BASIC METALS

1988

UNION STEEL (187)

Plant problems

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

By Usco's September year-end, gearing had been reduced to 0,89 (1,26) and the interest bill was twice covered by the R21m operating profit The 8% return on capital looks much better, but it is less than the 11,3% return attained in 1984 when Usco committed R70m to build a direct reduction plant to reduce hematite pellets into sponge Though the innovative plant was completed in 1985, and commissioned the following year, it has yet to produce its first sponge iron for the melting furnaces

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

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

Chairman: *F P Kotzee, managing director J H Kaltwesser*

Capital structure: *29m ords of 50c each 125,000 cum pref "A" shares of R2, 125 000 cum pref "B" shares of R2, 20,3m comp conv cum prefs of 50c and 30 000 variable rate red cum pref of 1c Market capitalisation R23m*

Share market. *Price 81c 20,1% on earnings, PE ratio, 5,0, 12-month high, 115c, low, 55c Trading volume last quarter, 1,05m shares*

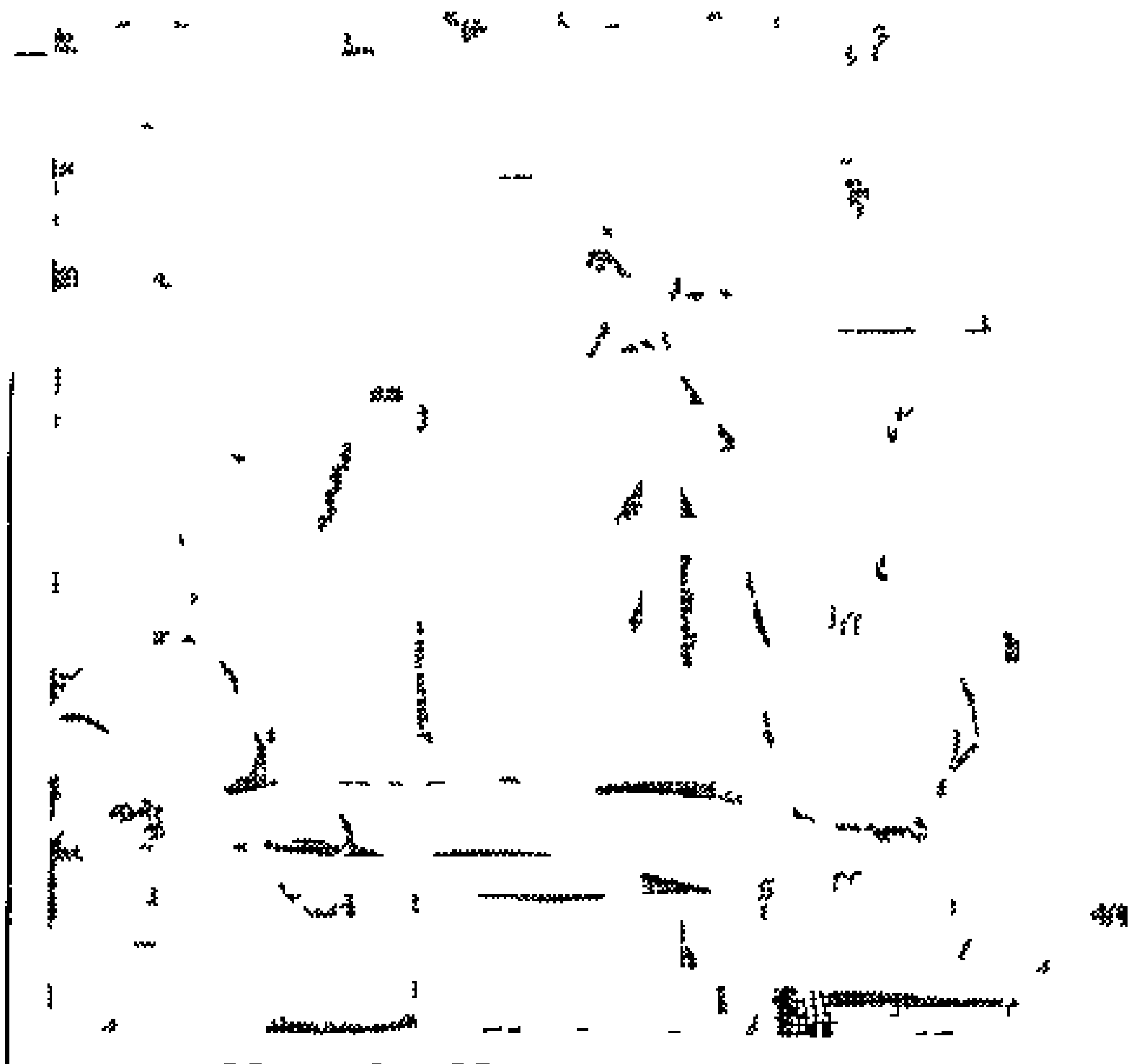
Financial. *Year to September 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	44,7	70,0	26,9	22,0
Long-term (Rm)	25,7	36,0	66,9	52,7
Debt equity ratio	0,67	1,05	1,26	0,89
Shareholders' interest	0,51	0,43	0,37	0,44
Int & leasing cover	2,5	—	—	2,0
Debt cover	0,32	—	—	0,39

Performance

	'84	'85	'86	'87
Return on cap (%)	11 3	—	—	8,0
Turnover (Rm)	239	264	321	378
Pre-int profit (Rm)	23 4	(5 6)	(10 0)	21,0
Pre-int margin (%)	8,9	—	—	5,4
Taxed profit (Rm)	14 0	(19,5)	(4,5)	25,0
Earnings (c)	46,9	(69,3)	(28 6)	16 2
Dividends (c)	7,5	—	—	—
Net worth (c)	361	303	302	324

Chairman Floors Kotzee reports continuing technical difficulties with the plant "These are not insurmountable and will involve limited capex," he says "For economic reasons, it is not planned to put the plant into operation during the next financial year" Studies revealed that modifications to the cooling system are essential to make the plant work properly Pelletising and the direct reduction plant lost a net R5,8m last year (see table)



Usco's Kotzee ... glum outlook

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

The biggest boost to earnings came from non-ferrous products (aluminium conductor, copper wire and strip, cable products and stainless steel) These, currently the only viable part of Usco's interests, doubled profits to R18m (R8,4m) on increased demand

NON-FERROUS SPRINTS

	1986	1987
	Rm	
Steel products	(0,69)	(1,66)
Non-ferrous products	8,38	18,00
Pelletising and direct reduction plant	(12 24)	(5,80)
Total	(4,54)	10,54

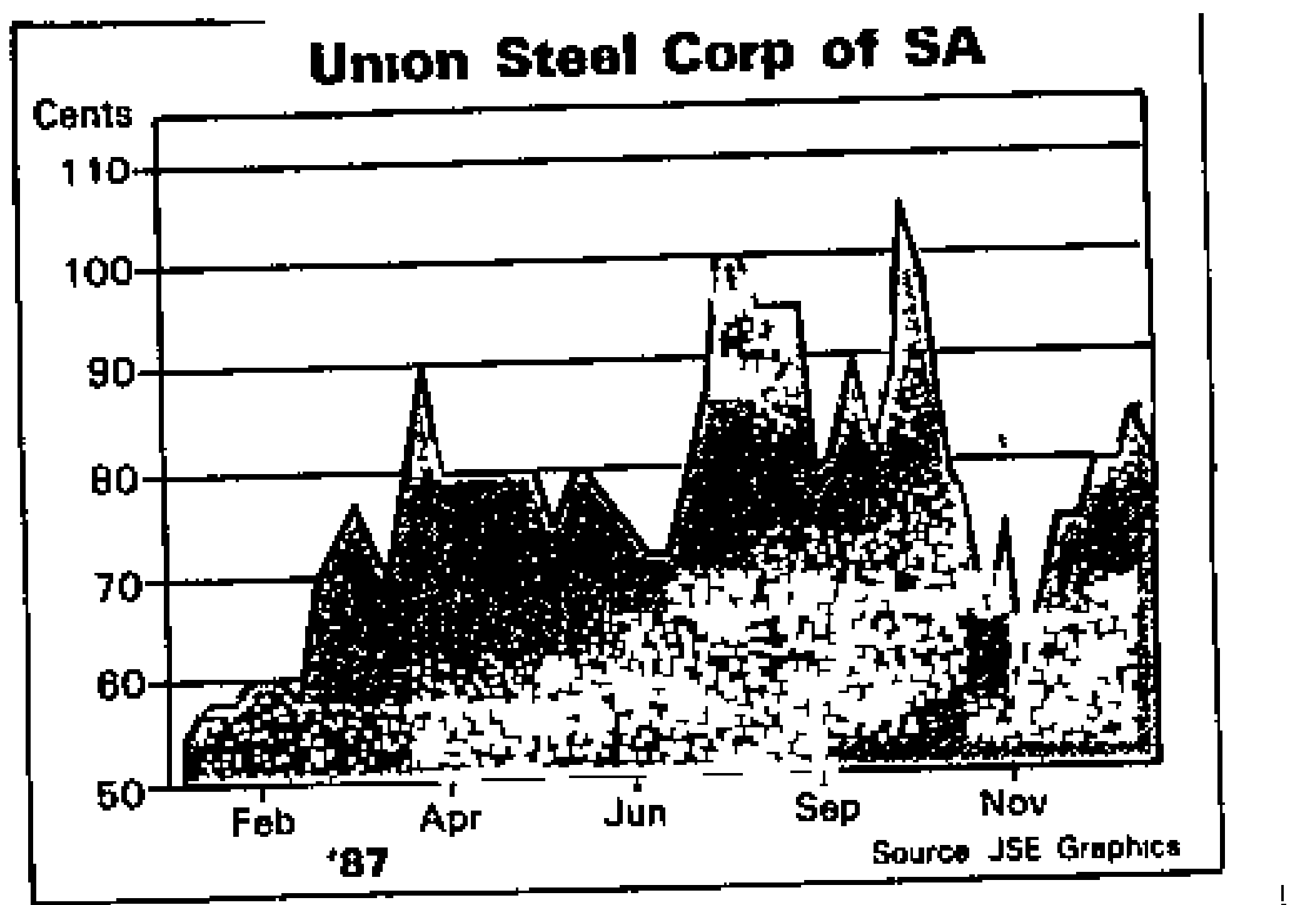
Kotzee sees little hope for further growth in 1988 He expects low growth levels in the domestic market which, with a considerable local capacity surplus and "no significant investment in capital projects," indicates steel product dispatches will not rise significantly in the short term He expects dispatches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

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

Preference shareholders were paid R5,7m in dividends against R3,7m in 1986 (more than half of group earnings before a R14,4m extraordinary profit from the sale of Natbolt shares) The increased payment reflects the full impact of the R30m raised through an issue of variable rate cumulative prefs in 1986, redeemable in R10m tranches on January 29, June 1 and September 30 this year — these prefs have been included in the 0,89 debt equity calculation Further preference issues could be made, so the expected R3m fall in preference dividends may not materialise

The articles of association provide for an 8% dividend on ordinary shares once preference dividends have been paid, assuming the funds are available The group could therefore pay a dividend of about 2,7c once debt equity falls to around 0,7 The present modest economic growth might help, but Kotzee's rather pessimistic forecast suggests ordinary dividends are unlikely short term (none has been paid for the past three years) At 81c, the share looks overpriced — even though the discount to net worth is 75%

Dave Edwards



11|88

FINANCIAL MAIL JANUARY 22 1988

Star ✓ 5/2/88

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Decline at CMI

Finance Staff

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

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

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

In the half year, attributable income was R14,8 million (R25,2 million in the 1986 half-year). The interim dividend is maintained at 20c. Turnover dropped to R55,7 million (R67,5 million).

Malbak in SA steel drive

By Ian Smith

187

ST 11/2/88

FAST-MOVING Malbak is muscling in on SA's steel supply sector.

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

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

Dominant

VRN Protea starts life with a R10-million investment contributed equally by the two parties.

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

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

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

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

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

Well timed

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

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

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

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

(189) FM 12/2/88

UME (189)

Heavily sold

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

Control: *The directors own 65,4% of the equity*

Chairman and joint MD. *Sylvia M S Winnikow; joint MD, P K Smaller*

Capital structure: *22,5m ords of 1c Market capitalisation R32,6m*

Share market: *Price 145c Yields 5,5% on dividend, 12,9% on earnings, PE ratio, 7,8, cover, 2,3 12-month high, 285c, low, 130c Trading volume last quarter, 316 000 shares*

Financial. *Year to September 30*

	'86	'87
Debt		
Short-term (Rm)	2 0	6,1
Long-term (Rm)	1,3	0,8
Debt equity ratio	0 27	0 29
Shareholders interest	0,52	0 53
Int & leasing cover	9 6	8,6
Debt cover	1,4	0,63

Performance	'86	'87
Return on cap (%)	20,9	12,6
Turnover index (1981 = 100)	169	196
Pre-int profit (Rm)	4,9	5,7
Taxed profit (Rm)	2,7	3,4
Earnings (c)*	14,8	18,7
Dividends (c)*	—	8
Net worth (c)	n/a	107

*On 18,05m shares ranking for dividends

While earnings usefully topped the 16,7c forecast in the prospectus, this mainly reflects a lower tax charge following a tax-efficient film investment. Pre-tax profit was virtually spot-on the R5,1m forecast ahead of the December 1986 listing

Turnover rose by 23,2% and pretax profit by only 16%, suggesting some pressure on margins Though ratios were generally maintained, there was a sharp rise in short-term borrowings, but chairman Sylvia Winnikow tells me this reflects a large export order which straddled the year end The overdraft is now back at more normal levels

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

A 25% stake was acquired in Wedge in exchange for 20% of UME The 4,6m shares in Wedge are shown in the balance sheet at 226c against the current market price of 125c, which, other things being equal, has knocked some 20c a share off the net asset value shown in the accompanying table

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

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

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

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

Michael Coulson

Star 16/2/88

(189)

Hiveld earns less, pays same

Highveld Steel & Vanadium had a 5,5 percent lower attributable profit of R56,8 million in the year to December The previous year's net was R60,1 million

However, the final dividend has been maintained at 20c to make the total for the year an unchanged 30c Earnings per share were 80,1c(85c)

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

Dorbyl, Iscor to build R120-m steel mill

Star 21/7/88

(189)

By Sven Forssman

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

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

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

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

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

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

Ian Rauch — Present plant cannot compete

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

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

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

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

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

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

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

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

Written by ARNOLD VAN HUYSSTEEN

Japan-style initiative

A's stainless steel industry (estimated urnover R1,6bn a year, of which some 600m is locally-produced) has taken e lead in identifying its own sectoral rengths and weaknesses

By organising itself internally, it has repared the way for SA's first Japan-yle joint government/private sector itiative, to boost industrial sectors ith strong growth (and export) potenal The aim is to create an industry at will, over the next 25 years, vie th gold mining as SA's major export venue earner

The potential is vast, the challenge mense — and the enthusiasm is owing With 70%-80% of world ome reserves, a successful stainless el mill, an established fabricating tor, enough nickel and iron ore and a nmitment by both industry and Govment to "make it work," the initia to make SA a world leader is gathg momentum

PAND

howing the way for the industry is 160-member SA Stainless Steel Depment Association (Sassda), under lynamic leadership of executive dior Ian Elsdon-Dew

has set himself the target — in co-operation with the industry, iary stainless steel producer Midrg Steel & Alloys (MS & A) and the d of Trade and Industry (BTI) — of creating a strong fabricating industry that will widely expand South African exports into world markets

"While SA can export primary stainless steel into only 15% of world markets, fabricated products can be sold into 75% And the further down the line you go in fabrication, the more jobs can be created," says Elsdon-Dew

But there is a long way to go Local primary stainless steel production is valued at about R650m, but only 40%-45% of the 100 000 t produced by MS & A is sold to local fabricators, while the rest is exported as primary product

And, showing the huge target Sassda has set itself, current fabricated exports cannot exceed R20m at most Apart from the fact that fabricators are gearing their production to meet growing import substitution demand and for the expected boom to follow the first contracts on the Mossgas scheme, traditional South African apathy towards exports is a major problem

Ongoing export promotion, education, venture capital, financial assistance and involvement by major groups — and State aid — have all been punted as possible ways of motivating local fabricators to follow the export route

As one fabricator puts it "There is a general feeling that it is easier to ride fatcat in the local market, where many opportunities still exist to grow and expand, than to take the riskier (if highly profitable) route of entering the unknown terrain of exports"

But, hopefully, growing demands of Mossgas and other large projects in the pipeline will lead to increased investment in manufacturing plant — and also the confidence to tackle world markets Fortunately, several fabricators have already successfully followed the export route — and proved to themselves that local products *can* compete, both on price and quality

Sassda's Ian Elsdo
ing the

A BETTER PROCESS

ELECTROPOLISHING is the process of electrochemically eroding away microscopic projections on metal

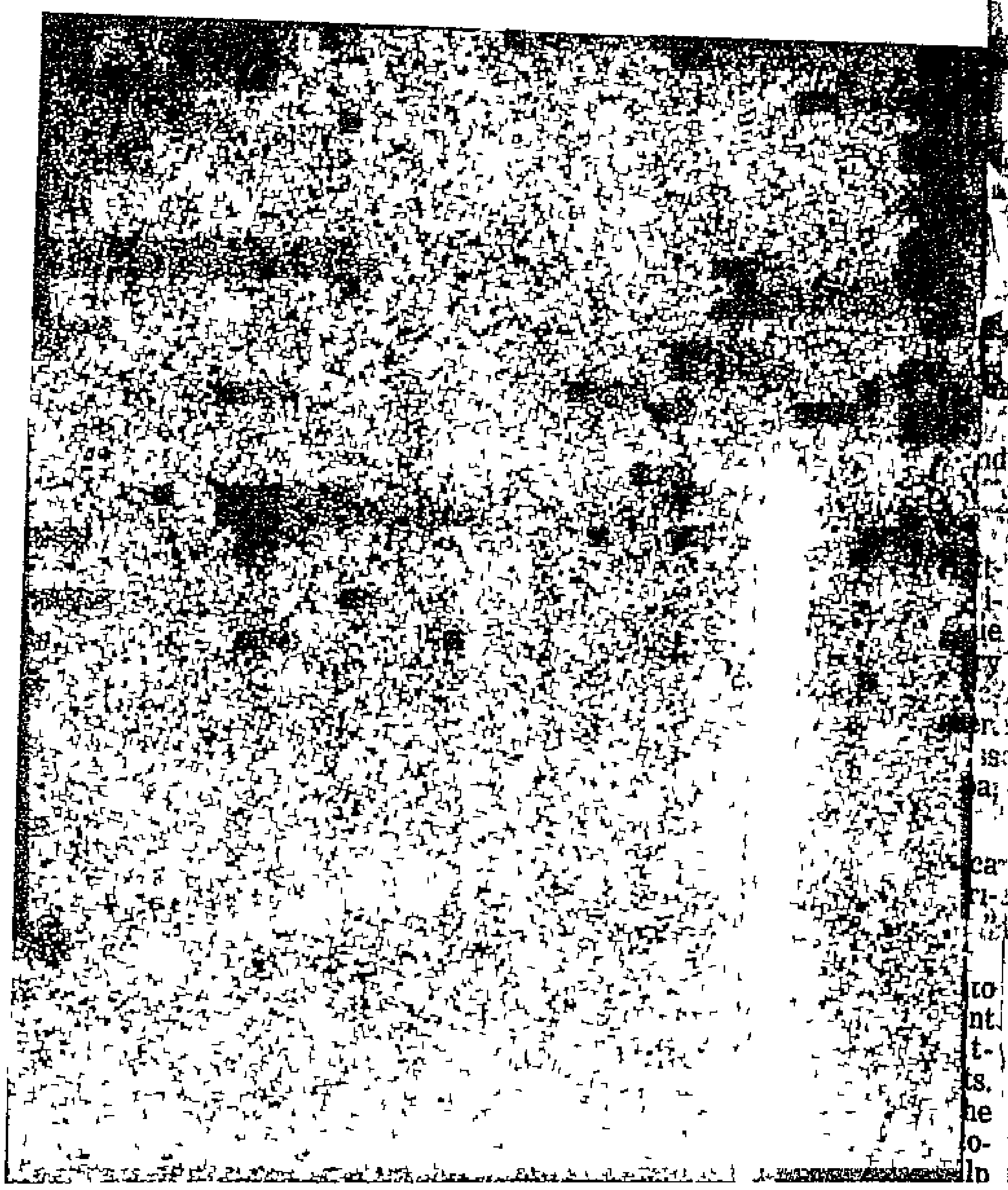
This is different from — and much smoother than — the mechanical polishing, which is achieved by grinding the metal surface with progressively finer grits, and finally buffing it to produce a smooth mirror finish

Duva Chemicals MD John van Duyn says electropolishing produces a "smooth, clean passive surface without any contaminating influences"

While the difference between the two processes might seem esoteric to the layman, it can make a large difference to the user of the stainless steel product

Advantages to the end-user of the electro-process include

- **Gases retained by the metal are only 20% of that retained by the mechanically polished metal This greatly reduces pumping times,**



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vay

- In the case of textiles, ctropolished surfaces do t absorb dyes, which ·ans that colour contamition is reduced,
- Cleaning of tanks and ·eptables in the food, bev- ·ıge and pharmaceutical lustries is facilitated by ti-stick characteristics,
- In the case of plastics d chemicals, downtimes r cleaning the interiors of ocessing reactors are re- ıced.

