilisation last year. Alusaf had hovered around 80% for three quarters of last year and had boosted engineering turnover 26%. BD 27/3/95

The projects also raised employment levels, which had increased 19% in the first quarter of last year to 72 000 from 68 000 the previous year.

Langehoven said a contributing factor to the slowdown was the lack of borrowing capacity at local government level. The absence of contracting powers and legitimate authorities had led to a paucity of tenders and resulted in a 17% drop in contracts awarded since the second half of last year.

The industry was cyclical in nature and depended on local authorities for the bulk of its work. In 1993 local authorities had contributed 28,4% or R1,3bn of contractual work for the industry from a total number of contracts worth R5bn. The figure had dropped to about 10,7% or R550m.

Langehoven said continued lower tender activity, lower awards and declining order books throughout the second half of last year had undermined business confidence.

But this year was expected to be a good one as a result of RDP projects, he said.

Titaco moves into the black

ROBYN CHALMERS (189E)

ENGINEERING group Titaco continued its turnaround in the six months to February, turning an attributable loss of R742 000 into a profit of R1,2m. BD 2/5/95

Turnover more than tripled to R29,3m against R8,7m for the previous comparable period and income before interest and tax rose to R1m from a loss of R1,3m.

Interest and finance charges received increased to R312 000 (R14 000) previously, leaving pretax income at R1,4m (R1,2m loss).

Earnings were converted from a loss of 12,3c to a profit of 20,2c a share and directors resumed dividend payments, declaring an interim dividend of 6c.

CEO Basil Smidt said the results continued the upward trend established in the latter part of the last financial year which resulted in the return to profitability.

He said Titaco's prospects for the second half remained positive and the group's order book, as well as future prospects for new contracts, were healthy.

The share price was bid up 5c on Friday from its previous close of 135c. The group's net asset value a share increased to 122,1c from 79,8c in the previous period.

Deutsche Babcock spells out strategy

189E

BD 17/5/95

Llewellyn Jones

DEUTSCHE Babcock (SA) had committed itself to a wideranging strategy in support of the reconstruction and development programme (RDP) and SA's quest for global competitiveness, MD Heinz Spandern said at the company's 25th anniversary celebrations.

Deutsche Babcock is one of SA's largest privately-owned engineering companies and is active in the design, manufacture and commissioning of projects in the power generation, petro chemical, mining water treatment and process sectors.

"SA faces challenges on twin tracks," he said. "At home the focus is on the upliftment of previously disadvantaged communities, job creation, training and skills transfer. The wider challenge involves export-driven growth and global competitiveness."

He said Deutsche Babcock was well placed to drive these processes forward as was demonstrated by the recent increase in investment in the company's Nigel plant and its involvement in capital intensive projects which entailed strategic additions to SA's industrial infrastructure.

"The technology base at Deutsche Babcock in SA and the technology available for transfer from our overseas partners could play a substantial role in preparing the SA economy for the challenges of the next century and improving the quality of life for its citizens."

He said new initiatives with direct relevance to the RDP included the newly developed package sewerage and potable water treatment plants for rural communities.

Ovcon feels squeeze despite high turnover

(189E)

CT(BR) 18/5/95

By Maggie Rowley

The slower than expected upturn in the construction industry saw Ovcon's earnings shrink for the third consecutive year. This was in spite of an 11 percent increase in turnover to R165 million for the 12 months to end March.

The extremely competitive tender market resulted in a further squeeze on margins with the Cape and KwaZulu Natal-based building and civil engineering company's operating profit slipping 19,3 percent to R2,8 million.

After an increase in the interest bill due to long term borrowings more than doubling to nearly R2 million to fund the acquisition of new plant and machinery and lower taxation of R805 million, earnings at the share level were 14,3 percent lower at 17,4 cents.

A final dividend of 8,5c a share brings the total payout for the year to an unchanged 12,5 cents.

The balance sheet continues to reflect good liquidity levels with cash balances of R14 million at year end.

Group MD Jan Kaminski said his expectations expressed last year of a significant increase in the level of construction activity in the company's markets had been premature "particularly given the long lead time for the RDP development to begin and the cautious investment policies of overseas clients in South Africa".

However, he said, the group's order books had improved significantly and were at levels not seen for more than three years. In fact work on hand for the current year, he said, already approximated the past year's entire turnover.

Recently secured Cape projects include a R12 million contract for an office block in Bellville, a R24 million refurbishment of the Reserve Bank and a R20 million warehouse in Brackenfell, while in Natal Ovcon has been awarded a R15 million contract for Kyalami Industrial Park for Sanlam and a R14 million office block for Atlas Properties. In addition two contracts totalling R43 million had been signed up in Abu Dhabi.

MULTINATIONALS IN SOUTH AFRICA

EX-SANCTIONS BUSTERS THRIVE

(189E)

ST(BT)21/5/95

By DON ROBERTSON

SOUTH Africa's engineering industry is small by world standards and has failed to attract a rush of new investments since the April election.

But those that endured during the apartheid era are pleased they did, believing they will reap substantial benefits from having an established base — an advantage which puts them way ahead of newcomers.

This is particularly true in the civil engineering industry, which has seen a spate of newcomers and joint ventures in the past six months.

The chief economist at the SA Federation of Civil Engineering Contractors, Henk Langenhoven, says some of the larger groups would consider a $100-million contract small.

There are, however, several major newcomers to be reckoned with.

Largest of these is perhaps the Brazilian group Odebrecht, which Mr Langenhoven says does more work in Africa than the whole South African engineering industry.

Also new to our shores are the British groups Bovis and Kier, and the French construction giant Bouques, which recently bought out road constructers Basil Read.

Smaller groups such as the Greek company Elias-Tzarcalley have also set down roots ahead of what they expect to be a sharp increase in local business activity.

Their influx has caused some consternation in the industry.

Last year, 72% of all engineering and construction work went to 12 companies, while 70% of all business was generated by the government.

A number of multinational companies in the engineering industry's manufacturing sector stayed in South Africa during the sanctions era, despite considerable pressure to leave.

One of these was Siemens, which traces its history in the country back to 1860 when it installed the first telegraph line from Cape Town to Simonstown.

Today it is one of the major players in the engineering field.

The company will celebrate its centenary next year with a move to new headquarters in Midrand. It has spent more than R250-million on building plant and equipment in the past three years, which, says the newly appointed chief executive, Klaus Doering, "speaks of our intentions to continue with growth and employment".

Siemens was the first company to train black conduit installers and electricians and had a hand in accelerating changes in labour legislation. In 1983, less than 2% of its skilled artisans were black. By the end of last year, 40% were.

The company is also empowering black business by placing orders for electrical projects with black subcontractors and has financially helped black employees to start their own electrical ventures.

The local operation is tiny compared with its German parent, which last year had a turnover of about R200-billion and employed 380 000 people. Siemens SA boasted a turnover of R3-billion and had a staff of 5 000.

Siemens SA is owned 52% by its parent, 32% by Sankorp and 16% by the Industrial Development Corporation.

Dr Doering believes multinationals have a major role to play in Southern Africa.

Another German-owned engineering giant, Deutsche Babcock (SA), celebrated 25 years in the country earlier this year.

The managing director, Heinz Spandern, says the company's technology base and access to international expertise could mean it plays "a substantial role in preparing the South African economy for the challenges of the next century".

Deutsche Babcock (SA) designs, manufactures and installs cooling plants and heat exchangers.

Van Leer South Africa, a member of the giant Dutch Van Leer packaging group, carried on operating successfully during the sanctions period, but it did not expand and no new products were developed.

Van Leer's headquarters in Amstelveen came under attack a number of times and the management had to tread warily for fear of antagonising the union movement, says managing director Mike Syme.

But, once South Africa turned the corner politically, the company took off. It developed a new rigid plastic container and bought a laminated foam business in the Ciskei which was later moved to Springs.

The South African operation is now regarded as a base for development in Africa, including Zimbabwe, Kenya, Nigeria and Mozambique. Exports to the rest of the continent have more than trebled in the past 18 months.

South African products are also being exported to the Far East, Australia, North America and Europe, Mr Syme says.

The company is concentrating on improving its productivity, which lags that achieved in First World countries by about 25%.

"We are very glad the company stayed as there were times when disinvestment was considered," says Mr Syme.

In contrast, NEI Africa, a Rolls Royce subsidiary, never considered withdrawing from South Africa, says the company's chief executive officer, John Kempster.

He says NEI never came under the same pressures as other European companies did to disinvest because it had been in South Africa for so long.

"NEI was really considered to be a local company with Old Mutual having a large stake."

During the sanctions period, the company increased its products' local content and diversified into the automotive sector. Most staff were employed locally.

Export opportunities have increased considerably over the past year and about 20% of production is now destined for Africa. This is expected to increase to about 30% by next year.

The company also supplies products to South America, the Middle East and China.

It recently signed a technology transfer agreement with an associate company in India.

Mr Kempster says the company is looking at ways to improve its productivity levels, which are way below those in other countries.

"Our labour is seven times more expensive than in India, for instance, while our raw material costs are also substantially higher," he says.

"We have to be competitively priced if we are going to be able to meet the threat from other overseas companies which will inevitably come to South Africa."

KLAUS DOERING ... CEO of Siemens, SA

Cemenco turns losses around to earn R2m

(89E) (30)

Llewellyn Jones

BD 23/5/95

CONSTRUCTION and engineering group Cementation Company (Cemenco) returned to the black during the six months to March, reporting attributable earnings of R2m compared to a R969 000 loss in the same period last year.

The company hiked turnover 41% to R190,4m (R134,9m), while operating profit more than trebled to R5,3m from R1,4m. Margins remained tight at 2,8% from 1%.

A group spokesman said the increase in turnover was largely due to the effect of orders of about R30m placed in the second half of last year which had taken some operating business units beyond the break-even point and had improved their margins.

The directors said the increased activity across the group resulted in an increase in net borrowings over the six months despite improved working capital ratios. This saw interest paid climb 66% to R1,8m (R1,1m), but pre-tax income was still more than ten times better at R3,6m (R346 000).

While the company's tax bill rose more than six times to R1,6m (R253 000), the marginal tax rate dropped to 43% from 73%, and saw net income after tax surge to R2m (R93 000).

Earnings a share climbed to 22,4c compared with a loss of 10,4c a year before.

The group realised a profit of R3,6m from the disposal of its remaining 50% interest in La Forge. In the same period last year it disposed of its interest in Barracuda, which resulted in a loss of R3m.

The directors declared an ordinary dividend of 7,5c per share and a special dividend of 6,5c as a result of the profit made on the sale of La Forge.

They said tendering was at reasonable levels and the group's order book was at the same levels it was at the end of March last year.

"At that time, the order book was heavily biased towards mining activities, but is now more evenly spread over mining and engineering," the spokesman said.

The company's shares closed untraded yesterday at 450c.

Haggie expectations flat

(189E) Star 27/6/95

BY LLEWELLYN JONES

Engineering group Haggie Ltd, which is approaching the half-year stage, expects earnings to be constrained by increases in interest and tax charges, but perform as least as well as last year, CE Chris Murray said.

Analysts said the group reported a 74% hike in earnings for the year to December as the benefits of rationalisation and restructuring in 1992 and 1993 flowed through.

Murray said all Haggie's manufacturing plants remained busy with buoyant domestic and export order books. But he did not expect the second half to be as busy and could be affected by stay-away's associated with the Labour Relations Bill and the wage negotiations.

In its steel wire and rope division, the group's flagship operation Haggie Rand has been negatively influenced by fluctuating exchange rates, heavy overtime payments to get exports on time and difficulty was being experienced passing on mid-year price increases.