While electropolishing is ırmally more expensive, gnificant savings are possi- e due to shorter cleaning ·cles

That sink feeling

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

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

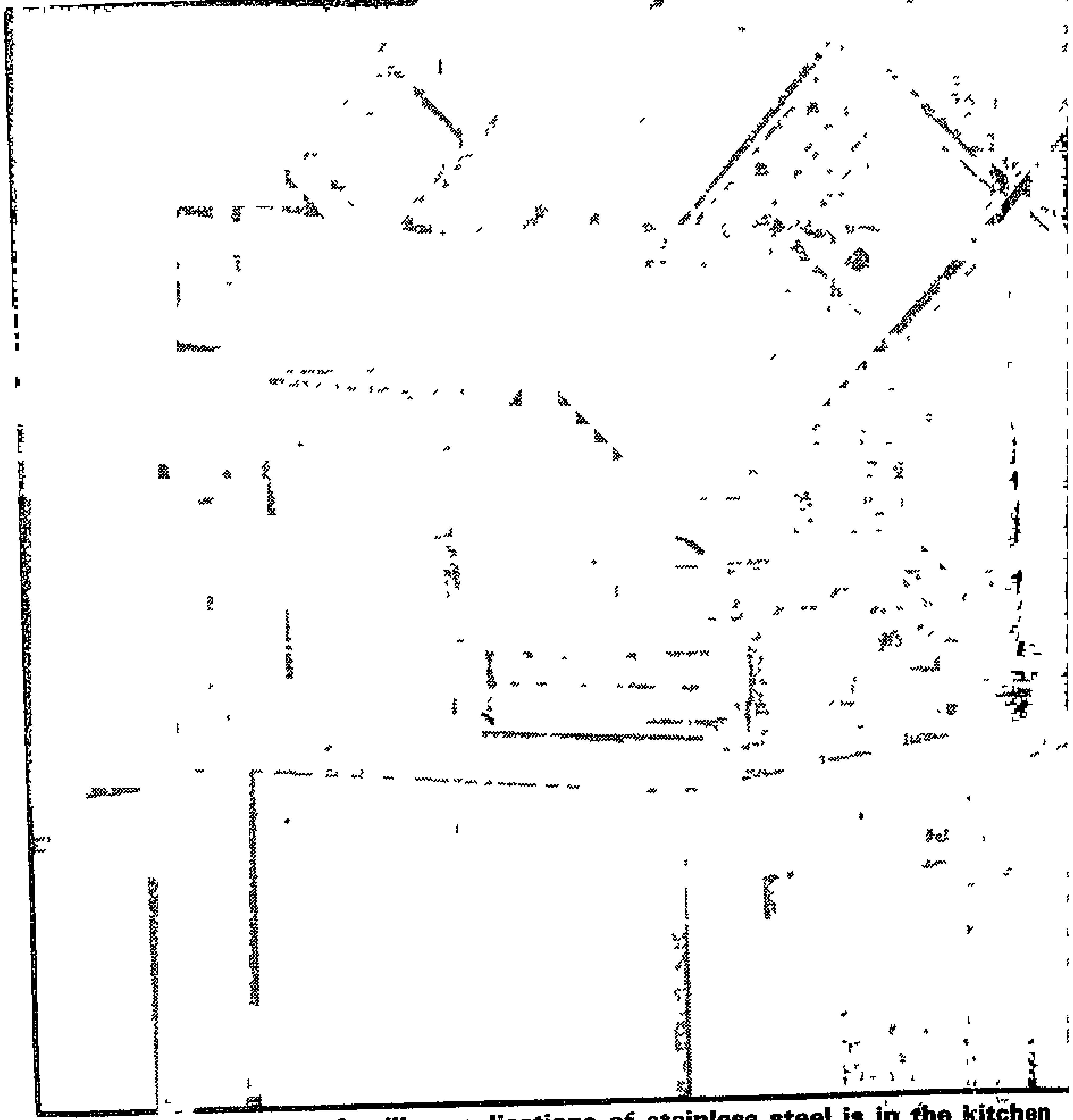
"I expect an ongoing upturn in the sink manufacturing industry, based on the enormous demand for low-cost housing in SA Black, coloured and Indian housing especially will be large users of our product," says City Metal Products sales director R S Moodley

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

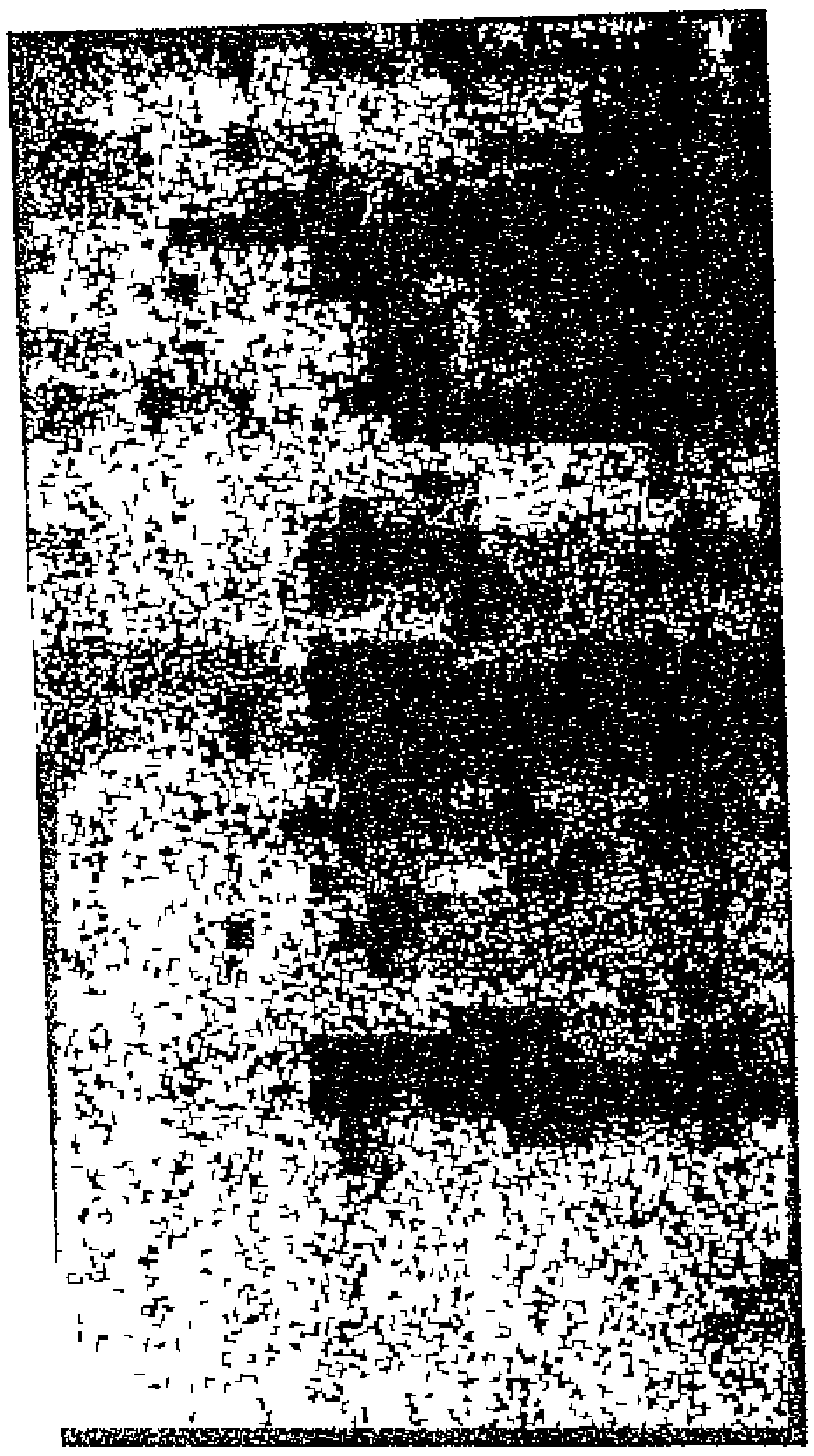
EXPORTS

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

Exports of sinks and sanitaryware also take place to the Indian Ocean islands, north Africa, London and Canada "But rising costs are our biggest problem," says Moodley



One of the more familiar applications of stainless steel is in the kitchen



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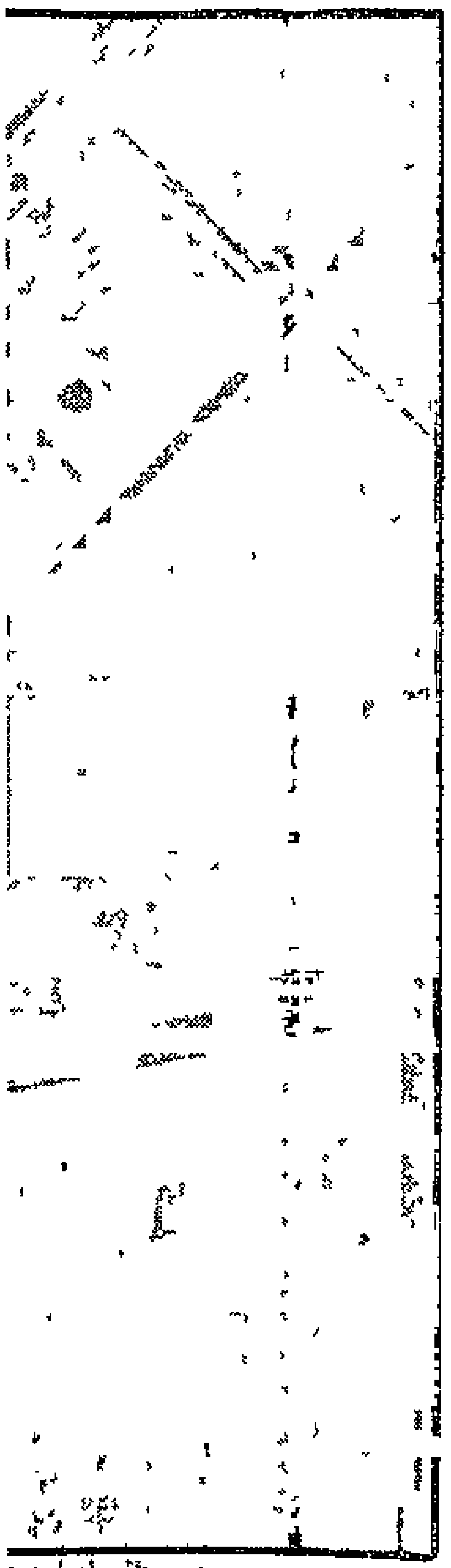

l is in the kitchen

Ongoing, vibra growth predic

STAINLESS STEEL

A Business Day Survey

EXCITEMENT is in the air in SA's burgeoning stainless steel industry Not only are both world and local markets booming, but the R5,1bn Mossgas project — and other major plans in the pipeline — will create ongoing, vibrant growth

The local market is "buoyant," with orders 10% 15% above last year Import substitution is a growing reality, as a low rand forces end-users to look for cheaper, locally fabricated products

In 1987, world demand for stainless steel surged by 15% (against previous annual growth of 3%-4%) to a record of more than 9m t, while stainless steel prices (in rand terms) have increased by 60%-70% over 1986 Shortage of chrome, nickel and stainless steel stocks, production shortfalls and an ever-growing demand for the shiny metal have put a booster under world markets

And as the local industry gears itself for expected spin-offs from the huge Mossgas project, Government's Board of Trade and Industry (BTI), the 160-member producer body Sassda (SA Stainless Steel Development Association) and primary stainless producer Middelburg Steel & Alloys (MS & A) plan a major drive to make SA an export-leader into the world's booming stainless steel markets

SA is excellently placed to lead in downstream fabrication — and, in the process, to create a potential R20bn industry, with jobs for tens of thousands of currently unemployed South Africans In fact, chrome and stainless steel should become examples in the drive to beneficiate SA's mineral riches a philosophy long expounded by the Council for Mineral Technology (Mintek)

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

MS & A has already declared its "vision for the future" — a plan to produce 500 000 t of stainless steel by the year 2010, become a world leader in chrome beneficiation and to invest R500m over the next five years Small wonder — after "seven lean years," MS & A earnings should top R100m in 1988

The group is now spending R20m to increase its stainless steel production from 100 000 tpa to 150 000 tpa

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

Total ferro-chrome export earnings last year surged by 18% in dollar terms to $464m, and are ex-

NUMBER OF VARIATIONS

STAINLESS steel s produced in a number of variations, with different qualities and characteristics These include

- *Martensitic* stainless steel it has a high carbon content, with chrome content of 12%-18% Basic properties include moderate corrosion resistance, poor weldability, but with high strength and hardness levels Used for knife blades, surgical instruments, fasteners, spindles, nozzles, shafts and springs
- *Ferritic* stainless steels plain chromium stainless steels with 12%-18% chromium, but much lower carbon content Moderate to good corrosion resistance, non-hardenable, with poor weldability Used in builders' hardware (sinks and urinals, domestic equipment) and some industrial applications,
- Conventional *austenitic* stainless steel nickel is added — commonly 18% chrome and 8% nickel, while more corrosion resistant steels have 3% molybdenum High corrosion resistance, readily fabricated, easy weldability Used in hollowware, builders' hardware, architecture, food processing, abattoirs, beer-/beverage production — with excellent hygiene properties

A number of other special stainless steels are also available

These include heat-resistant stainless (with 25% chromium and 14%-22% nickel), super ferritic stainless (plain chromium steels alloyed with molybdenum to increase anti-corrosive properties), austenitic stainless alloys (with 20%-27% chromium, 25%-42% nickel and 4,5% molybdenum to overcome pitting and stress corrosion) and duplex stainless steels (with 18%-26% chromium, and 4,5%-6,5% nickel to increase resistance to stress-corrosion cracking)

"As far as fitness for purpose is concerned, virtually all end-users can be covered by the two basic types — the ferritic and the conventional austenitic steels It is estimated that these two stainless types account for over 96% — maybe even 98% — of the use of stainless steel," says Sassda

A stain steel fi

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

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

conditions

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

But different "recipes" containing differing percentages of carbon steel, chromium, nickel and molybdenum can create different types of stainless steel, depending on the re-

Stainless steel has other desirable qualities such as high strength-to-weight ratio, durability, ease of maintenance, and the attainment of hygienic conditions High temperature applications also apply to certain stainless steels

"The local stainless steel industry is one of the few in the world where the chrome ore is mined locally, converted into ferrochrome, then to stainless steel sheet and plate, and finally into fabricated products for the end-user," says the SA Stainless Steel Development Association (Sassda).

While its "normal" market is industrial and commercial, high-chrome steels are also essential for the aircraft and armaments industries of the world Small wonder then serves and contribu about 47% (or 1m t) world ferro-chrome duction last year large expansions in pr tion capacity planned ing implemented, SA to substantially increa share of total world p tion in the fores gic value (other maj ducers include Russ T key and Zimbabw possibility of chrome co ter-sanctions has be raised.

But it is doubtful that would follow this questio able route — even pressed by economic a political necessities. Nevertheless, the possib ity remains as some kind "last resort" option will add a measure of u certainty to sanctions ste planned against SA.

With world chrom stocks steadily falling demand for stainless ste manufacture increases, it is clear that a speculative edge is built into pric forming — adding to the bullish trend in world chrome prices

Rocketing use: Many factors

WHY has the international use of stainless steel suddenly taken off like a rocket over the past 18 months? A number of factors have contributed to the boom

Consolidated Metallurgical Industries (CMI) marketing manager Allen Kuhnert says previously low prices led to substitution moves into stainless steel Products like beer barrels, exhaust systems and other car components are increasingly sourced from stainless steel

"The incredible growth in fast food outlets, using chrome fittings, consumer demand for washing machines and tumble-driers, Spain's entry into the EEC, with concomitant health requirements in its abattoir and restaurant premises, are some of the reasons leading to this sharp increase," he says

Middelburg Steel & Alloys marketing manager Jonty Kirkman says the general improvement in living standards resulting from low inflation rates and stable oil prices, the rapid development of Far Eastern economies, with disposable incomes shooting up, and a swing back to quality and value gave added impetus

Major growth for stainless steel products took place in consumer products like pots and pans, cutlery, sinks and exhausts "Food and beverages, electronics, transport and housing represent strong growth areas for stainless steel," he says (according to *Corrosion and Coatings SA*, April, 1988)

Kirkman says rising per capita incomes increase stainless steel consumption — guaranteeing major future growth markets for South African producers.