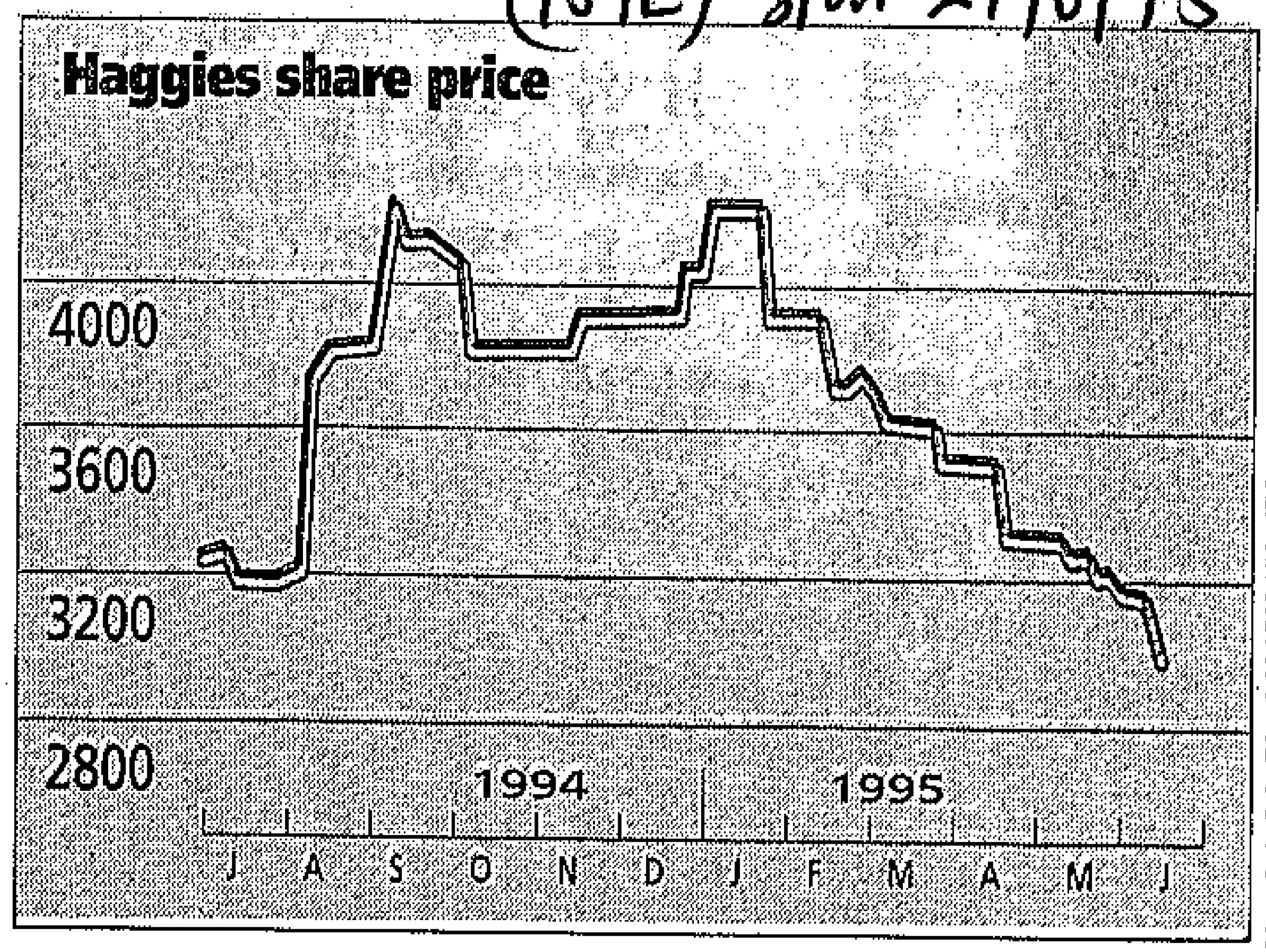
Murray said the R100-million Steel Cord project was set to break even in 1997. The project was expected to make a greater loss than budgeted for because of lower than expected sales and extra depreciation charges.

"The demand is there and we have had to increase spending on training to allow for faster training of the workforce," he said.

An application was being made to the Board of Tariffs and Trade to remove the rebate under which tyre chord is imported and reconsider the duty level.

Consolidated Wire Industries was performing well on the back on increased exports and lower costs, mainly through improved productivity at the Vanderbijlpark Park plant.

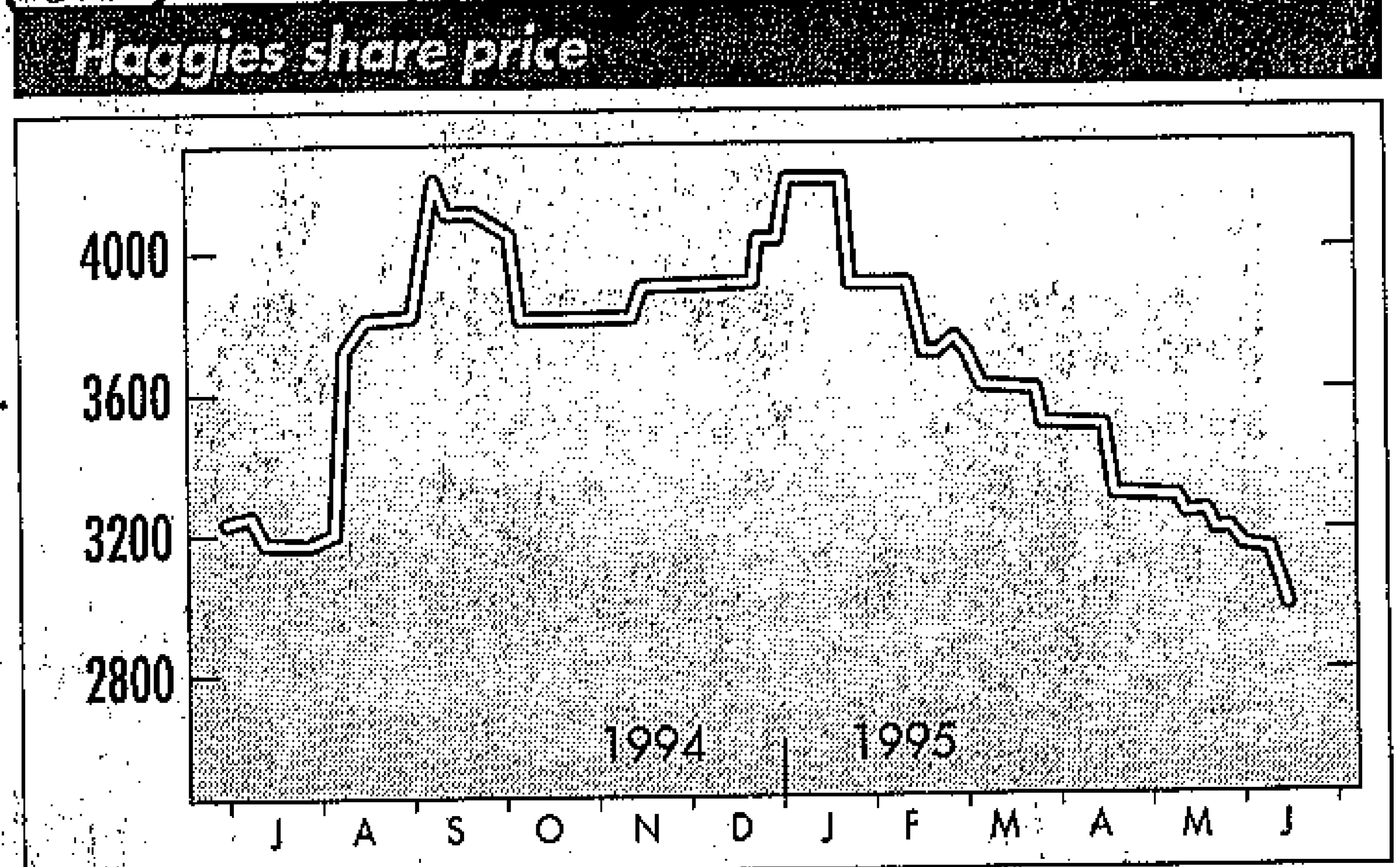
In its copper-based products division, Copalcor and Maskal Tubes Were still not making adequate returns. "While they are no longer intensive-care uit cases, they're still not dischargeable from hospital," he said.



Haggie expects to match last year's performance

CT(BR) 27/6/95 (189E)

By Llewellyn Jones
Staff Writer



Engineering group Haggie, which was approaching the half-year stage, expected earnings to be constrained by increases in interest and tax charges, but to perform at least as well as last year, said Chris Murray, the chief executive.

Analysts said the group reported a 74 percent hike in earnings for the year to December as the benefits of its rationalisation and restructuring became apparent.

Murray said all Haggie's manufacturing plants remained busy with domestic and export orders buoyant. But he said the second half could be affected by stayaways associated with the row over the Labour Relations Bill and the metal industries' wage negotiations.

In its steel wire and rope division, the group's flagship operation Haggie Rand had been negatively influenced by fluctuating exchange rates, heavy overtime payments and difficulty in passing on a mid-year price increase, he said.

Murray said the R100 million Steel Cord project was expected to make a greater loss than budgeted for because of lower than expected sales and extra depreciation charges.

An application was being made to the Board on Tariffs and Trade to remove the rebate for imported tyre cord and a reconsideration of the duty level for this infant industry.

Consolidated Wire Industries was performing well on the back on increased exports and lower costs, mainly through improved productivity at the Vanderbijlpark plant.

However, in its copper-based products division, Copalcor and Maskal Tubes were still not making adequate returns. Haggie plans to continue cutting back in loss-making areas to match market needs.

Input costs, particularly for Maskal and Copalcor Rolling Mill, would rise over the next few months as a result of the trade and industry department's scrapping of the eight-year-old preference system and control of the export of scrap metal, Murray said.

Haggie was also having to "pay through the nose" for both scrap and virgin copper as prices had nearly doubled, but customers had objected to paying the increases.

But Murray said the relevance of copper-based products would be emphasised as the reconstruction and development programme housing project took off. Each house needs about 9 kilograms of the metal.

Haggie is currently trading at an annual low of R29,75 after touching a high of R42 in January.

Hudaco pushes up earnings by 29%

~~189A~~ (189E)

By Llewellyn Jones

Staff Writer

The engineering group Hudaco has posted a 29 percent increase in attributable earnings to R19 million (R14,7 million) for the six months to May. Industry analysts said yesterday this was in line with expectations for the sector.

Turnover rose 25 percent to R364 million (R290,5 million), nearly half of which was attributable to acquisitions, principally of BEP Bestobel in August last year.

Ongoing businesses improved sales by 14 percent, despite the fact that both gold mining and agriculture, representing about a quarter of sales, remained under pressure and probably registered real declines in activity for the period.

But directors said the balance of the markets served by the group remained buoyant.

Operating profit increased only 16 percent to R32 million (R27,7 million), reflecting a decline in operating margins to 8,6 percent from 9,5 percent.

The directors said this reflected the diluting effect of the lower operating margin earned by BEP, without which margins would have shown a modest improvement.

Taxation increased marginally to R9,4 million (R9,1 million), but the effective tax rate declined to 30 percent from 34 percent, largely due to the transition levy not being repeated this year.

The group declared a dividend of 30c (25c).

Stock increase

CT (BR) 27/6/95

The balance sheet and cash flow statement reflected an R18 million increase in stock since the year-end, which the directors said was due to the depreciation of the rand, the build-up of stock levels to cope with longer international lead times and improved local demand, and a small acquisition.

Earlier this month, directors said the Commissioner for Inland Revenue had disallowed the utilisation of assessed losses in a group company in respect of the 1987 – 1990 tax years.

The portion of the commissioner's claim to Hudaco is about R22 million, but the directors said they believed the commissioner was not justified in his actions, and they would "strongly" contest the revised assessments.

Accordingly, no provision had been made for these claims.

ay, June 27 1995

Hudaco increases past expectations

(189E) BD 27/6/95

Marcia Klein

ENGINEERING group Hudaco, which distributes industrial products including diesel engines, bearings, brakes and clutches, lifted earnings 28% to 66c (51,4c) a share in the six months to May on the back of positive trading in most of its markets and a lower tax rate.

The growth was ahead of market expectations, with most analysts expecting growth of about 22%.

Nearly half of the 25% increase in turnover to R364m (R290,8m) reflected acquisitions, mostly the acquisition in August of fluid measurement and control company BEP Bestobell.

Sales volumes of existing businesses continued to grow, and sales of these interests were up 14% despite the fact that gold mining and agriculture, which accounted for about 25% of its sales, remained under pressure. Its other markets remained buoyant.

Operating profit increased 16% to R32m (R27,7m), with the reduced operating margin of 8,8% (9,5%) reflecting the diluting effect of BEP's lower margin.

Directors said BEP's performance had "improved steadily" since the acquisition, but it would be some time before its full potential was reached.

After lower net finance costs, pretax profit was up 17% at R31,2m (R26,6m). A reduced tax rate, which reflected the effect of the transition levy on the previous year's taxation, saw attributable profit increase 29% to R19m (R14,7m). A 20% higher interim dividend of 30c (25c) a share was declared.

Directors said the R18m increase in stock since November reflected the depreciation of the rand against its main trading currencies, a build-up of stock levels to cope with longer international lead times and better local demand. The balance sheet remained strong, with gearing at 4%.

They pointed out that Inland Revenue had disallowed the utilisation of assessed losses in prior years in a group company and had issued revised assessments. Although the portion of these claims attributable to Hudaco shareholders was approximately R22m, the company had made no provisions as it planned to contest them.

They said they would "feel disappointed" if earnings did not increase at least 20% in the full year. They were optimistic SA's economy would grow notwithstanding difficulties in gold mining and agriculture.

The share closed yesterday at R21,50, off a June 1994 high of R23,75 and an October low of R19,75.

In March Hudaco announced a capital restructuring to create a more effective capital structure.

In terms of the restructure, R86,4m was transferred from the share premium account to shareholders' loan claims at R3 a share.

Hudaco shares now reflect linked units of ordinary shares and loan claim units as they are linked in the ratio of one loan claim unit of R3 to one ordinary share.

Reunert path will lead to delisting

BD 28/6/95

Sello Motlhabakwe (189E)

ENGINEERING group Reunert has announced plans to restructure its power and telecommunication cable interests, which will lead to the delisting of subsidiary African Cables from the JSE.

The company said yesterday African Cables would dispose of its wholly owned subsidiary Rosslyn Cables — valued at R30m — to sister company ATC. The disposal would be settled by R16m in cash, and the issuing of new ATC shares. African Cables would acquire a 21% stake in ATC.

In another deal, unlisted Afcab Holdings would acquire the General Electric Company's 9,6% holding in African Cables, valued at about R17,4m. The deal, at an effective R4,60 a share, would bring Afcab Holdings' stake in African Cables to 91,9%.

In addition, minority shareholders in African Cables could elect to receive R4,60 a share. The award had been accepted by 90% of the minority shareholders.

At the conclusion of Rosslyn Cables' transfer to ATC, Afcab would hold a 100% interest in African Cables.

The restructuring would not affect the interests of GEC, Reunert and Siemens in Associated Electrical Industries (AEI), GEC SA and Afcab Holdings. However, AEI's 28,8% stake in ATC would drop to 22,8% and GEC SA's 71,2% holding in ATC would slide to 56,2%.

Reunert executive director Glyn Riley, who will take over as African Cables MD, says: "After a year of negotiations I believe we have reached a very elegant solution."

Joint venture could benefit SA industry

CT(BR) 25/7/95 (189E) (189)(189E)

STAFF WRITER

The establishment of a joint venture in South Africa between RCG Moody International, the multi-national consulting and technical services organisation, and FPH Consulting Services, could benefit the petrochemical, industrial and mining heavy-equipment sectors and project engineering concerns.

Moody International SA will extend the multi-national organisation's operations into Africa and open up the services of the group's global network to South African companies.

Moody International is represented in more than 50 countries and is authorised to issue international listing accreditation in terms of the ISO 9000 system.

Rennie van Wyk, a director at FPH Consulting Services, said that this could be vital to local companies seeking to export to other parts of the world, particularly Europe.

Overseas

He said Moody International's extensive inspection and expediting network meant that overseas companies involved in projects in South Africa could obtain internationally accepted quality control and expediting services anywhere in the world.

By placing an order for such services in South Africa, machinery, materials or components produced in countries such as Germany, China or Sweden could be approved to the client's own specifications or to the highest of international standards.

Similarly, the South African joint venture was staffed and equipped, through FPH Consulting Services, as an accredited SABS-listed inspection authority to supply the same level of service in southern Africa to importers of South African produced goods.

Local govt inactivity hits civil engineering

Star 25/7/95

(189E)

■ BY ANDY DUFFY

The civil engineering industry is suffering record low levels of new activity, hit by local government's failure to put funded work out to tender.

Latest figures from the South African Federation of Civil En-gineering Contractors show new contract awards fell to R1,4-billion in the first three months of this year from R2,17-billion in the last quarter of 1994.

The federation – representing major contractors responsible for 85% of local civil engineering work – said local governments had been given the funds to pursue new work, but were failing to let contracts.

The provinces had also begun cancelling contracts that companies had tendered for.

Just six of all the contracts let in the past 18 months had been worth more than R50-million each, all from central government departments. Work worth a mere R45-million was let for the whole country last week.

Safcec said the industry's turnover this year could fall 6% in real terms, after last year's 17,7% growth, taking more than four thousand jobs with it.

"We're going down when we should be going up," Safcec economist Henk Langenhoven said.

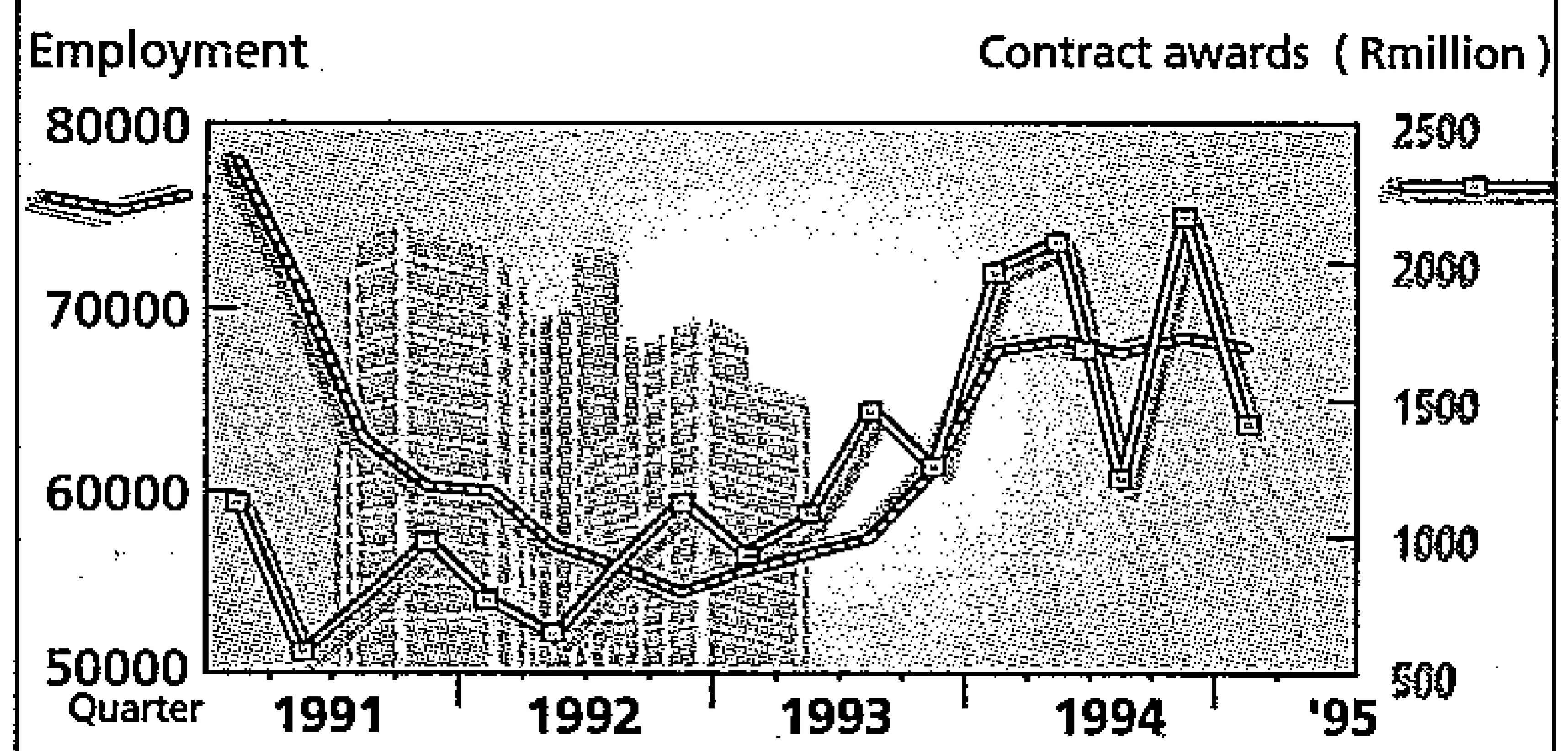
"These institutions aren't working. Money has been allocated but it's just not moving.

There ought to be township development, but it's just not taking off." Order books were 30% thinner than in the last quarter of 1994, with work in hand dropping to R2,6-billion from R3,9-billion, while turnover was down 4% on the quarter.

Langenhoven said anecdotal evidence from members suggested the federation's figures were probably optimistic.

Other factors hurting the industry included structural weaknesses in the economy and the parlous state of government finance, Langenhoven said..

Hard times for civil engineering



Agreement in wage talks

Sowetan 24/9/95

(189E)

UNIONS and employers in the steel and engineering industry have reached agreement on wage increases for 275 000 workers and will set up new wage models which will cut ties with past pay trends favouring white workers.

The National Union of Metalworkers of SA and the Chemical Workers' Industrial Union said at the weekend workers would get increases ranging between 11 percent for the highest-paid workers and 12 percent for those on the lowest scales.

The unions and the Steel and Engineering Industries Federation of SA, representing more than 9 000 employers, also agreed to set up a task group which has until April next year to work out a new wage model for the industry.

This follows a historic agreement between Numsa and automobile industry employers in June which cut ties with past remuneration practises and ushered in a new era of merit-related non-racial pay packets, education and training provisions and new dispute resolution procedures.

The parties agreed that the new wage model will deal with job-grading, worker training, productivity, employment security and wage differentials.

But the parties still have to agree on how to accommodate the diversity in the industry when setting up the wage model — for example some factories employ thousands of workers producing for export while others are small family businesses and engineering shops.

Numsa general-secretary Mr Enoch Godongwana hailed the agreement as a victory for workers.

"Seifsa has finally agreed in principle after two years of bitter negotiations to improve the pay of the lower paid workers, reduce massive wage differentials between the different grades and improve the skill levels of workers." — Sowetan Correspondent.

Laboratory will expose students to engineering

Bonile Ngqiyaza (189E) BD 1/8/95

A NEW dynamics laboratory for mechanical and aeronautical engineering — erected with the financial aid of Gold Fields, which gave R360 000 — was officially opened at the University of Pretoria yesterday.

An additional R180 000 was raised by the Foundation for Research Development by means of the technological human resource for industry programme instituted by the department of commerce and industry.

In terms of the programme, the department pledged R1 to every R2 raised by industry.

University of Pretoria spokesman Mike Smuts said students would be given the opportunity to study "important dynamic principals and phenomena such as resonance". Some third- and fourth-year students, especially students from the mechanical and aeronautical engineering department — who would be exposed to various vibration and control experiments — would also make use of the laboratory.

Experiments would include the measuring of noise levels in the students' own cars, the examination of the results in the laboratory afterwards, and the use of vibration to determine when mechanical equipment needed to be re-serviced.

The facility provided the opportunity to bring students "into contact with the practice of engineering in the field".

CIVIL ENGINEERING (189E)

Trickling trend

FM 4/8/95

The civil engineering industry is suffering a downturn in order books. When calculations are completed, it is expected that tender awards to the industry will be as much as R1bn lower than in the first half of 1994.

Reviewing the state of the industry half way through the year, the SA Federation of Civil Engineering Contractors (Safcec) says tender activity is as low as ever previously recorded. "The stream of contract awards has dwindled to a mere trickle — below the danger level of R80m a week."

On the face of it, this stands in sharp contrast to views reported in the *FM* (*Economy* July 28). Broker Frankel Pollak research head Mike Brown said then that two further capital investment waves were taking shape. But this doesn't sit well with Safcec comments such as "all indicators are now declining compared to the last quarter of 1994," and "a further worrying trend is the cancellation of a large number of prospective contracts that did go out to tender."

LTA MD Colin Campbell says a common error is to confuse projections for capital projects with anticipated demand for civil engineering work. "The two aren't necessarily the same," he says. Brown agrees. "Later capital investment phases are likely to concentrate on equipment enhancement, expanding productive capacity and information technology. These aren't at all associated with civil engineering."

Campbell confirms, however, that some projects which were expected to materialise are conspicuously absent. These include water purification projects and major sewage disposal works, all of which are usually sufficiently large to impact substantially on the industry. Other sources say bottlenecking between central and provincial governments is becoming apparent.

Brown says this hiatus should be seen purely as a growth pause. "Considering the extent to which the economy is already becoming overheated — even with growth at a modest 3% or so — it can probably be argued this pause is needed. The economy is now in a long, hard slog."

One of the more obvious problems is that many of the privately funded projects have either been completed or are reaching finalisation. These include Anglo's Namakwa Sands mine, the Columbus Stainless Steel development and Gencor's massive Alusaf expansion at Hillside. Still in the pipeline are Tongaat's Hulett aluminium mill and its R600m greenfields expansion for a new starch and glucose mill at Meyerton.

Campbell confirms the industry is in the throes of a downturn "but I don't expect it to be any worse than similar conditions in the past." The message for those heavily tied into the industry is of a period of belt-tightening. One way round their difficulty may be to lobby government intensively since it is clear many potential contracts are trapped in layers of bureaucracy. ■

Solid profit for Haggie in first quarter

(189E) Star 11/8/95

BY CHARLOTTE MATHEWS
STAFF WRITER

Haggie, the engineering group, lifted attributable profit by 13 percent to R33,6 million in the six months to June compared with the same period last year as exports grew strongly.

Turnover rose 27 percent to R814,3 million while operating income was 28 percent better at R64,5 million.

Chris Murray, the managing director of Haggie group, said domestic turnover accounted for two out of three tons produced by Haggie. Excluding the significant hike in the copper price, domestic turnover grew by 11 percent.