"Its inherent corrosion resistance, aesthetic appeal, hygienic properties and low maintenance requiremenst have entrenched the material in a wide range of everyday uses like cookware, tableware, sinks, urinals, food preparation equipment, wine tanks, beer kegs and dairy equipment, as well as industrial applications in process equipment, vessels and tanks, pipework and refrigeration plant"

"New markets for stainless steel include environmental protection equipment, mass transport systems and electronics Thus, while some markets can be considered mature, the overall growth continues to be fuelled by ongoing development of new applications," says Kirkman

Promoting body

THE main objectives of the unique 160-member South African Stainless Steel Development Association (Sassda) are

- Promoting the wider use of stainless and duplex steels and nickel alloys,
- Encouraging and assisting the local industry to optimum competitiveness,
- Motivating specifiers, consultants, designers and end-users to favour the industry, wherever competitively feasible,
- Where possible, to replace imports with products of equal if not higher quality, and to encourage local convertors to export

Sassda has sectorised its membership so that members can meet and discuss matters pertinent to each sector Main sectors formed to date include

- The 53-member Heavy Fabricators Association, manufacturing heat exchangers, pressure vessels, tanks, etc for the petrochemical, food, beverage, mining, pulp and paper industries,
- The eight-member Pipe and Tube Manufacturers Association, manufacturing welded tube in pipe,
- The 16-member Stockholders' Association, stockists of locally manufactured and imported stainless and high nickel alloys in all forms,
- The eight-member Hollowware and Flatware sector, which manufacture pots, pans and kitchenware from local product sheet,
- The eight-member Sink Manufacturers Sector, making SA self-sufficient in these products This sector is also the largest stainless steel user;
- The highly-specialised, six-member Catering and Kitchen Fabricators sector, manufacturing about 180 items for use in industrial and commercial kitchens,
- The 12-member Flange Manufacturers Association, an essential service sector producing fittings for other sectoral members,
- The six-member Cutlery Manufacturers Association, able to supply the full needs of the local market

Sassda assists all sectors with marketing, promotion, quality, technical and commercial matters, training and education, offering courses in technical, commercial or industrial relations

FLANGES ARE DOING WELL

TEN years ago, about 70% of all stainless steel flanges were imported — today this has swung to a mere 10%-20%

Flange (fittings that link two pipes together) manufacturer Bacchus Steel produce for the paper and pulp, petro-chemical, food and beverage, wine and fertiliser industries

"Till the end of February, sales were 25% up and it is still going very well, although high nickel surcharges have added to the cost of our products But the industry is growing strongly," says Bacchus MD Gus van Rooyen

While local sales are booming, exports are another "problem"

"We had enquiries to export, but the volumes were too big for us to handle We are now preparing for the Mossgas project, and we don't have the resources to expand further for the export market," says Van Rooyen

Adding that he is "too busy" to look at exports, Van Rooyen says he will have to double capacity to meet the demand for Mossgas contracts

"After the Mossref contract has run its course, we will be in a position to export," he adds

FACTS AND FIGURES

THE huge future potential of the stainless steel industry, both locally and internationally, is illustrated from a few facts supplied by SA Stainless Steel Development Association (Sassda) executive director Ian Elsdon-Dew

- SA's per capita use of stainless steel is only 1,7 kg, compared with 5,7 kg-7,8 kg in the Western world,
- Albeit from a low base, SA's stainless steel industry has been growing the fastest over the past 19 years — at an average 9,8% a year Next best is Italy with 7,2%, while the US and UK markets have been growing at a steady 3,8%/year;
- Worldwide, stainless steel sales make out only 1% of the mild carbon steel market Should stainless steels therefore increase to 1,25% of world steel sales, this will represent a 25% sales increase — while the carbon steel market will not feel the volume difference,
- New applications, like compulsory stainless steel exhausts on all new Toyota, Volkswagen, BMW and Mercedes Benz cars, have opened up huge new markets for stainless steel producers

Functional, strong and aesthetic ... a stainless steel sculpture in downtown Johannesburg

Seamless tubing

LOCAL stainless steel tube manufactures have to face up to the fact that TOSA's new R120m steel mill at Vereeniging is an ultra-modern, high-tech plant capable of turning out high-quality chromium steel seamless tube

With a 50 000 tpa capacity — that can be upgraded to 100 000 tpa — the new TOSA mill could bid strongly for the massive Mossref refinery, should it be on-stream in time for bidding

Meanwhile, local welded stainless steel tube manufacturer Salmac reports an "exciting swing" from seamless tube to cheaper, low-technology welded tube And, says CE Dave Slater, his product is 25%-30% cheaper than the seamless tube

Works manager Eddie Molleman reports "a very buoyant market," adding that import replacement makes up an important part of sales growth Over the past five years, sales have grown threefold and last year showed 20% growth

"But the market is softening, due to very high primary product prices The time is ripe for primary producers to look into pricing policies," says Slater He puts the local stainless tubing market at 5 000 tpa worth R45m

While exports into Africa and central South American markets are "possible," the group is now "too busy" meeting local demand to worry about the different philosophical commitments required by exports

Major clients are in the petro-chemical, food, automotive, and paper and pulp industries

Mollemans adds that exports are "limited" as the local market is "more than adequate to supply" Small exports have gone to Canada, Israel, Taiwan and Ireland The potential import-replacement market is seen as close to R30m

"While we would like to export — and prospects are very good — we are short of capacity And, while we would like to expand, this will be taken up by the Mossgas project," says Molleman

The local tubing sector has grown from one mill till 1981, to nine stainless steel rolling mills at present, he adds Apart from import-replacement, Molleman also sees a potential R8m-R10m replacement market for seamless tubing in favour of the welded product

The going's better than ever before

FERRO-CHROME prices, in rand terms, have probably doubled over the past 18 months — and producers are scrambling to get aboard the gravy train

Major producers Samancor and Middelburg Steel & Alloys (MS & A) have already announced major capacity expansion plans, while Consolidated Metallurgical Industries (CMI) is "looking at a number of options"

Samancor plans to expand current 500 000 tpa capacity by 60 000 t, while MS & A is spending R30m to expand charge chrome production by 30 000 tpa A further R220m will be invested in a new 120 000 tpa charge chrome plant to produce from 1990, which should push total capacity to 460 000 tpa

Smaller producers have also jumped on the ferrochrome bandwagon These inlude Chrome Corp Technology, planning to produce 120 000 tpa, Marikana Minerals, which will produce 140 000 tpa, and Purity Minerals, planning to produce 20 000 tpa

SA's total ferrochrome production should, in the early Nineties, increase to about 1,4m tpa, from 920 000 t produced last year Should current world price trends remain constant in real terms, the country could substantially boost its forex earnings

"In 1987, SA's 920 00 t represented 47% of world ferrochrome production, earning the country US$464m — up from $394m in 1986 In 1988, earnings should increase to $560m," says CMI marketing manager Allen Kuhnert No wonder producers are scrambling to get on board

Samancor GM chrome division, Ralph Schroder, says the group is "working at 110% of capacity" to meet demand for ferrochrome, followng last year's 14% growth in world stainless steel sales

Kuhnert says 1987 stainless steel ingot sales increased to 9,38m t, while he expects sales to grow further to 9,5m t in 1988 Nickel surcharges, on top of high stainless steel prices, have not yet dampened ongoing demand, while raw material shortages should keep prices in an upward spiral

"The 1987 stainless steel production of 9,38m t presupposes a ferrochrome need of 2,365m t — but estimated world production was only 2,17m t This means that the shortage was met from world stocks Stocks are now down to 1,3 months' supply, compared with four months before With a further small shortfall in chrome production foreseen in 1988, stocks will shrink further — and prices will remain firm," he says

Ferro-chrome contract prices firmed from US40c/lb 18 months ago, to about 70c/lb, while spot prices go as high 90c-$1/lb Kuhnert expects prices to firm further in the fourth quarter of 1988

SA is by far the cheapest producer and its ferrochrome prices are 10% below its rivals — even in dollar-terms While northern hemisphere producers have to transport 3 t of chrome ore to manufacture 1 t of ferrochrome, SA's producers can beneficiate "next door" — at low transport costs — and export lower tonnages of beneficiated ore at higher revenues and lower cost

"The future looks rosy, based on the current outlook. But stainless steel prices could fall over the next two years, due to over-capacity or reduced demand," he adds.

Meanwhile, the going is better than ever before

Sourcing is a major problem

STAINLESS steel stockists report an ongoing sales boom, with market buoyancy apparently the condition all round But, with world demand outstripping supplies, sourcing of material has become a major problem

With no end in sight to rising prices (based on the surge in both nickel and chrome prices, falling stocks and the inability of suppliers to meet market needs), stockists also fear that product substitution will take place

The nickel bull run was set off by the Dominican government witholding stocks, following some tax disputes — just as demand for stainless steel started to mushroom Supply problems in Russia and China (possibly witholding stock to push up the price) aggravated the situation, and led to a fourfold price increase in seven months In SA, the nickel surcharge on AISI 304-type stainless steel was recently increased by a further R2,90/kg to R7,90/kg

Nickel's meteoric rise (from about $4 000/t at the beginning of the year to $15 000/t) is due to the relative scarcity of the mineral and to supply problems With chromium also in short supply, based on the huge demand for stainless steel, overseas mills are often unable to supply customers In the US, stainless steel mill delivery times for tubemaking stretch "from four to six weeks to six months," reported the London *Metal Bulletin* of July 7

"I have just returned from a trip to Europe and the US Notwithstanding sharp price rises, there is an enormous increase in demand Sourcing of specialised steels from overseas has now become a major problem On current world demand and predictions, it would seem that a new 340 000 tpa stainless steel mill can be opened up each year," says Stalcor MD Edward Cox

But, notwithstanding this massive bull squeeze, and with most existing mill capacity completely taken up, no new mills will come on stream for quite some time Small wonder local interests are seriously looking at the possibility of investing in new stainless steel milling capacity in SA

With some estimates of stainless steel imports quoting a figure of R1bn a year, and the rand still very weak, increasing opportunities have also opened up to substitute imports

Cox says growth in the local stainless market is comparable to the international situation — in chemicals, mining, building, food and hygiene and in all industrial applications involving corrosion-resistance and hygiene requirements, demand for stainless steel is growing

"This is quite a market to be in at present. Since it took off about a year ago there has been no let-up in demand. Internationally, only one new mill in South Korea will shortly come on stream, but its whole future production will be absorbed by local Korean demand for the product," says Cox

B/day 29/7/88

NEWS FOCUS

Life insurers don't have a tax advantage

DORIAN WHARTON-HOOD
Joint MD of Liberty Life

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

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

Incorrect

There have been repeated complaints, especially from the building societies, that the amount of tax paid by life insurers — R256m in 1987 — is small in comparison with the billions of rands handled by the industry In a recent document which a building society circulated to a number of Members of Parliament, it was even calculated that the life insurance industry pays tax at an average rate of 2,24% of "operating surpluses" This claim is totally incorrect, for two reasons

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

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

The second point is that the calculations referred to were done by simplistically deducting expenses from total income (including premium income) and viewing the resultant net figure as the "operating surplus" This is tantamount to charging depositors tax on the money they deposit with a bank or building society!

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

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

The growth in pension and retirement annuity business is irrelevant to the taxation issue since, as explained earlier, the beneficiaries of the policy proceeds pay income tax on the emerging benefits when they receive them in the form of pensions

Real reasons

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

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

Perhaps the building societies are afraid to pursue this route in case they are allowed to compete with life assurers who have demonstrated their ability to produce appropriate products which satisfy the needs of the investing public and have consistently produced investment returns on taxable business in excess of the inflation rate, despite the disadvantages

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29/7/88

Limited options if refusing to serve

EDYTH BULBRING

CONSCRIPTS refusing to serve in the SADF for moral or political reasons have limited options — exile or jail The trial of David Bruce, sentenced to six years' imprisonment this week for refusing to serve in the SADF because he said it upheld a racist system, highlighted the plight of political conscientious objectors

Bruce is the third political conscientious objector to stand trial for refusing to serve since the new Defence Force legislation came into affect in June 1984 — but he is the first to recieve a six-year sentence

The first political conscientious objector under the new legislation was a Port Elizabeth butcher, Phillip Wilkinson

Unlike Bruce, Wilkinson had completed his two-year initial army service and then applied to the Board for Religious Objectors regarding his camps He stated he refused to serve in the SADF on political and religious grounds and applied to do his camps in a non-military government department

In February 1986, the Board refused him religious objector status, and when Wilkinson failed to report for his camp he was fined R600 last May The maximum sentence for failing to report for a camp is a R800 fine or 18 months maximum imprisonment But he is liable to be called up again for a camp

If Wilkinson's application to the Board had been successful, he would have had to do one-and-a-half times the amount of time he owed to the army in a government department

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

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

Not considered

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

Because his objection to serving in the SADF was based on political reasons, an application to the Board for Religious Objectors on the basis of being a universal religious pacifist would not have been considered If his reasons had been religious, and the Board had accepted his application, he would have had to do six years' service in a government department

Bruce could have postponed his call-up by applying for deferrment for further studies, but he said in court he did not want to postpone his dilemma any longer He did not want to leave the country

Those that do choose the study option avoid call-up can expect deferrment for to eight years In addition, it is someti possible to get deferrments for one or years for practical work, such as articles housemanship The board for deferrment based in Pretoria and also considers appli tions for exemption from the army on cal, domestic or economic reasons

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

National Secretary of the End Co tion Campaign (ECC) Alastair Teeling- said he suspected others would make a lar stand to Bruce during this August's up The ECC, formed in 1983, campaigns the rights of all conscientious objecto put a series of demands to representati the Defence Force on June 15 this Teeling-Smith said the ECC was still ing a response from Defence Minister nus Malan

A Defence spokesman said a reply to submissions made by the ECC to the SA on alternative forms of national se would soon be forthcoming

ARGUS 22/12/88 189

Iscor fraud suspect found hanged in cell

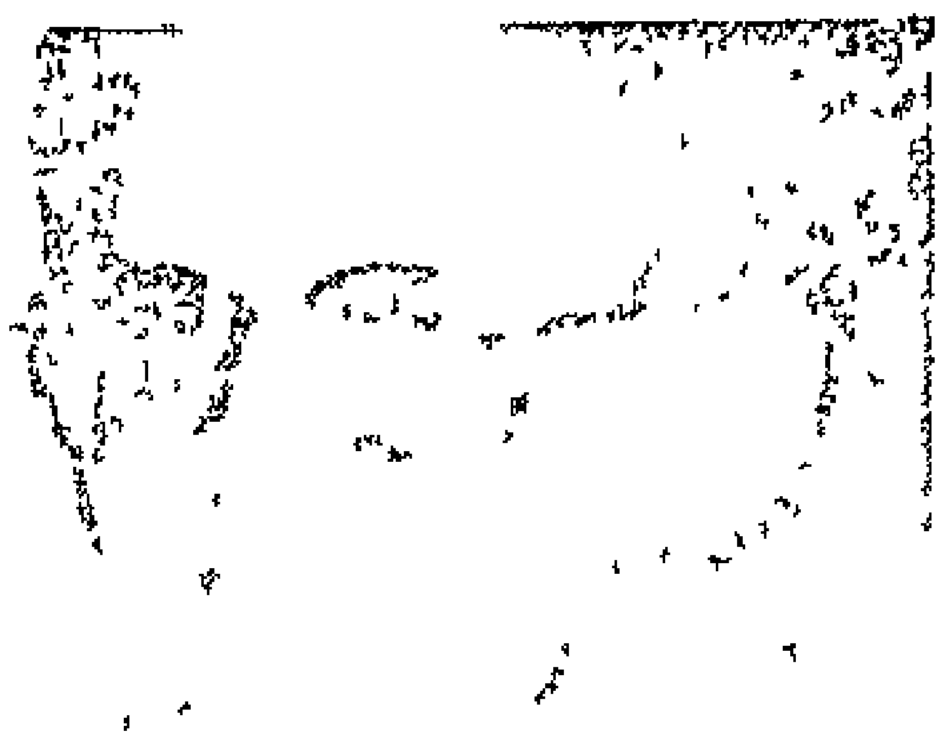
The Argus Correspondent

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

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

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

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



Mr Karel Oosthuizen

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

The incident was being investigated departmentally and by the police, the statement said

First candidate in govt's package

Alusaf to be privatized

Cape Times 23/2/88

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Own Correspondent

JOHANNESBURG. — Government's Industrial Development Corporation (IDC) is to privatize Alusaf, its giant R500m aluminium smelting facility at Richards Bay.

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

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

While this focused attention on Foskor, IDC CE P J "Koos" van Rooy said yesterday that top level, secret talks about Alusaf were held with the private sector early in December 1987.

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

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

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

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

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

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

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

Since its formation in 1940 and up to 1983, it has received R924m in new share capital from government but is mainly self-funding.

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

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

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

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

DID 24/3/88

Wedge exceeds forecast

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

Attributable earnings of R2,9-million were marginally higher than the forecast R2,8-million in the prospectus at the time of the company's listing in August last year Attributable earnings in the 14 months to December 1986 were R865000

The expanded group with a larger amount of shares in issue compared with the previous period had earnings a share of 22,8c against 10,3c previously

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

Turnover was up 119 per cent to R57,8-million and operating income was R5-million (R1,5-million).

The directors expect earnings for 1988 to substantially exceed those for last year — Sapa

HIGHVELD

Highest export

FM 25/3/88

Activities: *The group processes steel, vanadium products, ferro-alloys, carbonaceous products and metal containers and closures*
Control: *Anglo American Industrial Corporation holds 51,7% of the equity*
Chairman: *L Boyd, managing director J Hall*
Capital structure: *80m ords of R1 each, 49 700 'S' ords of R1 each, var rate red cum prefs of 1c each Market capitalisation R35,5m*
Share market: *Price 500c Yields 6% on dividend, 16% on earnings, PE ratio, 6,2, cover, 2,7 12-month high, 780c, low, 410c Trading volume last quarter, 246 000 shares*
Financial *Year to December 31*

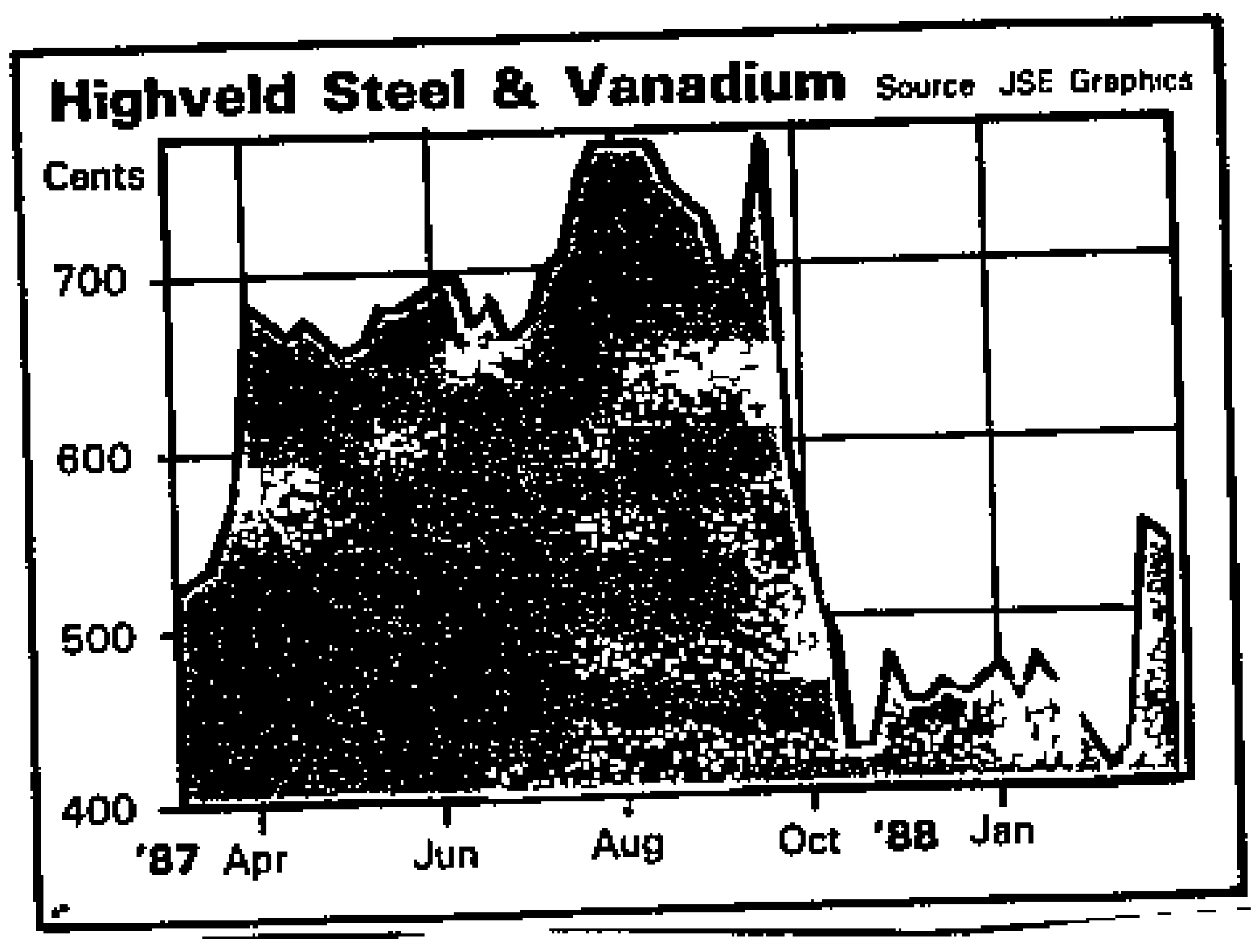
	'84	'85	'86	'87
Debt				
Short-term (Rm)	49,6	17,5	31,6	10,3
Long-term (Rm)	74,0	275,0	150,0	—
Debt equity ratio	1,09	1,03	0,60	0,69
Shareholders' interest	0 35	0 31	0,39	0,36
Int & leasing cover	2,0	2,2	3,8	6,8
Debt cover	0,21	0,26	0,74	11,1

Performance	'84	'85	'86	'87
Return on cap (%)	7,5	8,3	14,1	9,7
Turnover (Rm)	450	662	816	850
Pre-int profit (Rm)	57	74,1	133,3	91,8
Pre-int margin (%)	12,7	11,2	16,3	10,8
Taxed profit (Rm)	28,6	40,5	64,9	61,3
Earnings (c)	39	58	85	80
Dividends (c)	17	24	30	30
Net worth (c)	368	390	436	486

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

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

The remaining roasters in the Vantra division were therefore brought into operation in January for the first time since September 1986