Net interest rose by about R2 million although gearing fell to 30 percent.

The reason for the rise in interest is mainly that interest applicable to the new steel cord plant was previously capitalised. The tax bill also rose owing to the phasing out of tax-free Geis benefits. On earnings up 9 percent to 167c a share on a higher number of shares in issue, the interim dividend was raised to 55c from 50c previously, with an option to take up capitalisation shares.

Consolidated Wire Industries, which is jointly owned with Iscor, made a strong turnaround owing to higher exports and lower costs, mainly through better productivity at the Vanderbijlpark plant.

The R80 million Haggie Steel Cord plant is waiting for quality approval from tyre manufacturers before production can begin and is budgeted to break even in 1997.

Copper-based products, which contributed 19,5 percent to operating profit and are conducted through Copalcor in Wadeville and Maksal Tubes in Springs, are not making adequate returns. There are further plans to cut back on loss-making areas.

Engineering consumables is performing ahead of budget.

Engineering index has shown an improvement

BD 18/8/95 (189E)

Yuri Thumbran

THE engineering index had shown improvement since the last quarter of 1993, with investors recognising the recovery potential of the sector, analysts said.

One analyst said declining sales to the mining, building and construction, steel and automotive industries had put a brake on earnings growth of engineering companies during the recession.

He said the main reason for the general underperformance within the sector prior to 1994 was its dependence on gross domestic fixed investment (GDFI), which had seen a sharp drop.

After shrinking for 14 consecutive quarters, GDFI began recovering from the third quarter of 1993. The analyst forecast growth of 8,7% for calendar year 1995, compared with last year's 7,1%.

The analyst said it was estimated that capital expenditure nationally for the next 10 years would amount to more than R100bn; projects for about R40bn were already on the drawing board.

Public sector spending dominated, but more private sector projects have been announced than in previous years.

The industry was expected to be considerably busier now than in previous years, and companies with strong management and balance sheets were likely to derive maximum benefits from GDFI projects.

Companies likely to benefit from the upturn were Dorbyl, Fraser Alexander, Hudaco, NEI Africa and T&N Holdings.

The analyst said Dorbyl was well positioned to benefit from increases in GDFI and RDP related projects.

Fraser Alexander's management had repositioned the group to operate in more profitable markets, less affected by economic downturns.

Hudaco had a a strong balance sheet and NEI had a more efficient asset base.

Klipton benefits from security

(189E) CT(BR) 23/8/95

By Charlotte Mathews

Investment Editor

Safety engineering group Klipton grew attributable profit by 69 percent to R1,8 million in the year to June compared with the same period last year on a good performance from its Sentry Security and Campbell Gardwel operations.

Turnover rose 16 percent to R156,9 million, while operating profit was 27 percent better at R5,5 million.

The interest bill rose as gearing climbed to 44 percent from 31 percent, partly because of funds paid to acquire the minority shares in Campbell Gardwel Natal at the beginning of the period.

Although higher, the directors said the gearing level was still within group targets.

The tax rate remained low at 10 percent from 17 percent previously owing to historical tax losses. Joint chairman Nigel Matthews said the tax rate in the future would depend on how much profit the group made in the next few years, but if it returned to traditional levels of profit it would still have three to four years of a minimal tax rate.

Earnings were 12,0c (7,1c) a share and the dividend was passed to conserve funds.

Extraordinary items totalling R5,6 million were written off against shareholders' funds, mainly on the costs of closing the Castor & Ladder factory in Alrode.

Matthews said Sentry Security, a specialist in the alarm and response industry, had done extremely well in the past year owing to the high crime rate.

Of the group's two industrial products divisions, Campbell Gardwel, which makes industrial security products such as ear and eye protection and hard hats, had an extremely good year and was expected to benefit further from increased manufacturing activity.

SA firm in R30m deal with Congo

By Andy Duffy

(189E) CT(BR)24/8/95

Staff Writer

Eskom subsidiary Rotek Engineering and Investec have put together a R30 million deal to repair Congo's Djoue power station.

Under the terms of the deal, Investec's emerging markets division has set up a five-year $8,6 million loan to the country's electricity utility to fund the work.

Rotek will be paid with the loan proceeds in the first year, with the loan repaid over the following four years.

Rotek — which specialises in turbo-generator and power distribution equipment — said yesterday it would take most of its project management, engineering, procurement and labour from South Africa.

Mervyn Harris, Rotek's business development manager, said the contract should be finished by next April but the company would pursue further work in the country.

The Congo is to spend R1,3 billion on a national electrification programme to triple the country's generation capacity.

The Brazzaville hydro-electric power station was knocked out by a major flood in 1991 and the country's electricity utility, Societe Nationale d' Electricite, has been forced to import electricity from Zaire since then.

COMPANIES

Focused approach shows results

Yuri Thumbran (189E) BD 31/8/95

IMPROVED margins resulting from a more focused approach and higher levels of infrastructural spending helped engineering group Northern Engineering Industries Africa (NEI Africa) lift earnings to 34,3c (4,1c) a share for the six months to June.

Attributable income increased to R4,4m (R300 000), while turnover, after adjusting for the disposal of Probuilt in June last year, rose 7% to R204,8m. Operating income surged to R8,1m (R4,8m).

CEO John Kempster said the group recorded a significant reduction in finance costs, reflecting close attention to capital utilisation and the effect for the full period of a rights issue in May last year.

Net financing costs improved to R100 000 from R2m in the comparable period, while gearing stabilised on a month-to-month basis with June particularly low at 0,22%.

The tax bill tripled to R900 000. The tax charge related mainly to normal tax on recoupment of building allowances and secondary tax on companies in respect of preference dividends declared and paid by a wholly owned subsidiary company.

No interim dividend was declared.

An amount of R2,2m was transferred from non-distributable reserves after the disposal of an unutilised industrial property in Alrode.

Kempster said the group had emerged over the past four years as a more streamlined, refocused company well positioned to meet the generation and distribution of industrial power requirements of the RDP, and increased infrastructural spending.

He expected substantial growth from exports, particularly in sub-Saharan Africa. In the short term, a target of 30% of manufactured output had been set. On prospects, Kempster said order intake levels were currently well ahead of earlier forecasts and should translate into increased turnover and profits in the socond half.

NEI Africa Holdings, which holds 53,3% of NEI's issued share capital, posted an increase in attributable earnings to R2,4m (R200 000).

THE SPIRA INTERVIEW

No challenge too tough for Ovcon chief

CT (BR) 4/9/95 (189E)

Born in Poland in 1938, Jan Kaminski spent his formative years fleeing from the Nazis and the Russians. He no longer flees from anything — least of all the challenge of making money in a tough civil engineering environment.

Kaminski is chief executive of Cape-based, JSE-listed Ovcon, and is embroiled in negotiations with unlisted Wilson Bayly Holmes, which has a 25 percent stake in Ovcon. If the talks are successful, a group generating an annual turnover of R700 million will come into being.

Kaminski and his family found themselves in England after the war. After qualifying as an engineer, he worked in England and Spain for John Laing Construction. He emigrated to South Africa in 1967 on a job offer from LTA, where he worked under John Wilson and Brian Holmes, the very Wilson and Holmes of Wilson Bayly Holmes.

Accordingly, if the two groups do merge, the wheel would have come full circle for Kaminski.

When he decided to leave LTA, Kaminski spent roughly 15 months each with Rand Earthworks and African Batignolles before finally settling down with Fowler Construction, which, in February 1974, sent him to Cape Town to help rebuild RH Morris.

In August 1975 he, along with Derek Mace and Jimmy Thomas, two other RH Morris directors, broke away to form Ovcon.

"We felt that we'd rather set up on our own and do things the way we believe they should be done. It was a time when contracting work wasn't plentiful. Fowlers was cutting prices and increasing turnover. We disagreed."

But the breakaway trio were strapped for money. Ovenstone Investments backed them, taking 70 percent of the equity, with Kaminski, Mace and Thomas owning the balance.

"One of the big advantages of the agreement with Andrew Ovenstone was his appreciation that there was no need for him to become involved in day-to-day management.

"We had to pound the streets and visit as many architects and quantity surveyors as possible to get onto tender lists. We were soon tendering at least once a week.

"Looking back, it is extraordinary that while this should have been a worrying period, we never lost confidence — surprising, since for a full five months we were never lowest on a single tender."

The big break came at the start of 1976, when Ovcon won a contract worth R1,5 million for the Students' Union building at the university of Cape Town.

It put the company on the map — not only because it broke the ice but because the job was an unusually difficult one.

Kaminski explains: "The contract called for a 10 metre deep vertical excavation into a clay bank. I had specialised in clays in Britain and had read up on the subject here.

"I believed, rightly as it turned out, that it wasn't necessary to excavate in 3 metre wide adits as specified by the consultants. We could do it all in one go and the bank would stand up for a limited period. This is in fact what happened — and there was a good profit to be had in rock and soil work.

"Inevitably, it began raining on the day we started excavation and, being Newlands, it continued for six weeks. Even so, the bank held up, as predicted."

Then followed a R7,45 million contract for an extension to the Kimberley hospital and several others. Ovcon had arrived.

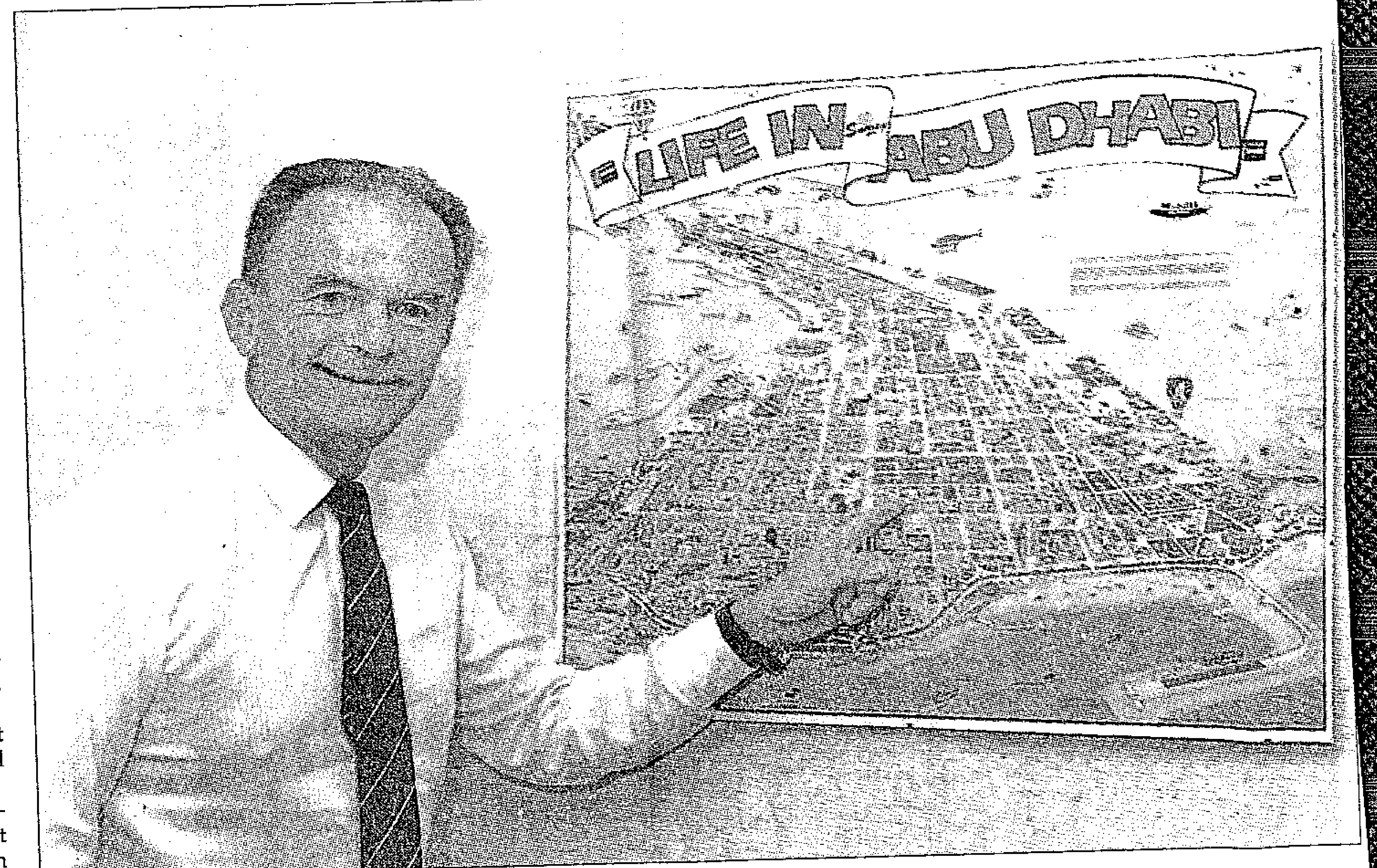
"We made mistakes but most were easily rectified and I think it is true to say that for at least 10 years we never lost money on a job.

"We took tremendous care on tenders, doing them all ourselves, working from first principles — checking material quality, supplies and prices, ordering or designing our own formwork and being very careful about whom we chose as sub-contractors."

Ovcon experienced its first major difficulties when it felt itself obliged to help Andrew Ovenstone, who had bought the Gerrie de Jongh group, which had too much work at exceptionally tight prices and too little staff.

Kaminski spent two years attempting to salvage these contracts. In the end, only one yielded a profit. Even so, Ovcon continued operating in the Transvaal with some success.

"With hindsight, we realise that one of the founding trio should have settled in Johannesburg for at least five years. At the same time, the Transvaal work was seldom a disaster. We made reasonable profits in some years with occasional losses in others."



NEW INITIATIVE *Jan Kaminski with a map of Abu Dhabi where the 20-year old company is about to begin operation*

However, the beginning of the most recent recession did produce a major rethink on the group's overall national exposure. Ovcon decided to consolidate and it sold its Transvaal division.

Initially, the move yielded positive results, with a strong earnings boost in the 1991-92 financial year. But then the recession started to bite hard and earnings have been slipping ever since.

Kaminski ascribes the last financial year's earnings shrinkage (14,3 percent down at 17,4c a share) to the long lead time in RDP developments, the Cape's traditional lag in the upturn in business activity and the start-up costs of the group's Abu Dhabi initiative.

But the outlook for Ovcon, currently celebrating its 20th anniversary, had since improved considerably, with a good start having been made in the new financial year.

Looking further ahead, Kaminski sees tremendous potential in work which is likely to flow from a successful Cape Town Olympics bid and from projected activity at Saldanha Bay.

"Ovcon has areas of expertise of which few South African contractors can boast. We've built up a reputation for doing the more difficult jobs quickly."

Also containing appreciable potential promise is the negotiation with Wilson Bayly Holmes, which Kaminski expects to yield a result "in the next few weeks".

If the merger indeed materialises, marked benefits should result.

"It makes a good deal of sense, since WBH is strong in certain areas and Ovcon is strong in others. There would obviously be scope for cross-pollination. We would pick the best from each other."

The shares have recovered smartly from last year's low of 140c and the ruling 205c suggests that the market is either confident of a strong 1995-96 earnings gain or a successful consummation of the WBH merger — or both.

☐ *John Spira is Gauteng Business Editor*

Cullinan group suffers loss of R19,4m

(189E)

BY JOHN SPIRA
GAUTENG BUSINESS EDITOR

Electrical, engineering and ceramics group Cullinan suffered an attributable loss of R19,4 million for the year to June.

Last year's loss totalled R17 million, while the loss halfway through the past financial year was R22,3 million.

The group has been radically restructured and downsized, as a result of which Alan Clark, the chairman, informs shareholders that "all the divisions are forecasting a return to sustainable profit in the new financial year".

Indeed, he believes Cullinan should earn in the region of 100c a share this year "if forecast divisional performance is achieved".

Clark says that with the restructuring largely complete, "there is a concentration on optimum operating performance".

Gearing of 111 percent of equity was unacceptably high, but expected positive earnings should help reduce gearing.

The major part of the improvement will, however, occur cumulatively only in the second half of the financial year, says Clark.

"Cullinan's portfolio of operational business has a balance of stability, opportunity and risk potential, cash generative and cash neutral businesses. It is manageable, compact and over the next few years, has the potential to restore worthwhile sustainable earnings for the group on a much more stable basis than in the past."

Cullinan's litany of woes includes losses of R12,7 million at Denge Power Projects (vigorous measures have already improved prospects), a R9,6 million loss at Cullinan Precision Engineering (though expanded new sales contracts provide hope) and a R12,7 million loss at Cullinan Refractories (sold in December last year).

Cullinan Brick, which exceeded budget, is expected to grow its earnings strongly in the current financial year. At 320c, the shares are more than 40 percent below last year's high, though off a recent low of 290c. Beleaguered shareholders will fervently be hoping that Clark's optimism materialises.

Unitrans to expand its engineering

(189E) CT(BR) 22/9/95

BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

Unitrans Motors is expanding its engineering activities and has invested R15 million in a factory at Wadeville to manufacture transport equipment and repair vehicles, chairman André van der Colff and chief executive Eduardo Gutierrez-Garcia said in the latest annual report.

The division is also investigating tyre retreading to make better use of its facilities and human resources, and to reduce tyre costs which are now over R20 million a year.

Unitrans Motors will also launch a full maintenance lease business under the name Unitrans Leasing.

Among the group's other new projects are the replacement of the obsolete fleet taken over with the acquisition of Cane Carriers from Tongaat-Hulett in April.

According to Unitrans directors, the eventual investment in this operation will be about R60 million.

Unitrans now carries about a third of South Africa's sugar cane crop and operates in 13 of the country's 16 sugar mills.

The third new project is the pursuit of growth opportunities for Matthysen Bus Transport, which was acquired after the end of the Unitrans financial year in June.

At the end of June, Unitrans' capital commitments, including those contracted, as well as approved but not yet contracted, amounted to R293,2 million, about double the level of a year previously. The directors said this expenditure would be financed from internally generated funds and existing borrowing facilities.

Recent acquisitions, new developments on hand and the continued improvement in some operations suggests that the group's eight-year profit trend, which has seen earnings increase by over 30 percent a year, will be maintained, the directors said.

Unitrans is 77 percent owned by Murray & Roberts Holdings.

UCT in African engineering initiative

Education Reporter (189E) AUG 27/9/95

THE University of Cape Town has launched a science and engineering initiative to help boost development in these fields on the African continent.

The UCT weekly newspaper Monday Paper reports that a senior university delegation, comprising a core of the management group for the University Science and Engineering Partnerships in Africa (Usepia), recently visited Kenya, Tanzania, Zambia, Botswana and Zimbabwe to discuss the initiative and to investigate priorities in each country.

The establishment of Usepia follows the signing at UCT last year of a memorandum of understanding by 21 vice-chancellors and deans of science and engineering of African universities.

The initiative is aimed at supporting mutual collaboration to strengthen science and engineering capacity in Africa.

It is being funded by the Rockefeller Foundation, the Carnegie Corporation, Coca Cola and the Ridgefield Foundation.

Project director Lesley Shackleton said the focus of the initiative was staff development "through the attainment of joint supervised Ph D degrees".

To ensure sustainable benefit to UCT and other participating universities, the research topics would reflect local priorities and areas of interest to UCT researchers, Ms Shackleton said.

"In most countries we visited, there is a heartfelt realisation that it is time for African countries to work together to build the continent's science and engineering capacity.

"The decades of post-colonialism and readily available overseas foreign aid are over. It is now time to build on indigenous strengths and share resources."

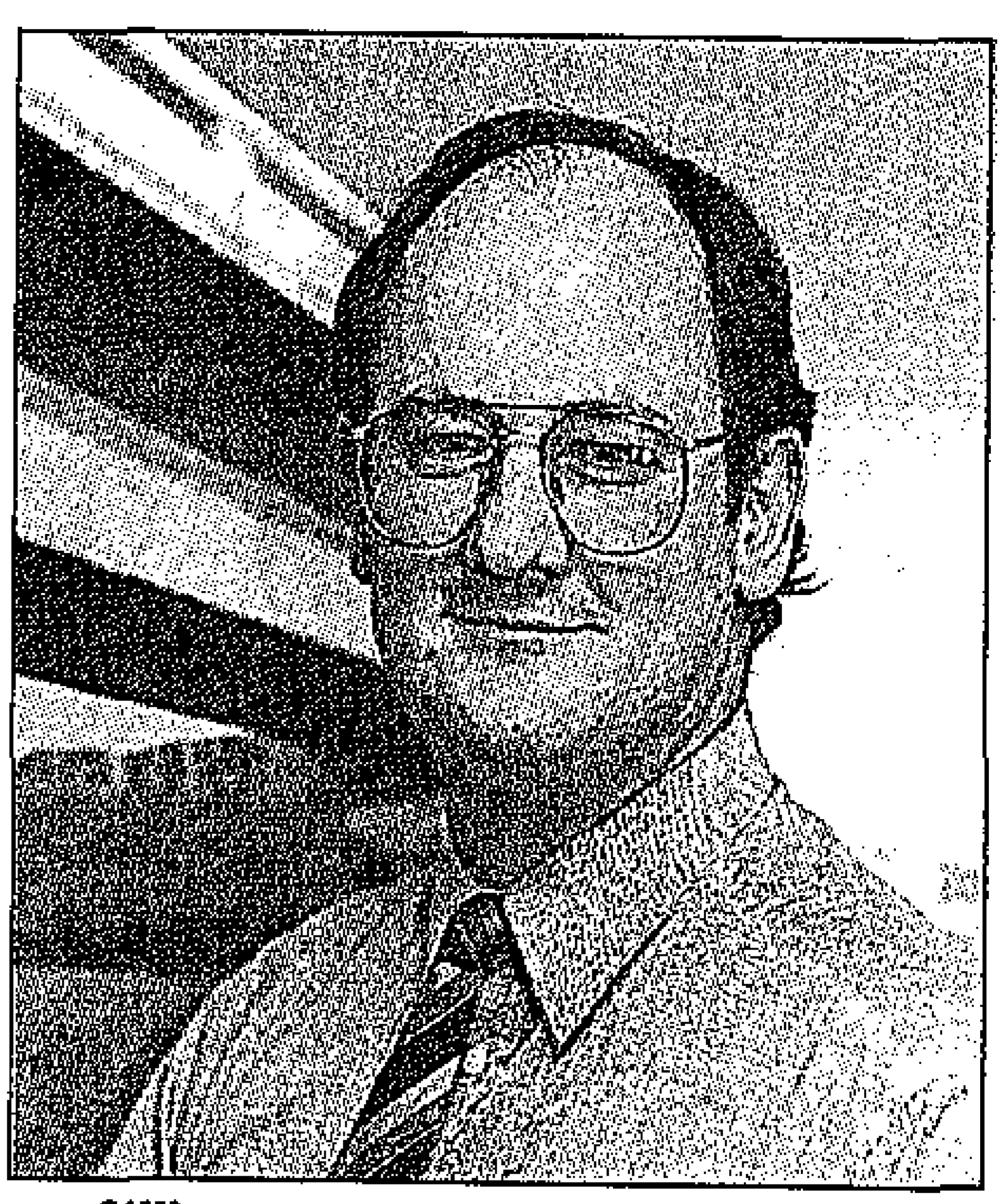
ENGINEERING (189E)

Re-orientation

FM 29/9/95

The end of sanctions not only opened doors for SA exports but the services sector now operates freely in lucrative markets denied it a few years ago.

Consulting engineers Africon Engineering International (Africon), formerly Van Wyk & Louw, assisted by Malaysian partner Kinta Kellas, has won an international



Cilliers . . . *south-east Asian markets booming*

tender to design the 100 ha Noi Bai export processing zone near Hanoi, Vietnam. The US$30m contract will be completed by the end of next year. But the Vietnam contract is just the start. The two firms are working together in Malaysia and Indonesia.

They are consulting on a R4bn project to develop 5 000 condominiums in Jahore, Malaysia; they're also involved in the Kuala Lumpur light rail system and road developments in Sumatra and Java, Indonesia.

"Our partners, a Malaysian project management company, bought a 29% stake in our firm at the start of the year. This not only led to our involvement in the R40m Samrand Malaysian property and light industrial development of the Landmarks company on a 700 ha site at Midrand but also allowed us entry into the booming south-east Asian market," says Africon chairman Thys Cilliers.

The offshore activities have necessitated a strategic restructuring of Africon's corporate setup. It is now divided into eight functional divisions, which act as an integrated, functional whole to service its ever-broadening, global client range.

Africon's eight divisions include experienced teams of civil, structural and transport engineers; development services and project management; geotechnical and materials divisions; electrical and mechanical; and an international corporate services section. Teams of legal experts and social scientists complement the engineering work.

About 25 of Africon's roughly 1 500 staff complement are on secondment in Malaysia — and the number is growing as more lucrative contracts become available in the Far East.

The company is also heavily involved in consulting in sub-Saharan Africa.

"Apart from our 21 SA offices and a planned new office in Kuala Lumpur — to serve the south-east Asian market — Africon has offices in the UK, Swaziland, Mozambique, Lesotho, Namibia and Botswana. It is also well represented, through agreements with local companies, in another nine African countries," says Cilliers.

International MD Willie Botha says African activities include: 10 roadbuilding contracts, which form part of a World Bank-funded $800m roads upgrading programme of about 5 000 km in Mozambique; three solid waste management contracts in Ghana (also funded by the World Bank); and two big hospital projects in Angola.

"Other World Bank-funded opportunities are in Zambia, Tanzania and Uganda, with the bank's International Development Agency providing no-interest, 40-year loan facilities," says Botha.