Highveld's Boyd ... export prices still rising

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

Low interest rates assisted the interest bill, which declined from R35m to R13m. As a result, pre-interest profit fell 31% to R91,8m, but taxed profit was only 5,5% lower at R61,3m The debt equity ratio has deteriorated slightly from 0,60 to 0,69, but debt cover improved from 0,74 to 11,1 With most debt now converted to redeemable preference shares, which are included as debt in our calculation of debt equity, the group is less vulnerable to the forecast rise in interest rates this year

But the preference shares are now causing a tax problem. Issued to repay offshore and short-term loans, they helped reduce interest bearing debt from R144,1m to R10,3m The additional R9m preference dividends are not deductible for tax though, whereas interest would have been On top of this, the recently announced MTC tax is expected to reduce profits by R1m

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

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

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

At a price of 500c, the share is on an historic p e of 6,2 and dividend yield of 6%, a reasonable rating considering the expected improvement in Highveld's markets

Louis Venter

and
h African Co-Ordinating

IDC considers firm offers

~~250~~ 189

Groups vie for Alusaf control

Wkt Times 21/4/88

From MICK COLLINS

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

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

'Sensitive'

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

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

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

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

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

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

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

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

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

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

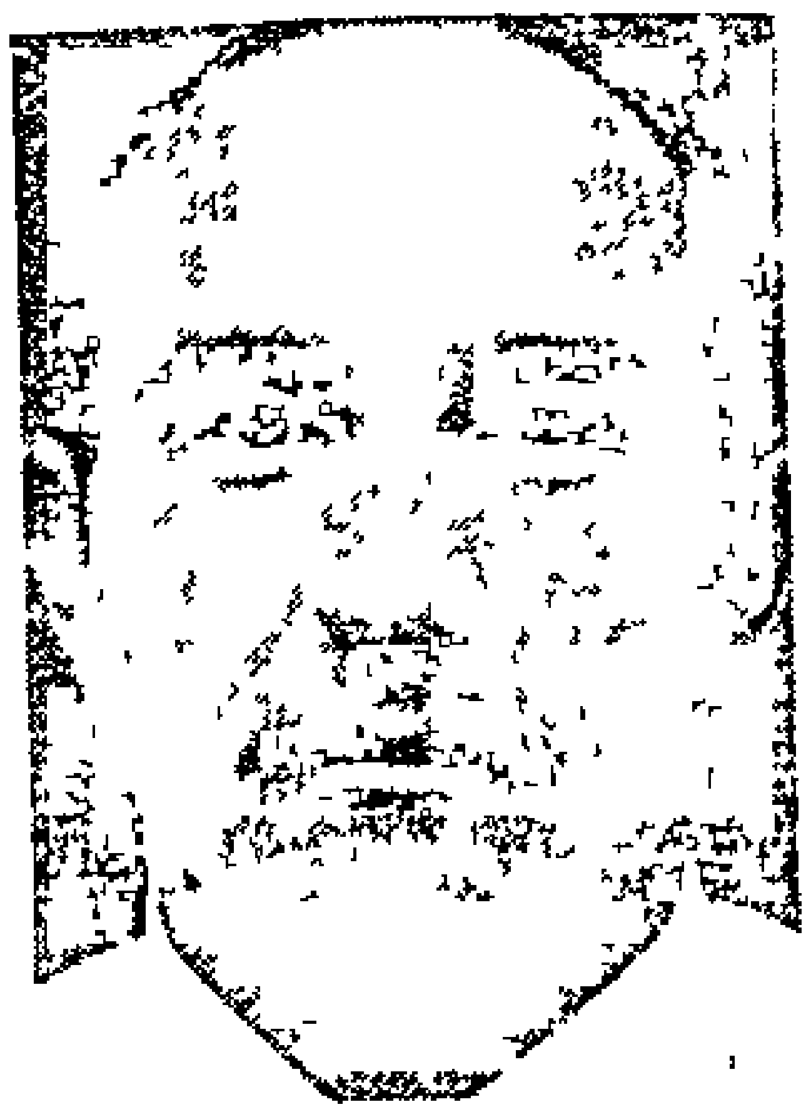
Expansion

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

The company has a staff complement of 2 800 and exports 50% of its annual production of 170 000 tons of aluminium.

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

The IDC has a controlling interest in four major industrial concerns — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe



Mr Campbell

Jacked up Jacksons

DD 12/5/88

(189)

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

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

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

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

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2 SUNDAY TIMES, Business Times, May 29, 1988

Middelburg doubles expansion spending

By David Carte

MIDDELBURG Steel & Alloys has doubled its expansion plans, stepping up proposed capital spending from an announced R120-million to R240-million.

The stainless-steel and ferroalloy company has become one of Barlow Rand's biggest single profit contributors It is believed to be aiming at a taxed profit of R100-million this year

Demand for stainless steel in SA and abroad is buoyant Demand for ferrochrome internationally cannot be met

Customers are queuing and dollar prices are rising while the rand remains soft — an ideal scenario for MSA

Middelburg believes it can fund the expansion with its own resources The expansion will increase the labour force by only 5%.

First phase

Chairman John Hall says that in rand terms international prices of stainless steel today are 60% to 70% higher than two years ago He expects demand to remain strong for another year, after which the world economy, and therefore demand for MSA products, should cool

Mr Hall says "We are not expanding with starry eyes and with only today's boom in mind We want to be a competitive low-cost producer over time It is possible that the new capacity will come on stream as the market softens, in which case we shall close older, less cost-effective plant.

"This is an investment based on our projection of demand rising at 3% a year long term."

The first phase of the expansion, due to come on stream in November, will add 30 000 tons a year of additional charge chrome capacity This represents a R30-million investment.

Integration

The newest expansion plans will push up Middelburg's ferrochrome capacity from 280 000 tons a year to 430 000 and stainless-steel capacity from 100 000 tons to 150 000

Middelburg will spend R220-million on another 120 000-ton-a-year of ferrochrome capacity

Another R20-million will be spent on a continuous caster with a capacity eventually of 150 000 tons a year of billets for long stainless steel and 3CR12 products, including flats, rounds, squares and channels.

Once this R240-million is behind the company, consideration will be given to installing a long products rolling mill which would make SA independent of imports.

The latest decision involves the integration of the ferrochrome plant with the stainless-steel meltshop through the introduction of hot charging of ferrochrome at significant energy and chrome yield savings

High return

About 60% of Middelburg's stainless steel is used in SA and about 90% of its ferrochrome production is exported

Mr Hall is looking for a payback period of four to five years on the new investment — so he is aiming at a return of 20% to 25% a year from it

Middelburg, which only three years ago lost R18-million, made R83-million before and after tax last year

Barlows announced a 31% earnings increase this week, but declined to disclose wholly owned Middelburg's contribution

Mr Hall is confident that last year's earnings can be soundly beaten Judging by his description of trading conditions, R100-million after tax is within reach

Middelburg will use new technology in the expanded ferroalloy plant

Pioneers

Managing director John Gomersall says "Most of our competitors use 40-year-old submerged arc technology Indeed, we use that for 250 000 of the 280 000 tons of ferroalloy that we make a year

"But in using a coal-based plasma furnace for the additional 30 000 tons, we were world pioneers. It took four years to straighten it out.

"The entire ferroalloy expansion will also be coal-based plasma technology We have collaborated in the project with Krupp Industrie of West Germany"

Mr Gomersall says the new technology will reduce electricity consumption a ton of charge chrome by 75% Although the new technology entails a much bigger initial capital investment, it should ensure that MSA remains a low-cost producer in the long term.

He says several small operators climbing on the ferroalloy bandwagon use outdated submerged arc technology and will be vulnerable when the market softens

Another advantage of the new technology is that it does not require agglomeration of chrome pellets It also makes it possible to use UG2 chromide by-products from the platinum mines should the need arise

An economic imperative for SA is to add more value to raw mineral exports, but Middelburg is reluctant to get into stainless-steel conversion because it does not wish to compete with its customers here or abroad The company has offered fabricators assistance in launching downstream products for export

Mr Hall adds his voice to that of Pat Retief of JCI on the question of SA responding to sanctions by cutting off supplies of strategic minerals

"It would be a case of a flea biting an elephant. Sure, we could cause some upheavals in certain commodity markets, but it would not take long for the world to retaliate and for us to be sidelined"


John Gomersall ... sanctions reprisals futile

Steel World in R5,5m acquisition

(189)

Star 8/6/88

Steel World is to acquire Houston Steel Merchants from SA Bias subsidiary, Houston Industries, for R5,5 million (830)

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

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

The share was suspended, to allow for a re-negotiation, however — Sapa

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BUSINESS DAY, Thursday, October 27 1988

Seifsa urges domestic steel subsidies to boost exports

TANIA LEVY

SUBSIDISED domestic steel prices would be a powerful export incentive, Steel and Engineering Industries Federation of SA (Seifsa) economist Michael McDonald said yesterday

He said a transport subsidy would also be welcomed by the steel industry, 80% of which was situated on the Reef

The correct incentives could stimulate "tremendous growth" such as that experienced by the ferro-alloys industry which exported 95% of its production

He said this was facilitated by rebates on electricity used for production The incentives contributed to a 1,7-million-ton output in 1987 compared with 25 900 tons in 1954

Investigations into replacing existing export incentives started three years ago when most were found to be in contravention of the General Agreement on Trade and Tariffs (Gatt)

Meanwhile, a Board of Trade and Industry (BTI) report remains unpublished because, according to government sources, its sensitive information could be used by competitive countries

McDonald said Seifsa generally agreed with recommendations made by the BTI to the Department of Trade and Industry and the President's economic advisory committee.

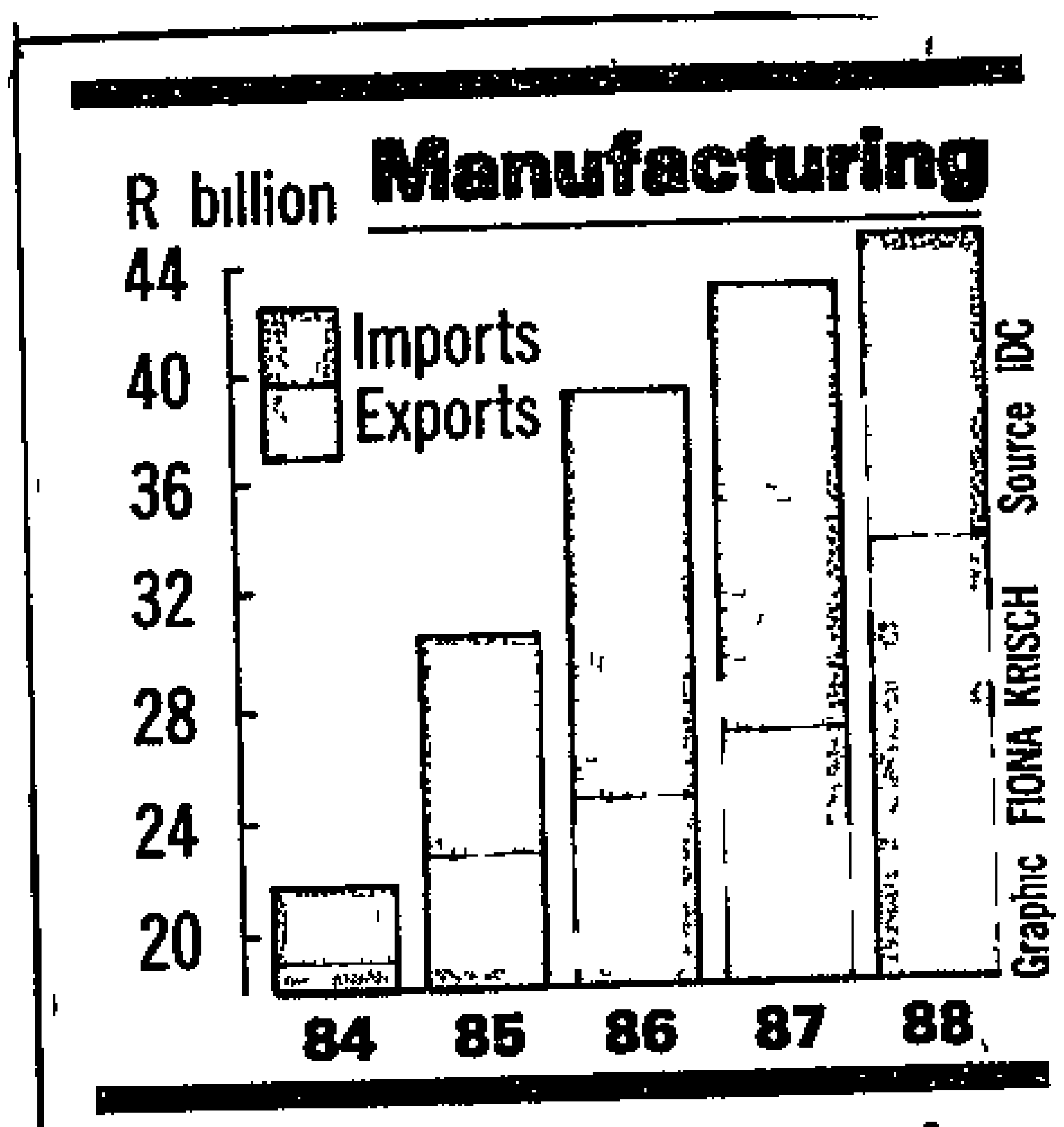
He said Seifsa had welcomed the extended deadline to March 1990 for the phasing out of existing export incentives.

However, immediate past-president Richard Savage, in his address at the Seifsa AGM this month, urged the department to introduce the new incentive system as soon as possible

He said uncertainty was limiting exporters involved in long-term contracts.

An Iscor spokesman said he felt a steel price subsidy would be extremely unpopular because it would have to be funded by taxpayers.

He declined to comment further.



Steps to privatise Alusaf initiated

189

HELOISE HENNING

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

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

Increasing international prices resulted in local consumers being able to buy aluminium at an attractive discount on

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11/11/88

Steps to privatise Alusaf are initiated

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⇦ ● From Page 1

world prices, which led to a strong increase in demand for Alusaf's products.

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

IDC has taken a 20% stake in the Mossgas project, resulting in a capital investment of R562m financed through its subsidiary Kanoil

Of the R639m approved for industrial development

A sum of R181m was taken up in the new low interest rate scheme introduced in February for independent manufacturers with assets of less than R50m who would achieve at least 60% in exports or import replacements

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

The IDC more than doubled funds authorised for plant extensions in its associated companies to R258m. This included R100m to Foskor, R80m to Atlantis Diesel Engines (ADE), R30m to Richards Bay Minerals, R22m to the coffee corporation Sapekoe and R26m to other projects

Reporting on its subsidiaries, IDC noted

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

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

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

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

The investment trusts in industrial and national 'selections' increased dividends by about 20%

COMPANIES

ARGUS 15/11/88 189

Mossel Bay projects a shot in the arm for UME

By **DICK USHER**
Business Staff

THE Mossel Bay oil from gas project is expected to pay considerable benefits to UME, the Bellville-based steel trading company

The company, the largest in its field outside the Witwatersrand, had a 70-percent profit increase to R5,75-million for the year ended September 30

A final dividend of 6c a share was paid, bringing the total for the year to 10c, a 25 percent improvement

Higher export sales — more than twice the previous year's volumes — made a significant contribution to a 55,6 percent increase in turnover, but lower margins on overseas sales, together with pressure on domestic margins, diluted the rise in operating income to 17,7 per cent.

Commenting on the current financial year, joint managing director Mr Peter Smaller said the Mossgas and Mossref projects, now very much under way, would be of considerable benefit to the company

"The Mossgas oil platform is being fabricated in Saldanha Bay very much within our market area — while three modules of the Mossref project will be built in Cape Town

"Further, the export market is most favourable with the weak rand working particularly well for us," he said

"With the domestic and the international markets both looking buoyant, I am confident that we will once again achieve a substantial increase in earnings during the current year."

● Improved international demand for steam coal, and stable or rising export prices should enable **Witbank Colliery** to show satisfactory growth in profits next year says chairman Mr Allen Sealy in the company's latest annual report

As a result, he does not expect any further cuts in dividends in spite of the high level of capital expenditure envisaged for next year, expected to be well over R100-million

On the export market the price had been at its lowest level for many years at the start of the financial year

But the Chinese failure to meet their commitments, frequent strike-action on Australian mines, a cutback in production in both South Africa and Australia and higher demand the price had moved up.

Mr Seale warned that "the excessive inflation rate and the high rail rates charged by South African TS are eroding the competitive advantage we have enjoyed in international markets"

The high inflation rate was also taking its toll on the local market and hampering investment in increased productive capacity

The threat of further sanctions was also playing an inhibitive role in increased investment, said Mr Seale

● **General Mining Union Corporation (Gencor)** increased taxed profit by 16 percent to R475-million for the eight months to August, the group's new financial year-end

Helped by sharply increased earnings from Malbak, Genbel and Samancor, the increase was achieved despite a R37-million drop in earnings from gold and coal

A dividend of 180c (the second final in eight months) was paid, 8 percent higher than last year's pro-rata payment of 167c

Chief executive Mr Derek Keys was optimistic about the year ahead and said Gencor should show another real increase in earnings

MACHINERY

AND

EQUIPMENT

1988

Pump firms sign a deal

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

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

Mono will 'market' the pumps to an already established market

B/Day 18/1/88

DIAGONAL STREET

Afrox the inflation knocker

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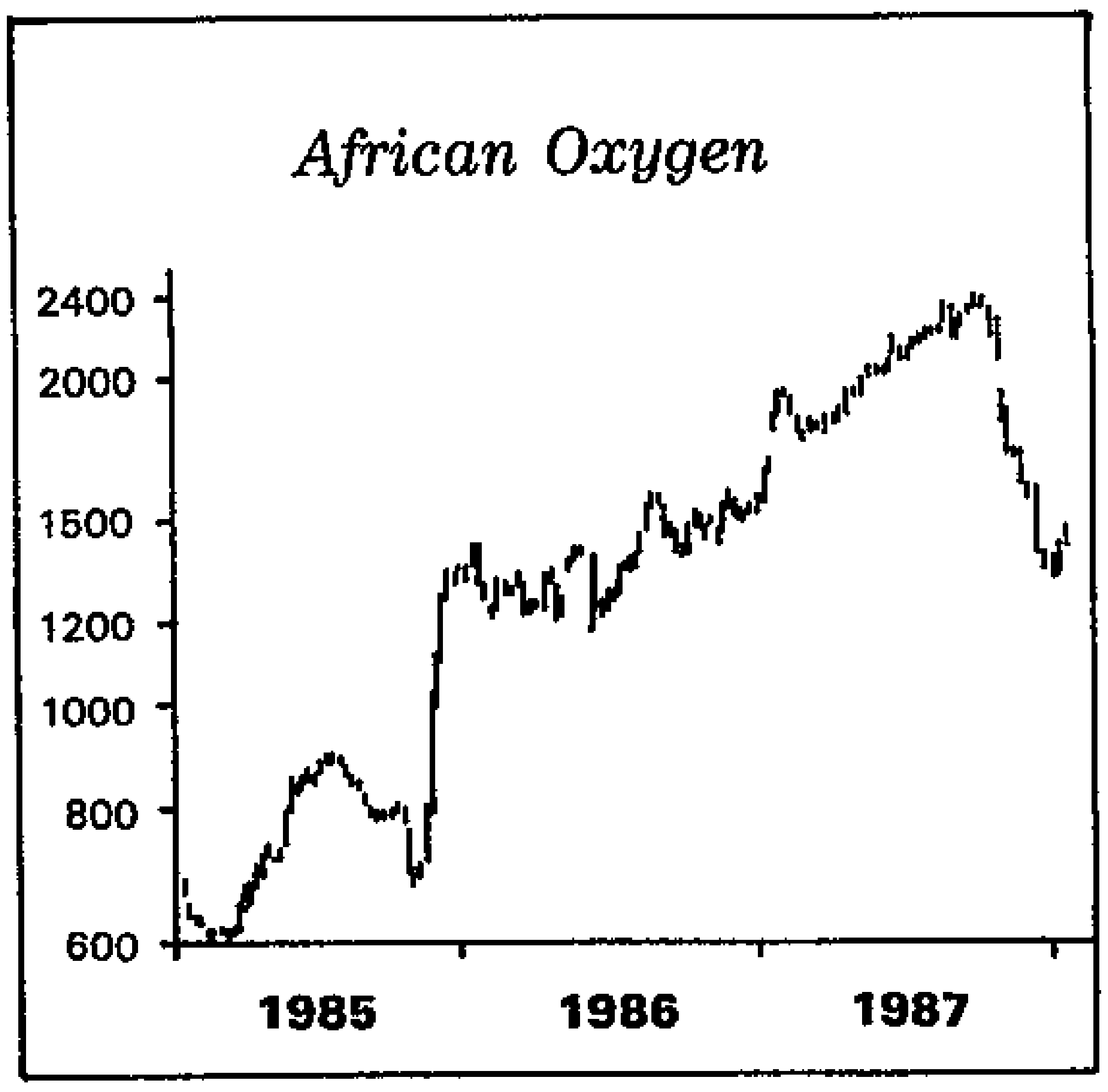

AFRICAN Oxygen (Afrox) produces gas, but knocks the wind out of the effects of inflation.