Marketing executive Brian Townsend says the firm is also involved, along with the Dutch Naco company, in an investigation into upgrading Johannesburg International Airport. ■

Technology comes to the classroom

ARG 4/10/95 (189E)

Businesses help pupils learn about engineering

FEROZA MILLER
Staff Reporter

A TEACHER and businessmen in Retreat have brought technology to disadvantaged local youths and strengthened their chances of careers in engineering.

Teacher and project initiator Randall Adriaans said: "An exciting partnership of Industry, Education and Protec has been formed at Crestway Senior Secondary School."

Pupils have done hands-on research into electronics, pneumatics, power and energy.

Local businessmen Noor Davids of 711, Brian Cobern of Avitronics and Fred Robertson of Commsure Insurance Brokers have given the project their full support and promised to help the school as much as possible.

Lessons are given by local entrepreneurs and engineers who act as role models for the pupils.

Mr Cobern has made his engineering laboratories available to the pupils.

"He was extremely positive in assisting local pupils from Retreat and shares a vision of these pupils following engineering careers in the future," said Mr Adriaans.

Some of the pupils began making their own radios during the recent school holidays.

Mr Adriaans said he hoped pupils leaving the school would emulate their role models and develop a culture of production rather than consumerism.

Technology will be incorporated in the practical side of the Physics course.

Picture: FEROZA MILLER, Southern Argus.

ROLE MODELS: Local businesses and engineers have teamed up with Crestway Senior Secondary School, Retreat, to teach technology to pupils there. In a project initiated by teacher Randall Adriaans, the pupils have done hands-on research into electronics, pneumatics, power and energy. Many are now keen to make their own radios. Pictured are Alfonso Beukes, Sumatra Lusaseni, engineer Carlo Mills, Fred Robertson of Commlife Insurance Brokers, Noor Davids of 711, Glenda McEwan, Juanita Crowe, Stuart Smith and Garfield Marinus.

Dorbyl 'hired policeman to probe fraud'

BD 11/10/95 (189E)

Mungo Soggot

DORBYL had recruited a former policeman to investigate fraud in one of its divisions, the engineering group said yesterday.

Denying allegations that Johann du Plooy had been hired to sabotage the National Union of Metalworkers of SA (Numsa), Dorbyl said Du Plooy's contract last year had led to the conviction and imprisonment of an employee.

The SABC reported Numsa's allegations on Monday that Du Plooy had been recruited to assassinate some of its leaders and to destabilise the union.

Police said yesterday the allegations were being investigated, while the national crime investigation service said it had questioned Du Plooy.

Dorbyl denied any involvement or complicity in the alleged activities, but CE Bill Cooper said the company had appointed two senior executives to investigate further. There was always a chance, he said, that individuals within Dorbyl could be involved.

The company said Du Plooy had been hired at the beginning of last year to investigate fraud. After the culprit had been dealt with, Du Plooy had not been on Dorbyl's payroll. Cooper said it was normal practice for an SA company to hire such investigators. "Fraud is the national pastime in SA."

Numsa's allegations stemmed from a document allegedly written by Du Plooy to Dorbyl, which referred to "covert operations at Port Elizabeth and Letaba". Cooper said he believed the document had been forged.

Numsa general secretary Enoch Godongwana said the document could "shed light on the bombing of our (Port Elizabeth) office" last month.

Cooper and Godongwana met yesterday. In a joint statement Numsa accepted that it was not Dorbyl policy to conduct itself in this particular way.

Dorbyl had invited Numsa to nominate officials to join the investigation.

Dorbyl in line for US army contract

(1S9E) Star 6/11/95

By Derek Tommey

Johannesburg — The United States Army is holding tests on the land-mine detection system developed by RSD Boksburg, an affiliate of the heavy-engineering company, Dorbyl, which could lead to an unlikely post-apartheid peace dividend.

The system costs about $2 million (about R7,2 million) and a positive outcome from the tests could result in a lucrative contract for Dorbyl.

RSD is one of several international tenders which are competing for the American contract.

If is it successful, it will be the first South African company to conclude a deal with the United States Army.

The United States Army intends to buy an undetermined quantity of units for use in peace operations world-wide.

The system comprises the RSD Mine Detection Vehicle, which is spider-like and mine resistant.

It is equipped with metal detectors and has detonation trailers which set off land-mines as it moves over them.

The vehicle has been designed so that any damage can be repaired within an hour.

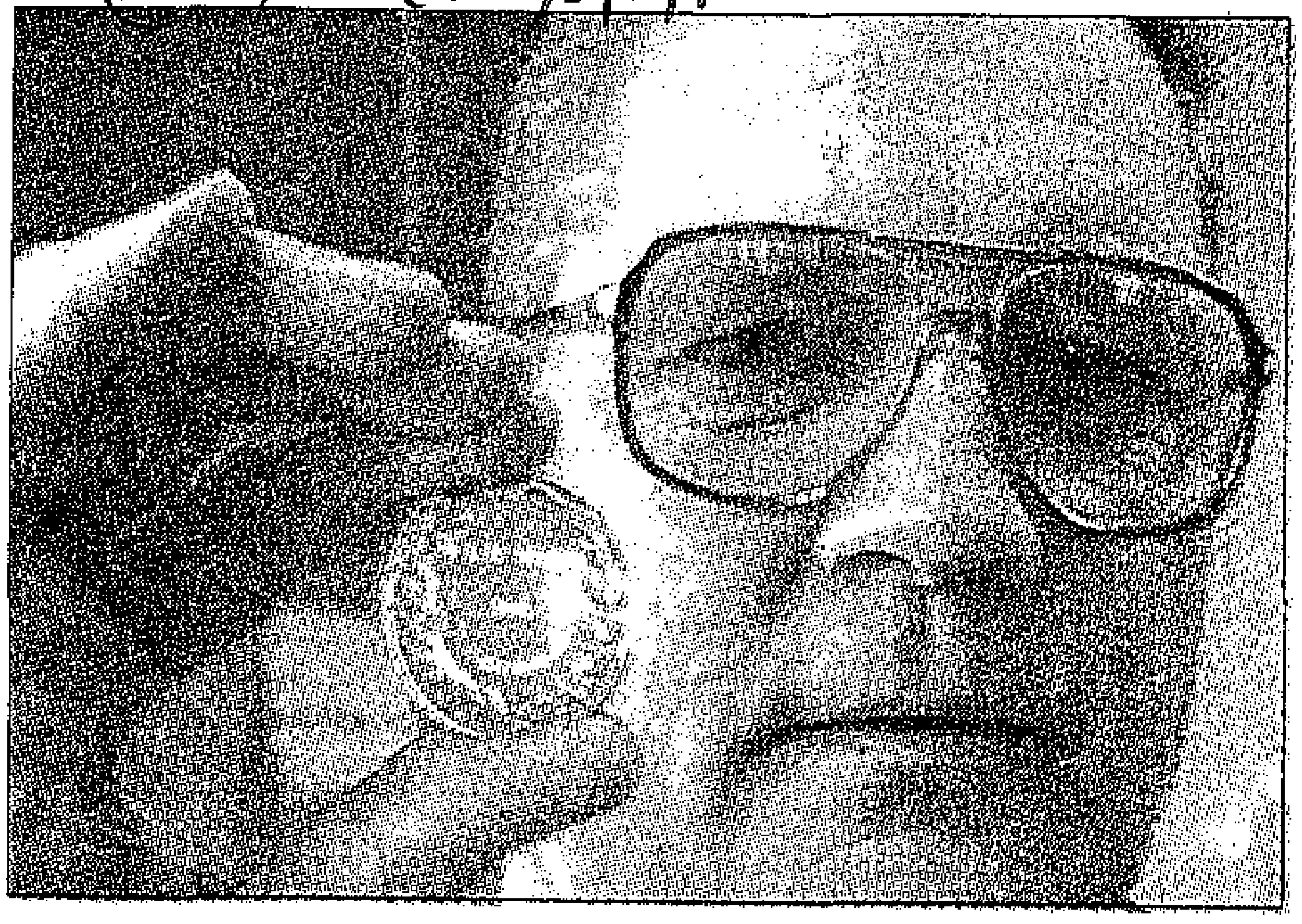
It has successfully passed the army's tests on its electronic components and detection abilities. Its resistance to land mine explosions and adaptability to different conditions will be tested in May next year.

The RSD tender has been authorised under the American defence department's Foreign Comparative Testing programme.

THE SPIRA INTERVIEW

SRK offering clients a sustainable world

(189E) CT(BR) 6/11/95



HONOURED *Oskar Steffen, of Steffen, Robertson and Kirsten, with the award he was given by the South African Institute of Mining and Metallurgy*

PHOTO: JOHN WOODROOF

Johannesburg — Tucked quietly away in an Illovo office building is a little-known gem in South Africa's mining crown.

Steffen, Robertson and Kirsten (SRK), a firm of consulting engineers, might maintain the lowest of profiles, but not only it is helping South Africa's mines to make their way in the world, it also has offices throughout the globe and is a meaningful earner of foreign exchange.

Founding partner Oskar Steffen, honoured with the Brigadier Stokes Memorial Award by the South African Institute of Mining and Metallurgy for his significant contribution to mining, ascribes the company's success to the provision of good service by good people, allied with the application of sophisticated technology.

"We aren't a routine consulting firm. We focus on niche areas of expertise and provide input to clients in a specialised sense. We make the requisite expertise available."

Specialised activity of this realm clearly requires top-notch, highly qualified professionals. The firm attracts and retains such individuals by creating a challenging working environment, but also offers them, quite literally, the world.

"Being a global operation," says Steffen, "enables us to attract people with extra energy and broad thinking. That's why, after four years of operating in Johannesburg, we started an office in Vancouver in 1978. And we've been opening offices internationally ever since. Our overall revenues are currently split evenly between South African and foreign sources."

In so doing, SRK has provided a work environment which attracts top people, avid to be exposed to a wide variety of work in a wide variety of countries; exposure which, Steffen says, adds culture and value.

"Further, it adds value to our clients in this country, because we also bring in expertise from all over the world. We have an active staff interchange programme across the globe — a key to making the things work for us."

SRK is poised to establish a permanent presence in eastern Europe, an area from which many of its projects are coming at present.

"But we'll have to move carefully, because that region presents bigger difficulties (mainly legal and contractual) than our traditional areas of operation."

Immensely qualified professionals — geologists, mining engineers, civil engineers and, environmental engineers and scientists — enable the mining industry to tap many disciplines, from grass roots geology, through mine planning, feasibility studies, detailed rock mechanics, design work and tailings disposal work.

But it is SRK's environmental group that is larger than any other in the company because environmental issues are a major part of its business. Such issues are central to its mining philosophy.

"It allowed our staff to experience international work when we were under sanctions. Significantly, we were able to do so because of the image the South African mining industry had (and still has) overseas. And since we were so closely associated with the mining industry, it was much easier for us to get invited to do project work.

'The mining groups will have to adapt to remain globally competitive'

"The global mining industry regards South African miners as among the best in the world — an image which helped us expand our foreign practices."

Steffen is fanatical about the environment — not solely in the traditional sense of the word.

"The mining resource you have provides a one-off opportunity to convert it into a sustainable business. Mining is important. But far more important is the environment. That means not just leaving the place looking tidy; it's about converting that asset into a business or industry which is sustainable thereafter.

"That philosophy is one that we hold dear in terms of the projects we undertake on behalf of our clients.

"It is crucial with regard to the ethic with which we conduct our mining projects. It includes the need to develop people after the resource has been utilised.

Steffen accepts that mining companies are always pressured by costs.

"If you're lowest on the cost curve you've got a good mine."

SRK boasts expertise across the whole spectrum of mining and that makes it useful to the mining houses, most of whom consult actively with the company.

While conventional wisdom has it that the South African mining industry is on the decline, Steffen is confident that mining activity in the country will remain as much a part of economic development as it has been in the past.

"The creation of new mega-gold mines won't continue at the rate it has. But you need to look at the mining industry as a whole in a much wider sense. The coal industry has done extremely well and will continue to prosper, as will the development of other metal and mineral resources."

Adding to the prospective prosperity of the industry is the proliferation of many small mining groups.

"The big mining houses have anticipated the waning of the mega-mine era and have been taking steps to replace that source of income. They're the world's past masters in managing wasting resources. I have a high regard for the mining houses," said Steffen.

Bid to swell number of black engineers

Sowetan 9/11/95

(189E)

By Isaac Moledi

THE South African Association of Consulting Engineers has embarked on a campaign to encourage its members to launch training projects that will ensure that the number of black engineers increases.

In an interview with *Sowetan* this week, the association's newly elected president, Cliff McMillan, said his major task will be to ensure that the association became relevant and some of the problems affecting it are dealt with.

His association has begun encouraging its members to provide bursaries and other types of training to ensure that black engineers are also represented in the profession.

McMillan believes that engineers have an important role to play as they represent a national resource for the Reconstruction and Development Programme.

"Our role is to see the skills of our members utilised in the RDP schemes. That is why we have been working so closely with the government, particularly the Public Works Department, in its pilot roster programme for consultants," says McMillan.

On the roster system, which emphasises the importance of "previously marginalised groups" to have a stake in the Government's consultancy services, McMillan says his association does not see the programme creating any potential division between blacks and whites as his association, together with the South African Black Technical and Allied Careers Organisation, has been involved in drafting the roster programme.

Reunert's income rises 33%

(1898) (189E)

By Fiona Leney CT(BK) 15/11/95

Johannesburg — Reunert, the electronics and electrical engineering group, turned in annual results in line with forecasts yesterday, posting a 33 percent rise in attributable income to R200 million (R150,4 million).

The directors said it had been a year of good growth in all divisions. Profit in the telecommunications division, restructured to face increasing competition, soared 82 percent to R52 million.

Chairman Clive Parker said the division moved ahead strongly in the financial year ended September 30, and the group's chief executive, Tony Ellingford, said last year's restructuring had paid handsomely in terms of efficiency and profitability.

Turnover rose 35 percent to R4,7 billion, on which operating profit of R368,5 million was made, up 30 percent from last year.

A big increase in turnover in the low margin sector of consumer products, squeezed overall margins down to 7,8 percent from 8,1 percent, a factor aggravated by poor performances at Electrical Motor Manufacturing Company and African Cables. Parker blamed African Cables' disappointing performance on competition from cheaper imports.

Earnings for ordinary shares rose 32 percent to 104,2c (79c) a share, with the number of shares in issue rising only 1 percent.

Alternative

Like last year, the group is to make a capitalisation share award. Shareholders will be entitled to choose a cash alternative of 25c a share instead. This, with an interim dividend of 11c, makes a total dividend of 36c (27c) for the year.

The group's cash resources were eaten into by a large increase in working capital requirements as stock holding was built up to meet expected demand early in the new financial year. Additional expenditure of R165 million on capital items also contributed to a sharp drop in interest income to R4,6 million (R20 million). Total debt grew to R265 million (R89 million).

This had been foreseen last year when the group signalled its intention to use its substantial cash holdings to fund capital investment, and cash balances had been expected to grow appreciably in spite of continued investment.

Parker said that he saw continued growth in the group, albeit at lower levels. *See picture page 21*

Reunert group boosted by telecommunications revamp

BD 15/11/95 (189E)

Beatrix Payne

ELECTRONICS and engineering group Reunert benefited from improved demand and the consolidation of its telecommunications operations to lift attributable earnings 33% to just over R200m in the year to end-September.

CE Tony Ellingford said turnover rose 35% to R4,7bn on an even performance from most operations, but an increase in illegal imports of electronic goods during the year had squeezed margins to 7,8% (8,1%). Operating profit grew 30% to R368,5m.

Net interest received fell 77% to R4,6m after cash and short term investments eased to R275,8m (R375,8m) due to larger working capital requirements.

The tax bill amounted to R124,3m (R126,3m) after the group's tax rate declined to 33% (41%) following the abolition of the 5% levy, together with the effect of secondary tax on companies and the capitalisation award.

Share earnings were 32% ahead at 104,2c on a 1% rise in the number of shares in issue to 191,9-million. Total dividends rose to 36c (27c), and the group said it would again make a capitalisation share award.

The group spent R165m of an allocated R250m in capital expenditure (capex). Ellingford said the balance would be allocated over the next six months.

Total debt rose to R265m (R89m), lifting gearing to 27%.

Earnings growth was likely to be maintained at current levels.

Ellingford said the restructured telecommunications division had pushed its attributable earnings 82% to R52m. Its contribution to group profit rose to 26% from 19% the previous year.

The electrical division raised bottom-line earnings 18% to R64m despite poor performances from African Cables and Electrical Motor Manufacturing Company. Its contribution to total profits fell to 32% (36%).

The commercial division, comprising Panasonic, Nashua and Airomatic, saw earnings rise 22% to R44m, 22% (24%) of the total.

Despite military cutbacks, the defence and allied division profit rose 27% to R40m, but its group contribution fell to 20% (21%).

Dorbyl's upswing gains momentum

Mungo Soggot (189E)

BD 16/11/95

ENGINEERING group Dorbyl's earnings ballooned to R134,2m for the year to September after last year's R20,3m loss, as the group's first-half recovery gathered pace.

The heavily restructured group lifted sales to R3,1bn from R2,9bn, while operating income surged to R187m from a previous R59,4m.

Asset sales left Dorbyl with net interest received of R7 000 against last year's R37,3m finance charges, to leave pretax income at R187m (R22m).

A R1,1m exceptional gain further lifted the bottom line, putting earnings a share at 411,1c from a previous 63c loss after exceptional items. The full-year dividend rose 70c to 90c.

Continued on Page 2

Dorbyl

(189E) BD 16/11/95

Continued from Page 1

Group CE Bill Cooper said Dorbyl had "enjoyed benefits from the substantial turnaround". Maintaining the level of growth in the first six months of the new financial year would be difficult, but prospects beyond that appeared "encouraging".

The company was due a R22m boon following an arbitration ruling in Dorbyl's favour over a general export incentive scheme claim.

Cooper said the group had cashed in on its restructuring, which included the disposal of Tosa Seamless Steel Tubes, and was poised for a period of sustained growth in which it would beef up its international operations. Activity levels had been good to excellent, except for those at Dorbyl Structural Engineering, where further rationalisation had been needed.

The group enjoyed a R332m net cash inflow during the year with the help of the R177m sale of Tosa. The strong cash flow wiped out borrowings, leaving the group with R161m to fund future growth.

Cooper said the group had worked hard at increasing its international links, signing a joint venture agreement with Malaysian company Belton and wrapping up a joint venture with a Dubai-based road rail manufacturer. The Dubai venture involved recommissioning a plant in SA and pumping R3,5m into a new operation in Dubai, which Dorbyl would manage.

Dorbyl was investigating about 20 foreign deals. It aimed to have 25%-30% of its business from exports or operations abroad in the next five years.

The year-end had been extended to March 1996.

Dorbyl achieves R154m turnaround

CT(PM) 16/11/95 (189E)

By Peter Galli

Johannesburg — Engineering group Dorbyl has shown a R154,5 million turnabout at the attributable earnings level in the 12 months to September 30, posting earnings of R134,19 million from a R20,33 million loss the previous year.

Results released yesterday showed that group turnover breached the R3 billion level, rising 7,5 percent to R3,1 billion on the back of improved operational management and higher group activity, from the R2,88 billion for the year before.

However, Eric Diack, the financial director, said the turnover rise was 29 percent if the comparative figure for the previous period was adjusted to take account of the disposed operations of Tosa and Tosa Seamless Tubes on January 3 this year.

The engineering division contributed R637,8 million to turnover, manufacturing R899,3 million and trading R1,56 billion.

Operating income increased by more than three times to R187,07 million (R59,44 million), with the group staging a turnaround and reporting interest received of R7 000 from the R37,36 million paid out the year before.

This helped boost pre-tax income to R187,07 million (R22,09 million), but a sharply higher tax bill of R51,72 million — an effective tax rate of 28 percent — from a previous R4,87 million pushed taxed profit down to R135,35 million.

The tax rate was expected to rise further in the current six months and this was "presenting a serious challenge to the company", said Diack.

A second interim dividend of 60c a share, equal to R29,67 million, was declared on the back of earnings which surged to a record high of 411,1c a share — from a loss of 63c a share the year before — with the balance of R104,52 million kept as retained income.

Extended

As the Metkor Group, Dorbyl's holding company, became a subsidiary of the Rembrandt Group in the six months to end-September, the group was required to change its year end to March 31.

As such the financial year will be extended to this date, representing an 18-month period.

Bill Cooper, the managing director of Dorbyl, said the board yesterday approved its first joint venture in Dubai with Geap Dubai.

WHO chooses SA partner

(189E

Kathryn Strachan

BD 17/11/95

THE World Health Organisation (WHO) has chosen the SA Medical Research Council as one of its partners in developing health technologies for Africa.

The council saw this as a sign of the leading role it could play in research into health technology.

The collaborating centre will be run by the council on a partnership basis with the CSIR and UCT's biomedical engineering department.

Council executive for health technology research Dr Nico Walters said: "SA is a country which has considerable technological expertise and a strong industrial sector to design and manufacture health care technologies appropriate for the sub-Saharan region. The designation of the WHO collaborating centre here is a recognition of the catalytic role we can play in bringing together key players on the continent in an effort to find appropriate and lasting regional solutions."

The centre will be responsible for giving out information on important local and global health technology to governments and training institutions, and it will also assess how new technology can improve the quality and cost-effectiveness of health care.

NSA enters electronics field

(189E

Beatrix Payne

BD 17/11/95

NSA Investments has bought Anglovaal's 20,8% stake in electronic group Control Instruments for just under R30m, NSA chairman Arnie Witkin said yesterday.

The deal — effective immediately — would give both Witkin and NSA MD Leonard Fine seats on the Control Instruments board.

Witkin said Control Instruments would raise an additional R15m later this year for acquisitions by issuing 7-million new shares to private investors at an issue price of 210c a share.

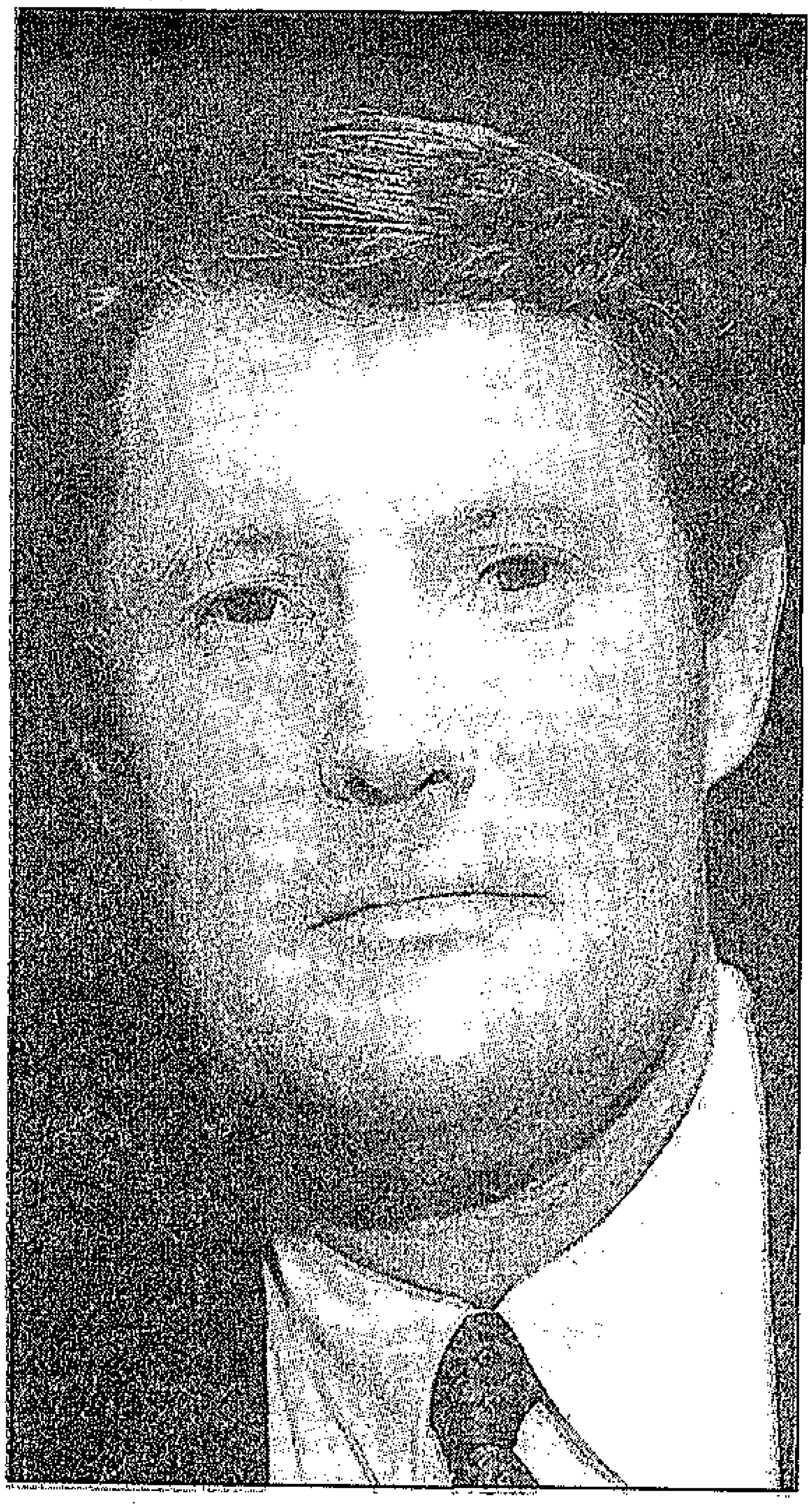
"We have been looking for suitable investments (in the electronics sector) for some time," he said.