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

It remains the leading gas company in an intensively competitive market in which five of the world's seven major producers operate in SA More than 80% of Afrox's profit comes from the gas and welding divisions

FASTER

Its growth prospects depend on several factors Managing director Peter Joubert says the gas division supplies the steel, chemical, engineering, medical and food industries as well as domestic gas Its growth tends to be a multiple of the rate of gross domestic product increase "It grows at a faster rate than the whole economy," says Mr Joubert.

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

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

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

FLEXIBLE

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

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

Afrox has also seen business opportunities which take on the mantle of corporate responsibility at the same time It is looking to promote education and health services over a greater geographical spread Mr Joubert calls it "human performance improvement"

CONFLICT

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

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

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

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

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

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

"We are taking out the effects of inflation We are not fooling ourselves with bigger declared profits and are avoiding paying too much in dividend Some companies may eventually find themselves paying dividends out of capital When we forecast growth of 25% a year that is *real* growth"

The shares stand at 1 425c, and the net asset value is stated as 1 124c Earnings for the year to September 1987 were 113,6c a share, the dividend of 61c being almost twice covered

At the current price the PE ratio of 12,5 rates the share highly although it cannot be compared directly with companies who use conventional accounting methods On a non-inflation accounted basis Afrox's earnings would have been 153c

In the past 10 years the company has given an average annual return on investment to shareholders of 28%. There is every reason for it to continue to do so

HUDACO

Slower growth rate

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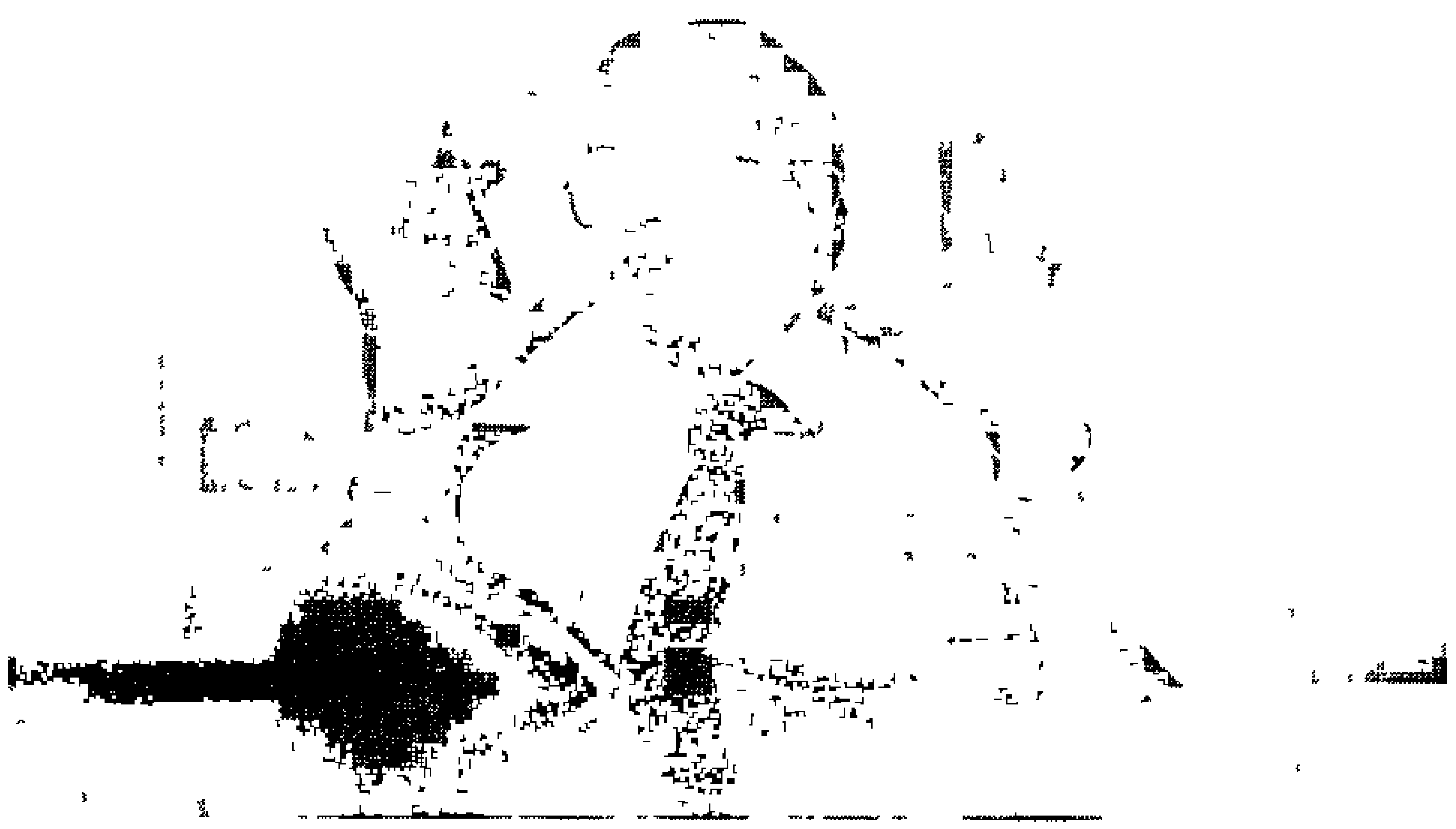
Activities: *The group distributes diesel engines, hydraulic and pneumatic products, bearings and transmission components*
Control· *Directors hold 25% of the equity*
Chairman. *B G McInnes, managing director K F Clarke*
Capital structure: *20,5m ords of 10c each Market capitalisation R97m*
Share market: *Price 475c Yields 5,9% on dividend, 13,0% on earnings, PE ratio, 7,7, cover, 2,2 12-month high, 900c, low, 400c Trading volume last quarter, 331 000 shares*
Financial: *Year to November 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	11 6	0 2	—	14,2*
Long-term (Rm)	8 6	7,9	4,0	8,4
Debt equity ratio	1,42	0 31	nil	0,10*
Shareholders interest	0,32	0,42	0,40	0,51
Int & leasing cover	1,84	2,49	1 14	1 12**
Debt cover	0 12	0 63	2,50	1,63*

Performance:

	'84	'85	'86	'87
Return on cap (%)	—	14,9	18,4	22,1**
Turnover (Rm)	90,7	120,3	155,0	184,4
Pre-int profit (Rm)	4,9	9,5	16,3	22,2**
Pre-int margin (%)	5,4	7,9	10,5	11,9**
Taxed profit (Rm)	1,4	4,0	8,8	13,2
Earnings (c)	—	22,6	44,2	61,7
Dividends (c)	—	—	20	28
Net worth (c)	—	103	132	148

* interest bearing debt only net of cash
** net of interest received



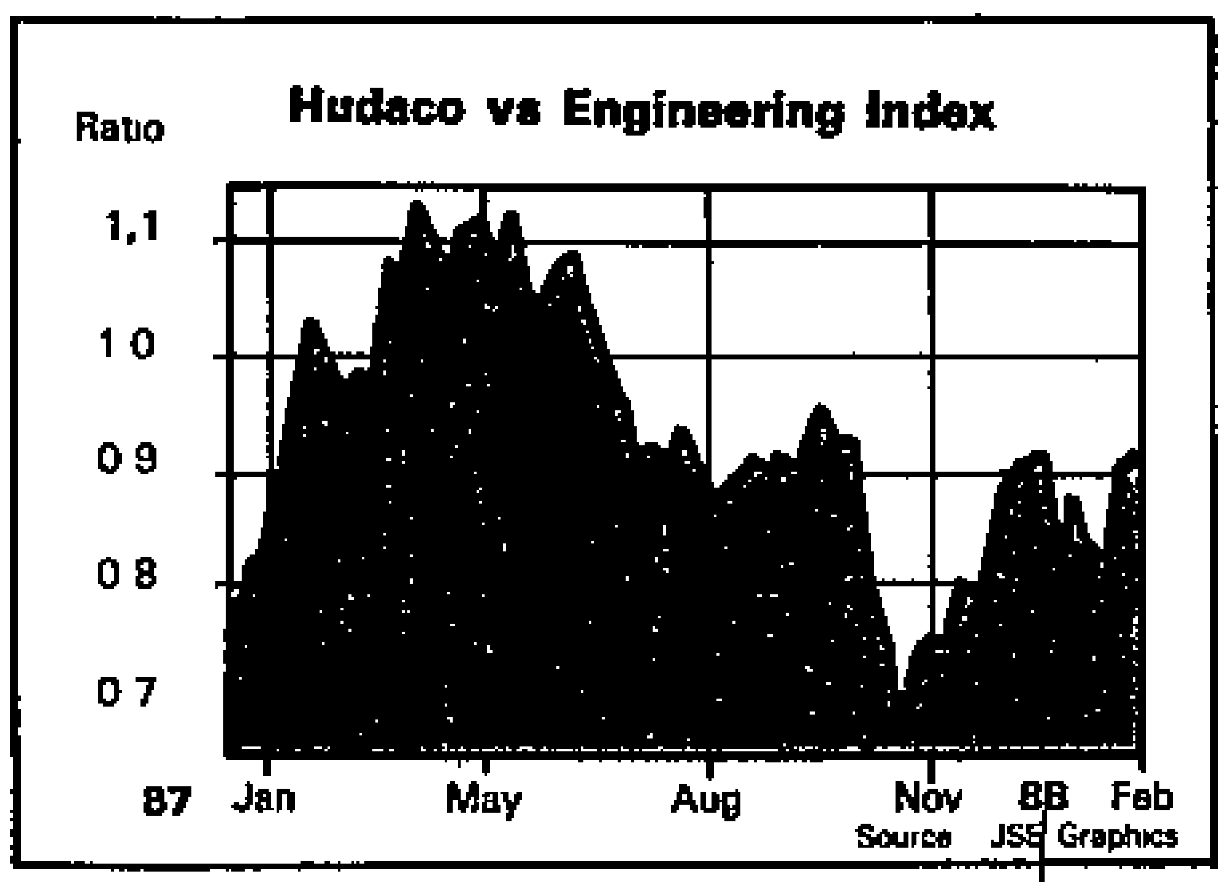
Hudaco's McInnes... intangible assets

Though Hudaco achieved a growth in EPS of 40% to 61,7c in the year to end-November 1987, the pace was slower than the impressive growth rates achieved immediately after Bruce McInnes, then MD, bought the engineering business from Blue Circle in 1984

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

Contributions from Hudaco's five other acquisitions are hidden in divisional statistics But, even if they contributed only another 4c a share, it seems Hudaco bought the major part of its EPS growth last year Turnover rose 19%, modestly ahead of inflation

Acquisitions also helped margins Frencorp's transmission business has a high 13,5% margin and, excluding the impact of this company, the group margin at 10,4% would have been much the same as the



Source JSE Graphics

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previous year after massive leaps in 1985 and 1986 It would appear that management's ability to leverage internal operational growth has lost momentum

The balance sheet reflected Hudaco's shopping expedition, with goodwill increasing by R8,9m to R14,5m (R6,6m) Though the year-end 0,10 debt equity remains low, this does not include outstanding amounts to be paid for Frencorp which are interest-free The R9,9m first payment was made after year-end and the final R3,3m payment is scheduled for payment in December this year As cash flow was R15,5m last year, Hudaco may have to increase borrowings to finance the payments

McInnes obviously expects the acquisitions to generate larger profits In a change of accounting policy, goodwill is no longer set off against shareholders' funds but is shown separately McInnes says it will be amortised over 10 years, with appropriations made below the line at year-end This could affect retained earnings by McInnes points out that it will not affect EPS

McInnes says the acquisitions "have very real assets in market share, product agencies, branch coverage of the market, excellence of staff One particular intangible asset we feel very strongly about is restraint of trade — Hudaco has entered into restraints with key employees as a result of acquisitions "

The importance of key employees cannot be lost on McInnes, as Hudaco's share price relative to the sector dived when he announced his departure overseas last July Clearly the market placed a high value on his skills as, before the announcement, Hudaco traded at a p.e of around 19 times against a sector average of about 13 The p e's are now 7,7 and 7,0 respectively

New MD Kevin Clarke was responsible for the acquisitions, but has yet to prove his ability to manage the expanded portfolio of businesses, though he has the help of McInnes's advice and a large market share in Hudaco's key trading areas As operating efficiencies are already high and competitive markets could limit margins, bottom-line growth next year may depend on increased sales in a growing economy This suggests the share is fully priced for the present

Dave Edwards

OTIS

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Tax hammering

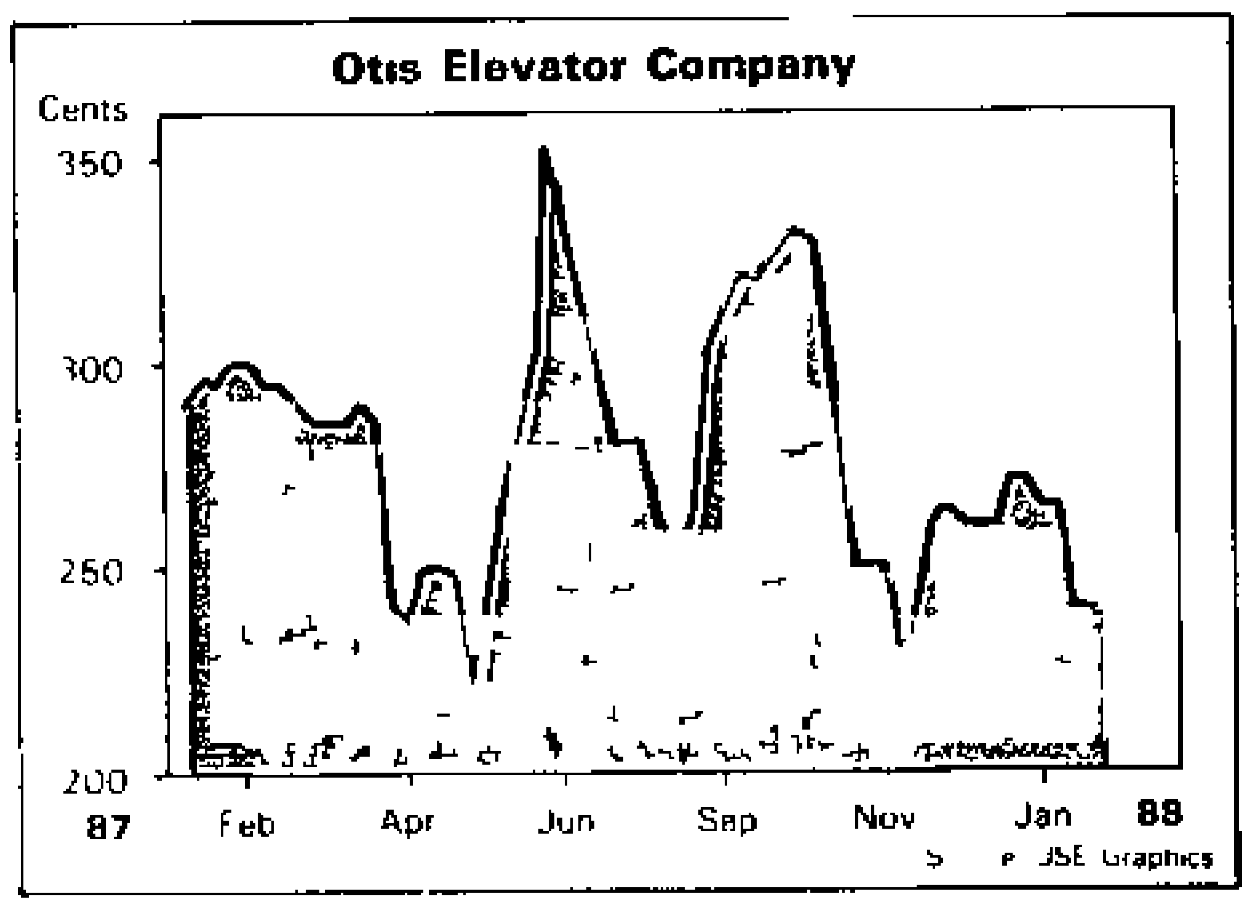
The year to end-November has been a benchmark year for Otis After years of paying almost all earnings out in dividends, the group this time passed its dividend altogether But, while it was widely assumed that the US parent was behind the previously high dividend payout, CE Peter Bredenkamp says the American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

Activities: *Designs, manufactures, installs and services elevators, escalators and systems for passenger and goods movement*
Control *Otis Elevator of USA*
Chairman *A Louw, chief executive D Bredenkamp*
Capital structure: *17m ords of 10c each Market capitalisation R44,2m*
Share market *Price 260c 16,6% on earnings, PE ratio, 6 12-month high, 350c, low, 220c Trading volume last quarter, 309 000 shares*
Financial: *Year to November 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	—	—	—	0,1
Long-term (Rm)	0,1	0,1	0,1	0,1
Shareholders interest	14	11	24	48
Debt cover	104	117	94	5,5

Performance:

	'84	'85	'86	'87
Return on cap (%)	64,8	54,6	84 6	61,1
Turnover (Rm)	50 7	59,7	60,2	63,4
Pre-int profit (Rm)	14,0	15,7	13 8	14,4
Pre-int margin (%)	27,6	26 3	22,9	22,7
Taxed profit (Rm)	7,5	8,2	7,2	7,3
Earnings (c)	41,1	47 4	42 2	43,2
Dividends (c)	40	44	42	—
Net worth (c)	18,0	18,6	23,0	66,2



Otis's position underlines the prudence shown by companies that provide for deferred tax, and also shows the effect on accounts when this suddenly needs to be paid Cash flow was hammered, falling from R7,5m to R1,2m With the company's policy of remaining almost ungeared — there was still a net cash holding of R14 000 at year-end — this is not a problem, but had the dividend not been passed and the tax payment financed exclusively with borrowings, the debt equity ratio would have climbed to 1,90

Passing the dividend had other benefits The balance sheet improved thanks to higher retained income, which boosted shareholders' funds, with net worth rising from 23c to 66c per share, while shareholders' interest climbed from 23,9% to 47,8%

As far as results are concerned, the group improved over 1986, but growth was substantially less than inflation Turnover grew only 5,3% and pre-tax income grew even less (1,3%) Bredenkamp says activity picked up in the fourth quarter, but those orders received remain very price sensitive He notes a growing demand for elevator modernisation, and a number of enquiries from the public sector

26/2/88 (189) FM

Otis is heavily involved in training, as a number of personnel will retire in the next few years and the company wants to upgrade skills of existing staff

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

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

Though Otis should be given marks for good financial management, with dividends receiving all the attention, the share is not being highly rated Its earnings yield is 16,5% against the sector average of 10,4%

Pat Kenney

CEMENCO (189)

Lower debt

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

Control: *Trafalgar House Construction has controlling stake*

Chairman: *R T Shaw*

Capital structure: *6,9m ords of 50c each, 150 000 6% cum prefs of R2 and 10,3m non-red comp conv cum prefs of 50c Market capitalisation R22m*

Share market: *Price 320c Yields 6,9% on dividend, 14,4% on earnings, PE ratio, 7,0, cover, 2,1 12-month high, 650c, low, 320c Trading volume last quarter, 5 500 shares*

Financial: *Year to September 30*

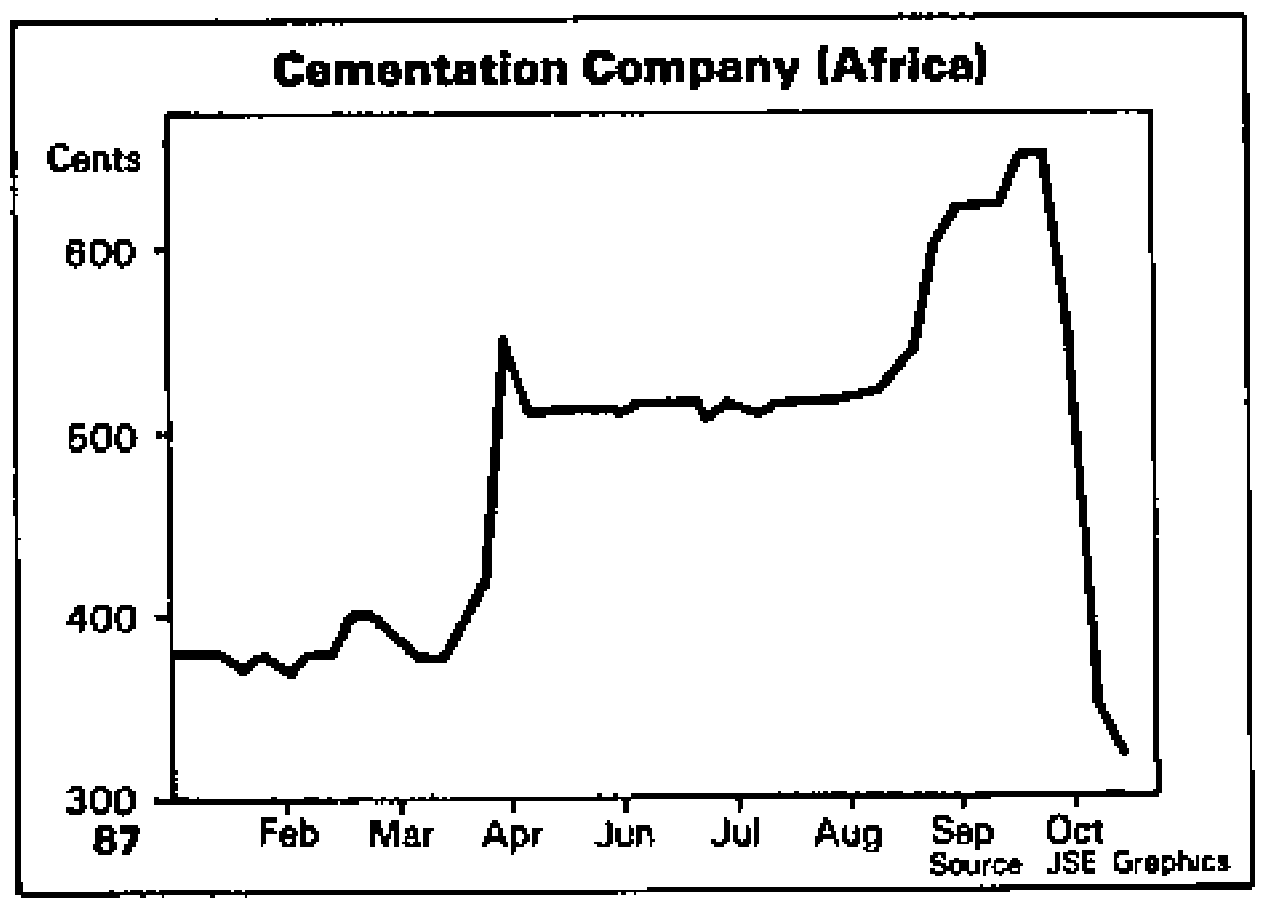
	'84	'85	*'86	*'87
Debt				
Short-term (Rm)	1,4	3,6	12,9	19,7
Long-term (Rm)	11,2	36,5	33,8	20,2
Debt equity ratio	0,32	0,85	0,96*	0,52*
Shareholders interest	0,54	0,32	0,31	0,29
Int & leasing cover	2,9	1,9	1,63	2,04
Debt cover	0,43	0,16	0,37	0,54

Performance

	'84	'85	*'86	*'87
Return on cap (%)	7,8	4,8	8,4	8,0
Turnover (Rm)	95,7	152 3	241,6	273,3
Pre-int profit (Rm)	5,7	6,0	13,0	13,9
Pre-int margin (%)	6,0	4,6	5,4	5,1
Taxed profit (Rm)	4,0	4,0	3,1	3,2
Earnings (c)	58,8	58,1	44,6	46,0
Dividends (c)	25,0	25,0	22,0	22,0
Net worth (c)	573	610	633	685

* Net of cash

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


Cementation Company (Africa)

Source JSE Graphics

While total borrowings fell by R6,7m, with cash deposits rising to R13,9m (R181 000), the year-end gearing on gross debt remained high at 0,85 Net interest paid was lower at R5,5m (R6,3m) but still absorbed 40% of pre-interest income Chairman Ron Shaw says that gearing has since fallen to 0,71 and is expected to reach about 0,60 by the end of the 1989 financial year The cash holding will be absorbed as working capital requirements rise

Pre-interest profit grew by a pedestrian 6,7% and the benefits of the improved liquidity were overshadowed by a R1,6m jump in the tax bill (due mainly to the discontinuation of machinery investment allowances), with the result that attributable earnings were virtually static at R3,2m

Earnings per share remain well below the levels of around 58c achieved in 1984-1985, and substantially lower than the 70c of 1982 Not surprisingly, the dividend has been static for four years

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

Shaw says GFC Mining again made the major contribution, with a turnover of R138m and a pre-tax profit of R7,39m The traditional underground drilling and cementation operations maintained a "very satisfactory" level of activity and the surface drilling and shaft sinking departments operated at record levels The fleet of raise boring machines is well committed for this year, and with a total order book standing at R106m, prospects for GFC remain encouraging

The expanded forgings division, in which R35m has been invested in recent years, performed at a satisfactory level But results from various operations were characterised by low margins, although profits were made Cemenco Foundry earned pre-tax profits of R450 000 on turnover of R7,6m after previous losses, general engineering made pre-tax profits of R1,1m on turnover of R28,5m, Moir's Railways and the track-laying companies made R894 000 profits on turnover of R7,9m, and Cemtec achieved R553 000 pre-tax profits on turnover of R14,6m

→ 187 FM 26/2/88

However, management closed the civil construction branch and the costs of the closure were treated as an extraordinary item Virtually all of the closure costs have been accounted for

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

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

Andrew McNulty

DEFINITIONS

Debt:equity ratio: All interest-bearing debt plus redeemable prefs expressed as a ratio of total shareholders' funds

Total shareholders' funds: The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments

Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets

Shareholders' interest: Total shareholders' funds expressed as a ratio of capital employed

Pre-interest profit: Pre-tax profit plus all interest paid

Interest and leasing cover Pre-interest profit plus leasing charges expressed as a multiple of interest and lease payments

Debt cover Gross cash flow expressed as a multiple of interest-bearing debt

RESULTS AND DIVIDENDS

		Pre-tax profit Rm		Percentage change	Earned cents per share		Paid cents per share			Dividends		
		1986	1987		1986	1987	1986	1987	Sector	Amount cents	Register by	Payable about
Adcorp	P	0,29	1,3	+335	2	11	—	6	Dev Capital	††6,00	4 3 88	25 3 88
Asseng	P	4,9	◊9,2	+88	12	◊23	#	◊34,4	Motor	†13,00	4 3 88	11 3 88
Aurochs	P	0,44	0,82	+88	13	34	10	25	Property	†20,00	18 3 88	8 4 88
Bankorp	I	§35,3	§46,4	+32	40	52	11	12	Banks	*12,00	4 3 88	18 3 88
Becketts	I	9,0	9,4	+4	79	82	—	—	Food	—	—	—
Blue Circle	P	17,3	54,1	+213	73	151	38,5	50	Building	†30,00	4 3 88	18 3'88
Cashbuild	I	2,6	3,2	+22	6	6	—	—	Retailers	—	—	—
Cenprop	D	—	—	—	—	—	—	♣3,89	Prop Trusts	♣3,89	4 3 88	31 3 88
Claude Neon	I	2,3	2,7	+17	21	24	—	—	Engineering	—	—	—
Conshu	I	7,8	19,4	+149	13	23	—	7,5	Clothing	*7,50	4 3 88	31 3 88
Consol	I	26,7	46,7	+75	229	390	—	—	Paper	—	—	—
Curnow	P	0,82	2,5	+203	•3	•6	1,7	3	Dev Capital	‡3,00	4 3 88	25 3 88
Dial-a-Movie	I	0,55	0,83	+52	•4	•6	—	—	Retailers	—	—	—
Duros	I	□	3,6	—	□	•28	—	—	Ind Hold	—	—	—
Garcon	I	0,33	0,33	+0,3	6	6	5,75	5,75	Retailers	*5,75	8 4 88	5 5 88
Garlick	I	3,9	4,9	+26	64	80	18	18	Retailers	*18,00	8 4 88	5 5 88
Genbel	I	§59,0	§83,2	+41	175	230	120	110	Min Hold	*110,00	4 3 88	31 3 88
Genrec	I	□	§§0,27	—	□	•§§18	#	#	Engineering	—	—	—
Gen Tyre	P	27,1	37,8	+39	•111	•142	25	48	Motor	†30,00	18 3 88	8 4 88
Hiveld	P	93 1	74,3	−20	•85	•80	30	30	Steel	†20,00	18 3 88	9 5 88
Implats	I	229,4	297,4	+30	219	252	45	60	Platinum	*60,00	4 3 88	7 4 88
Kersaf	I	67,3	117,9	+75	•37	49	22	29	Beverages	*29,00	11 3 88	31 3 88
Lion Match	I	▲15,0	▲17,0	+14	°▲20	°▲21	°10,6	°♠35	Tobacco	—	—	—
Marcons	P	□	▼1,2	—	□	▼3	□	▼2,75	Property	—	—	—
Marshalls	P	2,9	2,6	−9	18	15	12,5	12,5	Property	—	—	—
Metair	P	7,2	14,0	+94	•108	179	33	44	Motor	‡44,00	Recommended	
Metro	I	11,0	23,9	+117	12	16	6	7,5	Retailers	*7,50	11 3 8825 3 88	
Mobile	I	1,3	1,3	—	16	20	1,87	2,35	Transportation	*2,35	29 4 88	20 5 88
Pactape	I	1,4	2,2	+51	•7	11	2,55	#	Paper	—	—	—
Palamin	P	233,7	210 4	−10	359	316	260	295	Copper	†100,00	4 3 88	24 3 88
Pleasure Foods	I	□	3,2	—	□	5	—	—	Beverages	—	—	—
Romano	I	♡0,47	♡0,78	+66	♡2	♡4	—	1	Dev Capital	**1,00	4 3 88	28 3 88
Ruhold	I	0,76	2,9	+287	3	7	—	—	Ind Hold	—	—	—
Siltek	I	7,4	12,2	+64	15	21	—	6	Electronics	*6,00	11 3 88	8 4 88
Sinclair	I	0,75	(0,68)	—	11	(4)	#	#	Ind Hold	—	—	—
Steelmetals	I	1,0	1,8	+69	18	15	—	—	Engineering	—	—	—
Sun Bop	I	20,4	49,9	+145	19	32	12	21	Beverages	*21,00	11 3 88	28 3 88
Tarry	P	4,7	8,6	+83	•42	•71	14	23	Retailers	†16,00	Recommended	
Tiwheel	I	0,40	1,2	+198	•2	•3	—	—	Dev Capital	—	—	—
Toyota	P	34,8	106,4	+206	505	2056	100	300	Motor	†180,00	11 3 88	13 4 88
Transun	I	15,8	23,0	+46	11	13	9	10	Beverages	*10,00	11 3 88	28 3 88
Trencor	I	16,0	20,3	+27	64	80	8	10	Transportation	*10,00	29 4 88	20 5 88
Trust Bank	I	§20,0	§24,0	+20	15	18	4,5	5	Banks	*5,00	4 3 88	18 3 88
Utico	P	15,6	26,0	+66	132	218	41	87	Tobacco	†62,00	Recommended	

P = Preliminary †† = Maiden final ◊ = Annualised # = Dividend passed † = Final I = Interim § = Net after tax * = Interim dividend D = Dividend ♣ = Special interim • = Weighted earnings per share ‡ = Annual □ = No comparison §§ = 10 months ▲ = 12 months ° = Adjusted for capitalisation issue ♠ = Special dividend ▼ = 5½ months ♡ = 9 months ** = Maiden interim

ISSUES

		NIL PAID LETTERS					FULLY PAID LETTERS OF ALLOTMENT						PRICES OF LETTERS cents		
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 Feb 15	Price Feb 22
NEW BERNICA — Proposed rights issue Details to be advised	26 2 88														
TEMPORA — Rights issue 50 new ord shares for every 100 ord shares held at 400c per share	19 2 88	22 2 88	26 2 88	16 3 88	17 3 88	18 3 88					17 3 88	28 3 88			

D/D 15/3/88

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Natbolt dividend

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

An interim of 32,5c a share is being paid out of earnings of 129,7c a share (81,4c) in the six months ended December

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

The attributable profit was up from R4,1-million to R7,7-million — Sapa

ADE ordered to reinstate workers

Cape Times 22/3/88

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By RONNIE MORRIS

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

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

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

The union then appealed to the Industrial Court.

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

They refused and 16 workers were subsequently dismissed.

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

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

In the settlement, which was made an order of court, ADE agreed unconditionally to reinstate the dismissed workers retroactive to March 13, revert to the four 12-hour shift system and refrain from victimizing the workers involved in the dispute.

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

ASSENG

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Expanding capacity

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

Strong cash flow should comfortably fund planned capex of R4m-R5m this year, which is intended partly for import substitution Products manufactured by the group are on average cheaper than the imported equivalent "Even short production runs are being shown to be viable," says group MD Johan Meyer

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

Market research indicates that cars are currently being driven for twice as long as a few years ago and this trend exponentially increases the need for motor spares. As chairman Francis Tombs notes in his review. "Escalation of new vehicle prices by some 80% over the last three years has tended to depress the sale of new vehicles and has placed significant emphasis on the used vehicle as a means of transport for the private individual."

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

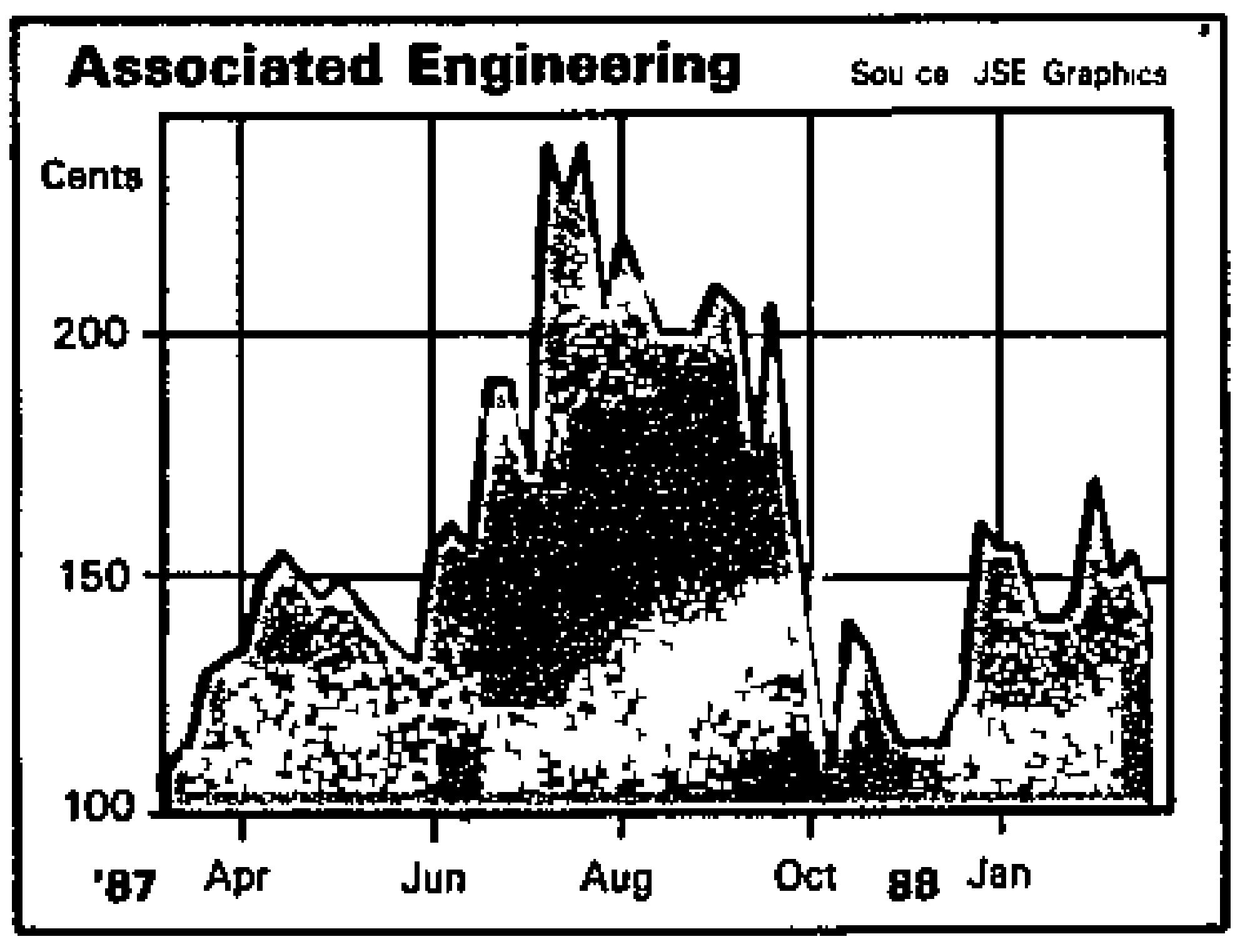
Management's positive view on future potential is shown in the rising production of engine pistons, with output for the third quarter of last year 30% up on the first Firm demand for the iron division's products called for rationalisation of the product range to optimise use of available metal from the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

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

Though off a low base, earnings per share have grown steadily after the series of losses that ended only last year and there seems little apparent sign at present that the momentum will be reversed Gearing is now low, with debt.equity down to 0,18, the interest cover above six times and the debt cover at three times Return on capital has been jacked up to 24,3% while gross cash flow of R13m for the 15 month period compares favourably with the R6,3m of the previous year and negative cash flows in 1984 and 1985

On this outlook, the share could provide investment opportunities

Louis Venter



FINANCIAL MAIL MARCH 25 1988

Activities: *Manufactures and distributes general engineering and motor components for the original and replacement markets Distributes chain saws and log transportation equipment*
Control: *Ultimate controlling company is AE (UK), which controls 77,8%*
Chairman· *Sir Francis Tombs, managing director J A Meyer*
Capital structure: *38,5m ords of 25c each Market capitalisation R55,8m*
Share market· *Price 145c Yields 23,7% on dividend, 17,9% on earnings, PE ratio, 6,3, cover, 0,60 12-month high, 247c, low, 110c Trading volume last quarter, 360 000 shares*
Financial: *Year to December 31*

	'84	'85	'86	*'87
Debt				
Short-term (Rm)	0,1	6,7	1,	—
Long-term (Rm)	0,1	4,0	4,0	4,2
Debt equity ratio	0,18	0,41	0,16	n/a
Shareholders' interest	0,41	0,53	0,70	0,64
Int & leasing cover	0,46	0,37	2,6	6,4
Debt cover	n/a	n/a	0,6	2,4

Performance·

	'81	'82	'83	'84
Return on cap (%)	2,1	2,0	14,2	24 3**
Turnover (Rm)	47,5	48,3	58,6	93,6
Pre-int profit (Rm)	1,0	1,0	6,9	12,2
Pre-int margin (%)	2,2	2,0	11,8	13,0
Taxed profit (Rm)	(2,8)	(3,0)	4,7	11,1
Earnings (c)	(13,6)	(7,8)	12	26**
Dividends (c)	—	—	—	43
Net worth (c)	102	66	89	84

* 15 months
** Annualised

Asseng's Meyer . . . seeking import substitution

FINANCIAL MAIL MARCH 25 1988

Cape Times 1/4/88 — Reuter Reuter

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Nampak details Metalbox takeover

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

Nampak currently holds 54% of MBSA.