Control Instruments is involved in the design and manufacture of specialised electronic products for the motor vehicle and automotive industry, and is also SA's sole distributor of Ericsson cellular phones.

It lifted attributable earnings 144% in the year to end-June on a 99% jump in turnover to R199,9m.

Control Instruments MD Richard Friedman said the NSA deal would allow the group opportunities for further investments through NSA's contacts and its joint venture with UK-based bank Schroders' venture capital arm.

NSA is currently sitting on a cash pile of around R170m after it took up R21m worth of shares in Mercantile's recent rights offer.



BILL COOPER: Disposals wiped out interest burden of R37-million Picture: RUSSELL ROBERTS

Dorbyl engineers a way into cash-flow

(189E) ST(BT) 19/11/95

DORBYL's share price reached a high of R47,75 on Wednesday ahead of announcing record earnings of 411c a share for the 12 months to September.

Bill Cooper, the chief executive, presented the group's results and prospects in Johannesburg this week and reviewed Dorbyl's progress.

All is now proceeding according to an economic value-added strategic plan where cash-flow is king. Mr Cooper says working capital management can still be better but a big improvement has already been achieved. Dorbyl generated a positive cash flow of R332-million in the past 12 months of which operating activities contributed R170-million. Sales, of Tosa and of R33-million surplus property, achieved the rest. Mr Cooper says another R60-million of property is still for sale.

The cash inflow wiped out Dorbyl's interest bill which last year cost it R37-million. Turnover of R3,1-billion was not directly comparable with last year's R2,9-billion because of asset sales. Operating income more than trebled to R187-million and earnings before exceptional items jumped from R16-million to R133-million. Last year's extraordinary writeoff of R37-million resulted in a bottom-line loss but this year there was a positive R1-million of true exceptional item. After the dividend of almost R30-million or 90c a share, retained income topped R104-million and the balance sheet has R161-million net cash.

Mr Cooper says only 20% of Dorbyl's profit is from engineering. Manufacturing and trading chip in almost equal slices of the balance. Trading accounted for half the turnover in spite of being affected by drought and delays in RDP expenditure.

Higher motor-vehicle sales benefited the manufacturing division. As Mr Cooper says, Dorbyl has to be world-competitive in manufacturing because if it isn't good enough for export, chances are that someone else will take the domestic market too as tariffs fall away.

Engineering had a major turnaround because it tendered selectively.

The London office, intended to generate export contacts, generated costs instead and Mr Cooper has closed it. The export thrust is now properly focused; Dorbyl has won contracts in Dubai, Malaysia, Thailand and elsewhere and aims to take the export component of turnover from 8% to at least 30% over five years.

Mr Cooper says the current six months could be a bit slow but thereafter, prospects are encouraging. The share has climbed by 82% since last November, confidence justified by the performance. Dorbyl is now on a price-earnings ratio of 11,6 and still offers value.

NEI Africa to launch franchising operation

(189E) BD 23/11/95

John Dludlu

ENGINEERING company NEI Africa and its 35% parent Rolls-Royce are to launch a black electrical franchising operation next year with an initial annual turnover of R7,5m.

NEI Africa said yesterday it planned to create 30 electrical franchise opportunities within the first year.

Franchise holders would provide house owners and industry with cost-effective electrical products supplied by NEI group companies and Rolls-Royce.

"The franchising programme forms part of our equality building initiatives, and candidates who have attended our training and development programmes, both here in SA and at the Rolls-Royce facilities in the UK, have been offered the franchises," CE John Kempster said.

The franchise programme would operate throughout SA and could be expanded into other sub-Saharan countries, he said. Venture capital was available for the individual franchisees.

Another official said NEI would work together with several venture capital providers, including the Small Business Development Corporation, in providing venture capital. But the official could not give an indication of the scale of venture capital to be provided.

Kempster said NEI would also provide continuing support in the form of general business management, marketing and training in product knowledge.

The group expected each electrical franchisee to achieve an initial turnover of R250 000 and within a few years, should grow from a small to medium-sized enterprise, creating further job opportunities.

DORBYL (189E) FM 24/11/95

Finding direction

When Bill Cooper took the CE's job at Dorbyl in July last year, informed opinion held that if anyone could fix things, he could.

Just over a year later, Dorbyl has presented the market with operating profit almost tripled to R187,1m, pre-tax profit up 750% to R187,1m and attributable income up sevenfold to R133,1m. Except for a few unusually prescient analysts who remain phlegmatic, the market was impressed.

No doubt, Cooper is reaping in part the benefits of a restructuring that started in 1993 — as well as firmer markets — but by any standards the scope of the turnaround is striking. Turnover increased less dramatically, nominally up 8% to R3,1bn, but in effect up 29% after adjustments for the disposal of Tosa Seamless Tubes. Results cover a year but are actually second interims. The new year-end is in March in concert with holding company Metkor, now a Rembrandt subsidiary.

Strong cash flows bolstered the balance sheet: the net interest-bearing debt of R180,5m has been transformed into net cash of R161,3m.

Of the R332m net cash inflow, operations generated R122m; proceeds from the Tosa disposal totalled R177m and property sales freed up R210m. Property worth about R60m is still to be sold.

Divisional contributions to operating profit were trading R87,7m (1994: R59,3m); manufacturing R84,4m (R54,4m); and engineering R27m (R43,4m loss).


Cooper

Engineering staff levels fell almost two-thirds to match a smaller market, but efforts were made to retain essential skills for project contracting.

Better project management practices and a policy of tendering only on acceptable margins drove the recovery in this division but it still has some way to go.

Exports are gaining significance, and are predicted to reach 25%-30% of sales in the medium term. Contracts and joint ventures in Dubai, Malaysia, Thailand and elsewhere are either signed or in train — underlining the need for competitive operations.

Management expects the next six months to produce comparable results, except for operations supplying the motor industry. In the year-ago period, disproportionate benefits came through from "catch-up" sales after the prolonged strike among motor manufacturers.

Capex, until now spent on replacements, will start to rise to fund expansion.

The market supports the new direction at Dorbyl. Since October 1994 the share price has risen steadily from R15 to R50 now. EPS of 408c before exceptional items put it on a p:e of 12,3, slightly below the sector average of 15,4.

One analyst predicts EPS growth of 25% in the next year, which would put the forward p:e at about 9,7. This is in line with expectations for the sector, which should see a couple more good years in the current cycle. Though no longer a bargain basement item, the counter still offers value for its recovery prospects. *Margaret-Anne Halse*

Here's the answer for smaller contractors

(189E) CT(BR) 29/11/95

By Maggie Rowley

Cape Town — The Western Cape's first multi-million-rand joint venture civil engineering project involving a consortium of established and emerging contractors is now under way in Philippi.

The contract is being executed for the Western Cape provincial administration with project management by BKS Inc.

One of the largest civil engineering contractors in the Western Cape, Power Construction, is providing finance, guarantees, plant and project management skills for the R3,2 million Philippi stormwater and sewer pipeline contract.

Yethu CC — a consortium made up of Domingo Construction, Siyakha Construction, Yuwaba Construction and Love Construction — is supplying labour and providing on-site administration.

Power Construction managing director Graham Power said the joint venture with Yethu recognised that small contractors were caught in a Catch 22 situation — no matter what their competence, they could not secure major contracts until they had established a track record and had the finance to provide the guarantees demanded by the industry.

At the same time, they could not establish a track record or accumulate financial reserves without getting work. Joint venture agreements, such as the one with Yethu, were the simplest way to set new companies on the path to growth.

EMERGING BUSINESS

Rolls Royce plans franchise operation

(189E) CT(Bk) 1/12/95

BY THABO LESHILO

Johannesburg — Northern Engineering Industries Africa and Rolls Royce plan to launch a black-owned, electrical engineering franchise operation with an initial combined turnover of R7,5 million next year.

John Kempster, the chief executive officer of the group, said the franchise operation would operate throughout South Africa and could be expanded into other sub-Saharan countries.

"The franchising programme forms part of our equality building initiatives and candidates who attended our training and development programmes, in South Africa and the Rolls Royce facilities in the United Kingdom, have been offered franchises."

The franchises would provide house owners and industry with cost effective electrical products supplied by the group's companies and Rolls-Royce. Kempster said venture capital would be available for the individual franchises. The group would provide support in the form of general business management, marketing and product training knowledge.

Opportunities

"It is envisaged that each electrical franchise will achieve an initial turnover of R250 000 and should, within a few years, grow from a small- to a medium-size enterprise, creating further job opportunities," Kempster said.

JSE-listed Rolls Royce owns a 35 percent controlling stake in the group, which focuses on the manufacture and distribution of industrial power.

equity funds performed better on ... vestors who do not have the ...

Petrel wins R15m order for trawler equipment

(189E)

CT (BR) 14/12/95

By Maggie Rowley

Cape Town — Petrel Engineering has won orders of R15 million to equip 10 fishing trawlers, being built in Peru and Chile, with hydraulically controlled purse seiner deck-handling equipment.

Petrel, which pioneered the design, sale and service of purse seiner deck-handling equipment for the international market in the 1970s, now holds dominant market shares for such products in Chile and Peru as well as Ecuador, Iceland, Australia and other important deep sea fishing countries.

The South American orders, to be delivered progressively as the vessels were built through to the middle of next year, brought the sea and land product order book of the Petrel group to more than R30 million with exports accounting for more than 60 percent of group turnover, said Michael Franzen, the managing director of Petrel.

He said new South African orders included one for the manufacture and installation of a floating marina in Granger Bay off the Victoria & Alfred Waterfront. This would accommodate up to 90 vessels of varying sizes.

Another order was for the construction of two rail cars that would operate on the funicular railway being built at Cape Point, he said.

Franzen said the marina would be the largest in Cape Town harbour with each of its 90 berths being fitted with connections for electricity, water reticulation, telephone and standard and cable TV.

The group was capitalising on its export market experience.

Customised

Its capability in design and production of products was customised to meet hydraulic and general engineering challenges and the group was using this expertise to explore markets in Africa, particularly in Mozambique, Angola and points further north.

The group was also a major supplier of trailer mounted crop sprayers, which was another product giving it scope for winning orders in neighbouring countries, said Franzen.

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CT (BR) 18/12/95

Toco's earnings down 7%

(159E)

By John Spira

Engineering company Toco's earnings declined by 7 percent to 12,8c a share in the six months to September, though operating profit rose by 55 percent to R27,22 million.

The discrepancy arises from a combination of the six-for-100 capitalisation issue in lieu of dividend, the group's decision to change the strategy of its core parking systems division, and several major non-recurring costs.

The announcement in mid-1995 that Toco would rent out its parking systems rather than sell them, translated into a 31 percent turnover decline.

Fixed assets are some R90 million higher as the systems equipment is now included in that category rather than in stock.

Current liabilities are up by almost R60 million as the capital equipment now has to be funded over a much longer period. This has boosted gearing to 66 percent.

"The view of this important component of the group's business should now be based on similar principles to any other company which hires out its assets," says joint managing director Michael Todd.

"That means substantial capital costs are incurred upfront, which really only begin to introduce commensurate returns after those costs are liquidated."

It's a phenomenon highlighted by the 230 percent increase in the interest bill, which reduces profit growth from 55 percent at the operating level to 21 percent (at R15,5 million) after interest and tax.

Goodwill of R656 000 has been written off, while Toco's loss-making heat treatment business has been sold at a loss of R1,62 million.

COMPANIES

Hudaco makes new acquisition

Mungo Soggot (189E) BD 22/12/95

ENGINEERING group Hudaco has bought motor parts group Transportation Motor Spares for R74m.

The acquisitive group, which distributes industrial parts, said yesterday that the deal would swell its annual sales to R1bn, while giving it access to the R9bn a year SA auto parts aftermarket. The deal would be funded with cash and R12,5m in new Hudaco shares. It would also take on TMS's R28m debt, pushing Hudaco's gearing close to 50% from the 4% in the six months to May 1995.

Hudaco CEO Stephen Connelly said TMS would make a "modest" contribution to earnings in the 1996 financial year, but shareholders could look forward to "a significant enhancement in the value of their investment in the medium term".

In the six months to May, Hudaco lifted earnings 28% to R19m on sales of R364m after reaping the benefits of positive trading in most of its markets.

Nearly half of the 25% increase in turnover reflected acquisitions.

The company said TMS, with 575 employees and sales of R230m in the year to June, operated through specialised sales outlets.

TMS MD Phillip Feltelberg would remain on the TMS board for two years and would join the Hudaco board. He would receive 30% of the consideration for the acquisition in May 1998, based on TMS's profits for the 1996 and 1997 financial years.

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