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

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

However, yesterdaythis afternoon Metal Box CE Peter Campbell, said the deal was not concluded at 669c per MBSA share, as stated in some press reports, but at 860c a share

"Also, if one takes the Nampak offer of 35 Nampak shares for 100 MBSA shares at the current market price of Nampak shares, the price is more like 875c an MBSA share, which puts the value of the sale at some R150m," he said

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

"The proposals were initiated by us and it would be incorrect to interpret what has happened as a divestment move by Metal Box PLC

"It is a deal which will be to the benefit of all parties"

Wednesday'sYesterday's Nampak statement says the deal is designed "to create a unified packaging company able to maximize the synergy between Metal Box SA and Nampak."

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

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

Instead of accepting 35 Nampak shares for each 100 MBSAs, they may take R860 in cash, or some MBSA shares and, pro rata, some cash

Nampak shares priced at 2 500c give a value of R875 to the offer against the price of R750 for 100 MBSA shares at the same date

"MBSA shareholders will qualify for the MBSA interim dividend to be declared in May.

"Metal Box PLC has indicated that it intends to support the proposals and will elect to take cash for its 25% holding in MBSA"

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

ADE settles forecast battle with Naamsa

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By Don Robertson

ATLANTIS Diesel Engines (ADE) has hit back at motor manufacturers which have accused it of being unable to supply sufficient heavy-duty engines.

ADE consults each month with manufacturers to establish their requirements, but concedes that it needs 12 months to react

ADE marketing director Wally Rautenbach says "In December last year, we forecast that the heavy commercial vehicle (HCV) market for 1988 would be 8 000 units The National Association of Automobile Manufacturers (Naamsa) believed the figure would be 9 000 "

"This caused problems for us In 1987, the truck-makers bought 6 400 engines although they had forecast 7 500 HCV sales "

He gives as an example the 300 Series engine In January 1987, the truck-makers forecast that sales for 1988 would rise from a low of 200 a month to nearly 600 in September In April, the 12-month forecast went from 500 to a little more than 600 In June the forecast rose from 520 to more than 700 and in December 1987 from 300 to 850

Order freeze

After discussions with manufacturers, ADE forecast in February last year that HCV sales for 1988 would be 6 000 medium commercials (MCVs) and 8 100 HCVs Manufacturers forecast 5 500 and 8 000 respectively

Last September, ADE forecast 5 200 MCVs and 8 500 HCVs The manufacturers' expectation was 5 500 MCVs and 8 500 HCVs Last December, ADE forecast 5 000 MCVs and 9 000 HCVs, but manufacturers expected 4 400 and 7 000 sales respectively

In February this year, ADE forecast a demand for 5 500 MCVs and 9 000 HCVs The manufacturers' forecast was 6 110 and 9 500

Because of these fluctuations, ADE has received a commitment from all manufacturers as to their requirements for the year

"They have placed orders for 11 000 HCV engines and we have geared up to produce them," says Mr Rautenbach

"This will be our final figure and we have put a freeze on orders from March to August. It is expected, however, that demand will rise between August and December.

Naamsa has reluctantly agreed to ADE's decision

Tax penalty

ADE supplies 99% of HCV engines, 70% of tractor engines and 60% of MCV power plants

Mr Rautenbach is upset by the Government's intention to increase tax on trucks to finance the cost of road maintenance

"It is a great pity for the Public Carriers Association (PCA) members to be singled out to carry the burden of road maintenance

"Whoever framed the road ordinance, must have understood the problems of maintenance Roads should have been built to handle heavy traffic," he says

"We do not want to see truck operators penalised Licences take care of the damage done by heavy trucks. There should be no additional penalty

"We are in constant contact with PCA and National Association of Private Transport Operatorsa (Napto) about these matters"

ADE makes 11 basic engine models It is the first plant in the world to produce more than 100 engine variations

They range from the three-cylinder 2,5*l* 31 kW Perkins engine to the 452 Daimler-Benz V12

"In conjunction with manufacturers we are looking at the rationalisation of engine models," says Mr Rautenbach. This is being done in consultation with the Department of Trade and Industry and the manufacturers

The R450-million ADE plant, about 40km from Cape Town on the West Coast, was built to produce 50 000 engines a year, but the figure can be achieved only by working double shifts The plant's replacement cost is R750-million

Last year; 11 950 engines were sold — 2 862 were for tractors, 2 398 for MCVs and 6 453 for HCVs The balance was made up of industrial engines

ADE provides jobs for 1 100 hourly paid workers Because of the company's decision to provide housing for some employees, it experiences a lower absenteeism rate then average There have been no major strikes at the plant since it was opened eight years ago Wages range from a minimum R4 an hour to R13 for a 45-hour week

ADE has established the Atlantis Technical Institute which provides basic training for apprenticeship and on the job instruction It has about 150 apprentices.

Self sufficient

Mr Rautenbach says there are no plans for privatisation because of the large losses the company has incurred ADE is part of the Industrial Development Corporation which last year showed a profit.

Technological agreements with Daimler-Benz and Perkins are available until 1992 with an option to renew

"We check with them every six months for new developments," says Mr Rautenbach.

"But we have the necessary product engineering to improve local content and and develop things like turbos

"We could become totally self sufficient if necessary," he says

With the exception of Brazil, ADE is the only plant in the world which provides such a full range of products, from engine, cylinder head and camshaft castings to cutting of cranckshafts from steel billets

"ADE will produce the Daimler-Benz 360 and 440 models in the next two years We are also getting together with axle- and gear-maker Astas at Boksburg to compile information about the industry

After capital expenditure of R35-million, ADE will produce the new V8 and V10 engines in January next year

Wally Rautenbach . . . new tax unfair to heavy-truck operators

Mr Rautenbach says "Exports make a useful contribution to costs, which we hope to keep below inflation this year"

Inventory

Because of an increase in orders from manufacturers "we increased our requirements and pushed inventory to R160-million in 1980 With a more planned order book, inventory has been reduced to about R60-million"

The 300 Series Daimler engine has a local content of 77%, but it will rise to 81% by the end of the year

The 400 in-line has a local content of 77% and will risie to 83% V Series local content is 39% and will increase to 70%

The Perkins four-cylinder engine has 84% local content, and is heading for 88% The six-cylinder engine has 81% local content, which will rise to 84%

FM 15/4/88

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

Andrew McNulty

BTR DUNLOP

Back on track

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

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

MOTOR OVERTAKES

	Sales %		Trading profit	
	'86	'87	'86	'87
Engineering & industrial	51	47	48	40
Motor	35	39	35	49
Consumer	14	14	17	11
Total	100	100	100	100

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

Control: *BTR Plc holds 53%*

Chairman: *P Fatherly, managing director C R Hooper*

Capital structure *22,9m ords of 50c each and 750 000 6% cum prefs of R2 Market capitalisation R206,7m*

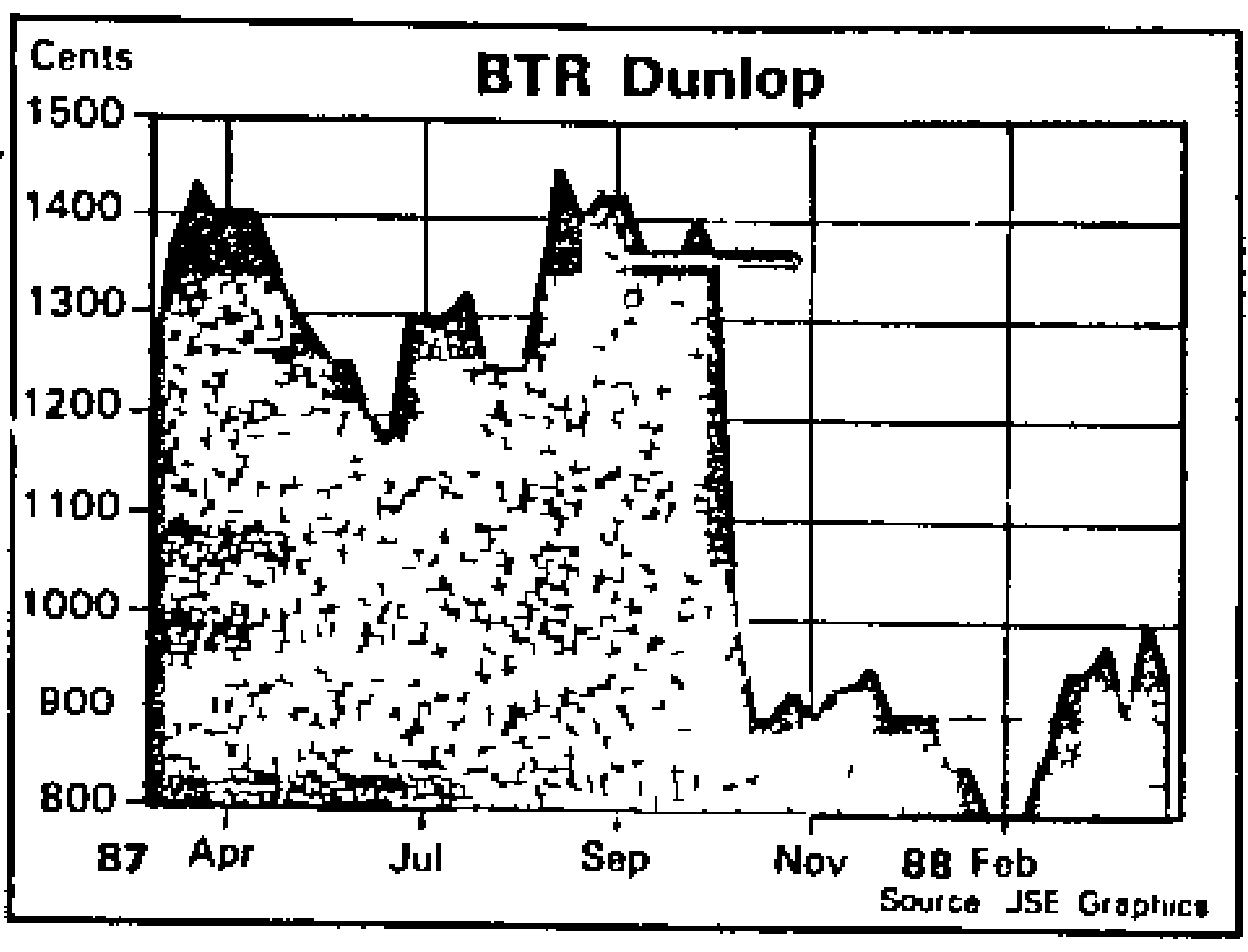
Share market: *Price R9 Yields 9,4% on dividend, 11,8% on earnings, PE ratio, 8,4, cover, 1,3 12-month high, R15, low, R8 Trading volume last quarter, 449 000 shares*

Financial: *Year to December 31*

	'86	'87
Debt		
Short-term (Rm)	25 5	20,7
Long-term (Rm)	1,1	0,4
Debt equity ratio	0 18	0,11
Shareholders interest	0 59	0 58
Int & leasing cover	10,6	13 2
Debt cover	1 3	2,0
Performance		
	'86	'87
Return on cap (%)	15,9	18,2
Turnover (Rm)	356	411
Pre-int profit (Rm)	36 0	47 6
Pre-int margin (%)	10 1	11 6
Taxed profit (Rm)	20 0	24 6
Earnings (c)	86 5	106 6
Dividends (c)	75	85
Net worth (c)	632	709

With greater buoyancy in the major markets, the question now is whether the group has the potential to lift margins back to the levels of the early Eighties Trading profit as a percentage of sales rose last year from 10,1% to 11,6%, having been depressed in the poor 1986 year, but this remains well below the 16,6% of 1983 or even the 14,5% of 1981

One uncertainty is whether the nature of the business has been changed by the merger, and those higher margins are no longer to be seen as attainable However, return on capital has continued to increase and, by the standards of most industrial companies at present, the current 18,2% is by no means a bad performance



Source JSE Graphics

Gearing has historically been kept at low levels, and debt equity was reduced again to 0,11 after being allowed to reach 0,18 in 1986

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

He says conditions in the trading division benefited from the 17% growth in new vehicle sales and satisfactory growth in the replacement market "This materially helped to offset the inability to fully recover cost increases, due to competitive pressures," he says "Imports of new tyres and second hand tyres also increased substantially" Hooper says further growth at a lower rate is expected in 1988, but the peak levels of 1981 activity will not be restored for some time It is hoped, however, that the growth will permit the strong inflationary cost pressures to be recovered in order to maintain margins at satisfactory levels

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

At R9, and yielding 9,4% on dividend against averages of 4,7% for the industrial holding sector and 5,1% for the engineering sector, the share looks cheap

Andrew McNulty

Business Report

Metal Box SA shows growth

Cape Times 5/5/88 (189)

LAWRENCE TOTHILL
Investment Editor

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

The net attributable profit for the half year is R34,6m (R27,2m) and earnings per share 50,8c (39,9c)

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

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

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

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

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

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

A non-recurring amount of R11,8m has been provided below the line to meet settlement of foreign loans resulting from a long-standing guarantee

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

Cash resources have shown a considerable decline and a R28m outflow is reported as being due the payment of tax

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12 Cape Times, Tuesday, May 10, 1988

Afrox lifts profits by 25%

Financial Staff

AFROX has reported a 25% increase in earnings per share for the six months to end-March

According to chairman and MD Peter Joubert, growth in the second half should match the first six months

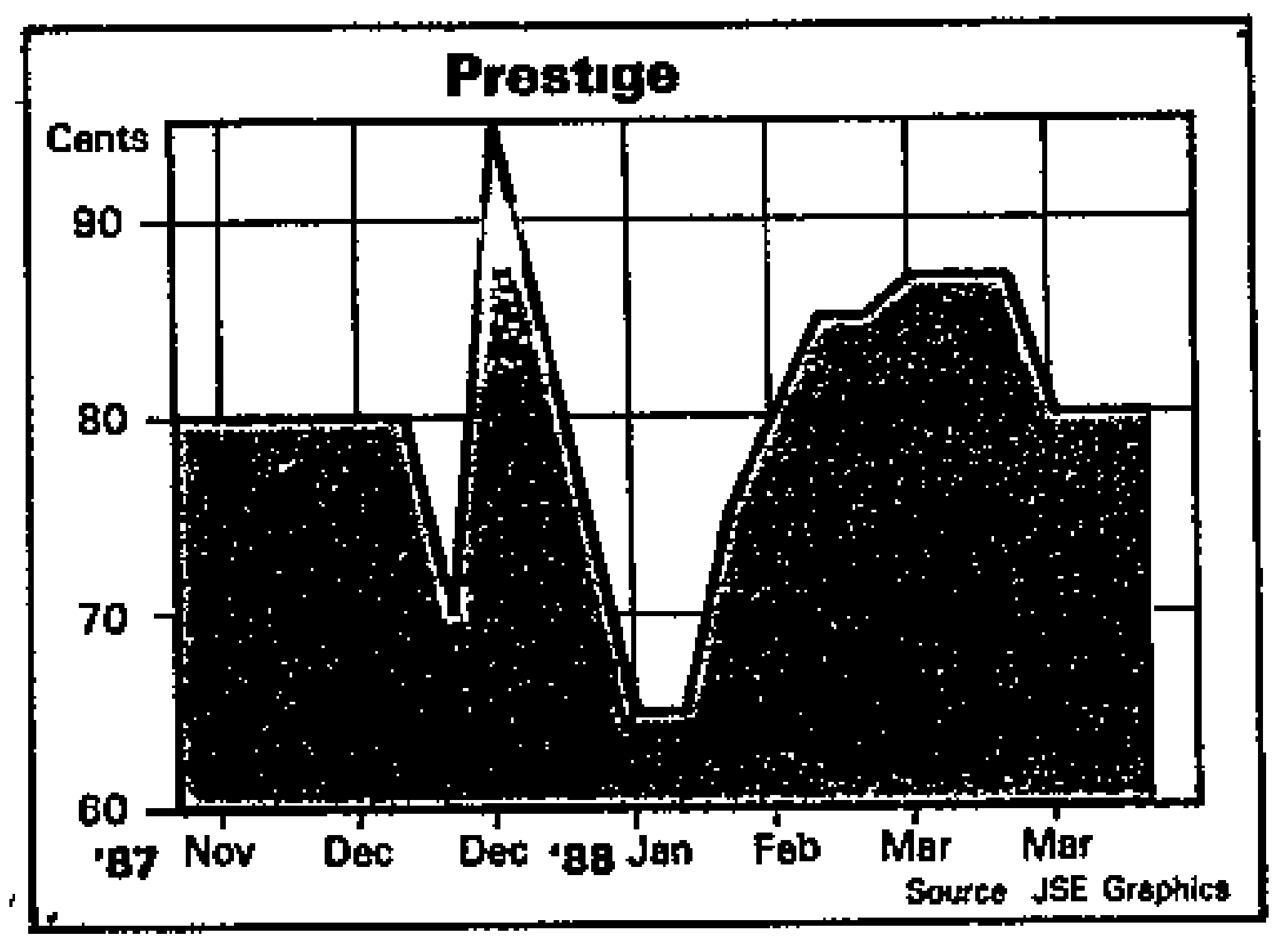
The interim dividend has been increased from the 24c recorded last year to 30c

Earnings per share moved from 53,4c to 67c following a rise in turnover of 26% and an increase in trading profit of 41%

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

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

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



Source JSE Graphics

PRESTIGE (189) FM 17/3/88

Low-tech growth

Activities· *Manufactures, markets and distributes consumer durables, including housewares, domestic and industrial bakeware*
Control. *Unidev holds 70%*
Chairman: *G P Grylls, managing director M A Krecklenberg*
Capital structure· *28m ords of 1c each. Market capitalisation R22,4m*
Share market: *Price 80c Yields. 18,1% on earnings, PE ratio, 5,5 12-month high, 215c; low, 55c Trading volume last quarter, 327 000 shares.*
Financial period: *13 March to 31 December*

	'87
Debt	
Short-term (Rm)	4,2
Long-term (Rm)	2,4
Debt equity ratio	0,43
Shareholders' interest	0,61
Int & leasing cover	5,67
Debt cover	0,49

Performance:

	'87
Return on cap (%)	11,3
Pre-int profit (Rm)	2,8
Taxed profit (Rm)	2,4
Earnings (c)	14,5*
Net worth (c)	54

*Annualised

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

Prestige was bought by local management at the end of 1986 with Unidev as the senior partner Last August, Krost was acquired, providing rationalisation potential. The combination of the management buyout and the synergies with Krost have pushed EPS to 14,5c annualised against a forecast of 8,7c.

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

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

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

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

Boumat forecasts EPS of 95c

(159) ([illegible])

By Sven Forssman

Star 21/6/88

Plumbing materials and sanitaryware group Boumat has forecast that its earnings will increase 39 percent in the year ahead

Executive chairman Mr Irvine Brittan says in the annual report he expects equity earnings for the 12 months to March 31, 1989, to be R19,7 million

This forecast translates into earnings of 95 cents a share, compared with the 75 cents for fiscal 1988

Based on Boumat's bonus share offer in which shareholders are offered annually one bonus share for every 20 held, Mr Brittan comments that the quantum of dividends paid and provided at R961 000 out of equity earnings of R14,2 million means that the group's effective dividend cover on the 29 cents dividend is 14,8

Looking to the year ahead, Mr Brittan says a number of economic factors — the pressure on the current account, a decline in the rand, higher interest and mortgage rates — would lead to lower growth in disposable incomes

He says "Despite these likely constraints, consumer confidence still appears to be high and this is to some extent reflected in the present excess in the value of building plans passed over the value of buildings completed

"The inference is that there is potentially a large volume of work in the pipeline, but this conclusion must be viewed with a modicum of caution as plans can be shelved or cancelled."

Despite this Mr Brittan is confident there is sufficient momentum in the market to ensure continued growth in the current year He says much of this activity would take place in the none-white housing market.

"Owning one's own home in an urban area is a new experience for most of the black community there is now an incentive, previously absent, to renovate, alter and add"

TRUCKS & TRANSPORT

Driving in the dark

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

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

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

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

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

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

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

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

Manufacturers are sympathetic to the plight of ADE and Astas — while pointing to the fact that their designation by government as sole suppliers was bound to lead eventually to problems for the industry

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

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

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

Andre Jacobs, of the National Association of Private Transport Operators, says some are already waiting up to 18 months for trucks to arrive — and he sees no improvement in the rate of supply He adds that the situation has been made worse by strikes at Mercedes-Benz, the country's leading truckmaker One leading operator currently has R45m of unfulfilled orders

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

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

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

That's what you get from government intervention in an industry ■

PARKING GARAGES

King Wilson rules?

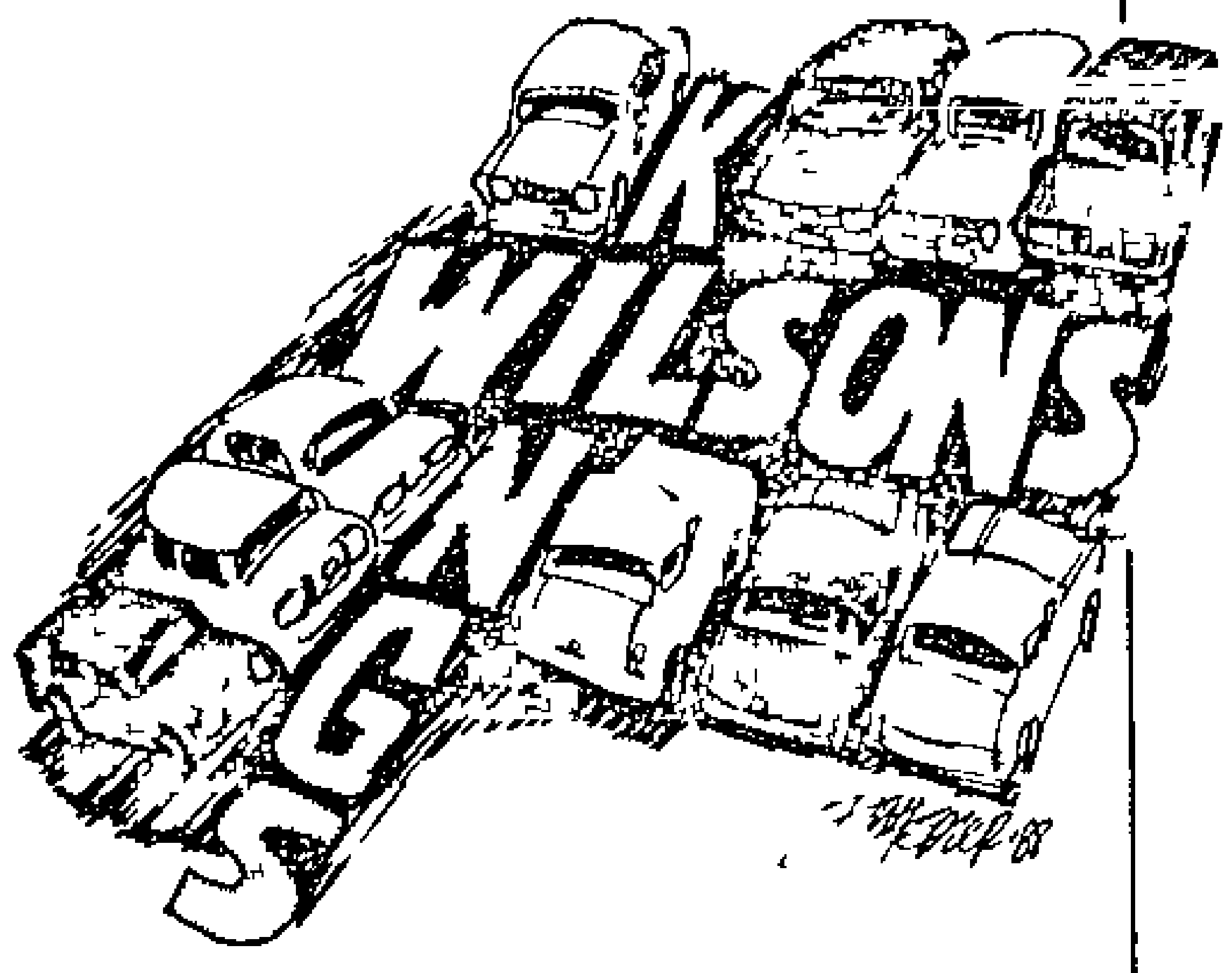
SA's biggest parking garage companies, Kings Parking and Wilson Parking, are to merge, say well-informed sources

Kings MD Clive Bevan and marketing manager Alan Calenborne were both unavailable for comment this week, as was Wilson GM Larry Scheider Their secretaries referred the *FM* to PR consultant Jan du Plessis, who said "A statement will be released this week "

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

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

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



Kings has a big geographic base, is big in public parking garages and is involved in tollroad operation Wilson's base is office parking and it has international expertise Combined, sources say, they will be able to finance their own property developments

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

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

FM 8/7/88

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CHUBB HOLDINGS

Labour curbs

Some investors may be slightly disappointed in the 46,5% rise in earnings reported by Chubb Holdings in view of the group's dominant position in the burgeoning security industry But the latest increase is from a high base built from earnings growth of 37,3% in 1986 and 62,7% in 1987 Few companies can surpass that record

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

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

More growth ahead

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

The share price was unmoved after results last week, but has since risen slightly. At 775c, the share, on a p.e of 7,9% (6,7% average for the sector) is unlikely to rise dramatically short term. *Teigue Payne*

CHUBB HOLDINGS

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Better prospects

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

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

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

Debt is at low levels and is exceeded by cash of R4,6m Gross cash flow was strong at R7,5m (R5,2m) Return on equity increased to 25,1% (19,5%) and the pre-interest margin was 10,9% (10%) Only the electronics security division improved margins, but the margin decline in the other two divisions — fire and physical security — should be reversed if the labour problems which plagued them do not recur

Activities: *Manufactures distributes and services security products*
Control: *Racal Electronics Plc is the ultimate holding company*
Chairman: *D E Ackerman, managing director R I Dickerson*
Capital structure: *5,4m ords of 50c Market capitalisation R42m*
Share market: *Price 775c Yields 4,9% on dividend, 12,5% on earnings, PE ratio, 7,97, cover, 2,6 12-month high, 1550c, low, 550c Trading volume last quarter, 72 600 shares*
Financial: *Year to March 31*

	'85	'86	'87	'88
Debt				
Short-term (Rm)	2,4	3,9	0,5	0,8
Long-term (Rm)	4 5	0 24	0,13	1,68
Debt equity ratio	0 18	0,12	—	—
Shareholders interest	0 42	0 45	0 40	0 37
Int & leasing cover	1 69	2,23	4,18	5,87
Debt cover	0,36	0,82	8,2	3 06

Performance·

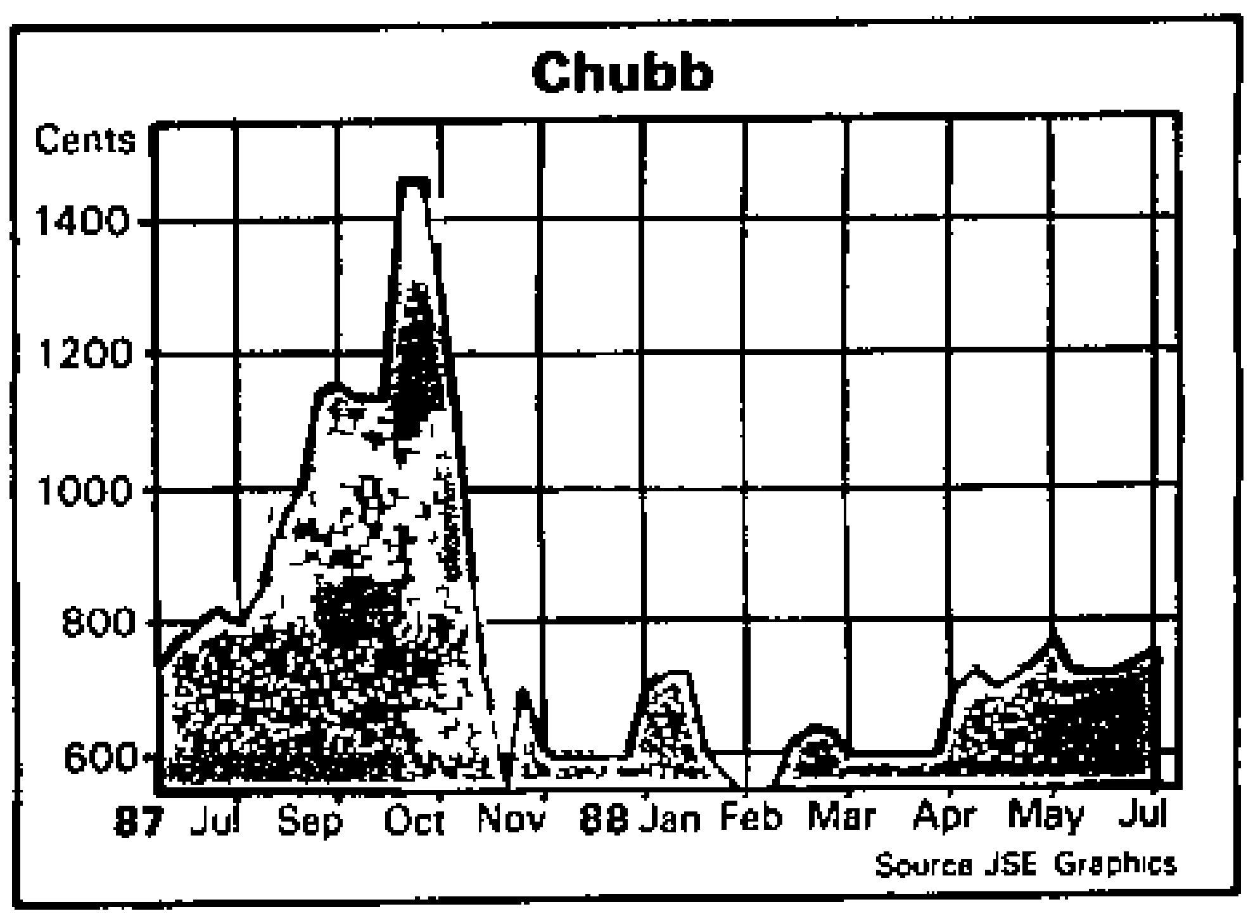
	'85	'86	'87	'88
Return on cap (%)	11 8	13 6	17,8	19
Turnover (Rm)	70 9	68 8	80 4	98 5
Pre-int profit (Rm)	4,6	5 2	8 1	10 8
Pre-int margin (%)	6 4	7 5	10	10 9
Taxed profit (Rm)	1 4	2 1	3 6	5 2
Earnings (c)	29 7	40 8	66 3	97 2
Dividends (c)	16	17	27	38
Net worth (c)	315 5	322 8	338,3	385 8

Chubb's Ackerman ... no special problems

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

Although the report is cautious about growth, Ackerman says he is "very optimistic" The 775c share price carries a better rating than the engineering sector on p:e (7,9 against 6,7) and on dividend yield (4,9% against 5%) But, considering the company's strength in what must be a growth market, it should rise further.

Teigue Payne



Source JSE Graphics

FM 15/7/88

Improved supply of used cranes

(189)

Star [illegible]

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

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

Mr Dennis Muller, managing director, says "The price of new cranes has become so high that few companies can afford them

His company will source used cranes through Tecomare from around the world, according to client needs.

‘In most cases, the cranes are of a high quality but if repairs are necessary we have the capability in our company to do anythng from minor modifications to complete rebuilding," says Mr Muller

Soaring costs lead to ADE car parts venture

Cape Times 1/8/88

189

Own Correspondent

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

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

Atlantis's decision comes against the background of NAAMSA's latest report to government which says car and commercial vehicle prices are set to rise on average between 18% and 20% on a year-to-year increase

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

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

Commissioned in 1981 to make South Africa self-sufficient in the

To page 3

From page 1

Car parts

Cape Times 1/8/88

manufacture of truck engines, ADE now produces all locally produced truck engines

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

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

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

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

The NAAMSA report said the price increase of most vehicle catagories last year was on average 12,5% to 13%

"Regrettably manufacturers cannot keep price increases for new vehicles during 1988 below the rate of inflation"

NAAMSA says landed costs of imported components during the quarter to June rose by between 3,97% and 8,7% despite no actual inflation in the overseas prices

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

"If the components are of the desired quality and are reasonably priced, we will be happy to do business with any company manufacturing these parts"

BUSINESSMAN OF THE WEEK

w/c Argus 6/8/88 (189)

Building new life into old engines

By MARTIN WELLS
Business Staff

HAVING grown up in the surrounds of a country garage and done an apprenticeship as a diesel fitter, Graham McComb is well suited to being at the controls of the diesel engine "re-manufacturing" company Probuilt Diesel

Mr McComb is director and general manager of Atlantis-based Probuilt, which specialises in the re-manufacturing of heavy diesel engines Used engines, usually after a full life of wear and tear on the road, are brought in, stripped completely, damaged or worn components replaced and meticulously rebuilt before being tested to manufacturer's specifications

In Mr McComb's words, Probuilt re-manufactures as opposed to reconditions engines

Probuilt is part of NEI Africa's diesel division, the other company in the division being Propower, which operates outlets around the country where used diesel engines are received and the Probuilt re-manufactured engines are distributed

Mr McComb grew up in the one-time mining town of Haenertsburg in the remote north-eastern Transvaal where his father owned a garage In this environment, where it was often necessary to make provision at short notice, he learned the rudiments of engines

He later went to school in Johannesburg and then joined Cummins Diesel, which is now called Propower Shortly after completing his apprenticeship he was shifted to management

In 1977 he was transferred to Cape Town to run the Cummins branch at Parow With the advent of Atlantis Diesel Engines (ADE) in 1980, however, the diesel engine market changed and Cummins was forced to reassess its position

ADE supplies engines, parts and components only to OEMs (Original Equipment Manufacturers), appointed industrial engine distributors and engine re-manufacturers

Probuilt came to life as a result and was appointed as a re-manufacturer by ADE

The company's 6 000m² facility at Atlantis was erected at a cost of R8-million The initial aim was to re-manufacture ADE engines only, but the company also fulfills contractual obligations to four other OEMs — Delta, MAN, Nissan and Toyota — with respect to the pre-ADE imported engines

The ADE product engines comprise either the Daimler-Benz or Perkins licence-built unit, but the heavy-duty Hino, Isuzu, Nissan and Toyota engines are all re-manufactured at Probuilt

Mr McComb spent a large part of 1984 and 1985 setting up the plant, a highly complex undertaking, not least considering the design of the facility

An astute businessmen, he managed to pick up a lot of specialist machinery second-hand when some OEMs withdrew from the market

He still feels his best attribute is his mechanical sense and, having had his own hands well and truly greased, he applied that wholly to the Probuilt venture A large part of his job today is imparting that mechanical knowledge to employees at Probuilt Mr McComb works a long day too, usually an 8-to-8 schedule

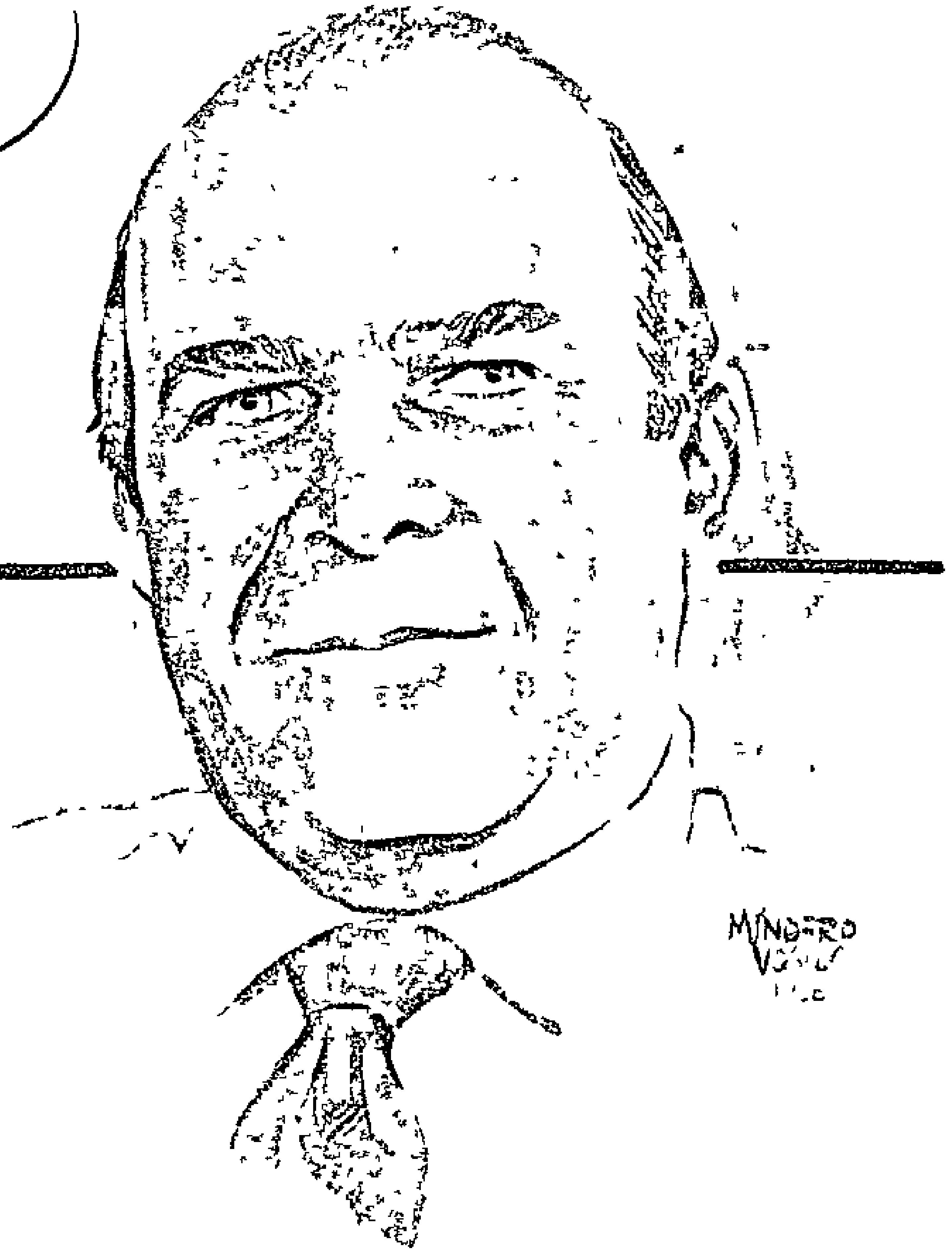
"We've had our patches," concedes the Probuilt GM

The plant opened in October 1985, the following year was difficult, 1987 was an improvement and now in 1988 it is operating at forecast ca-

(Continued on page 3)

PROBUILT DIESEL

NEI



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

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183

New life

(From page 1)

pacity, remanufacturing about 110 engines a month (five or six a day)

"It was always our plan to push the engines through the OEM dealers and use Propower as support in the after-market," he said

Propower has branches in Parow, Windhoek, Kimberley, Bloemfontein, Kroonstad, Johannesburg, Isando, Tzaneen, Nelspruit,, Durban, East London and Port Elizabeth

Once the people in the OEM dealerships gathered the ambit, the Probuilt engines began to sell and the tide turned during last year

Now Mr McComb is optimistic Turnover next year is expected to be boosted by up to 50 percent In the next few months the company will also start re-manufacturing components such as fuel pumps, water pumps, cylinder heads, compressors and turbo-chargers Mr McComb is confident this market holds vast potential for growth

Probuilt employs a tight complement of about 75 people and the operation depends on discipline to maintain quality and achieve production targets

Mr McComb compliments his excellent staff for their dedication and willingness in making Probuilt a success

"We're trying to push the philosophy of total lowest cost," said Mr McComb The reconditioned engines sell for between 40 and 60 percent of the new versions — a heavy engine (for a 40-ton truck) going for about R25 000.

The cost of re-manufacture for a particular engine is standard, with the customer knowing up front what the total cost is In addition he is given a 12-month warranty

The average expectancy of a medium-size (up to 10 tons) diesel engine is about 250 000km and that of a large engine (up to 40 tons) is about 450 000km

Mr McComb is confident that the re-manufactured engines will give as good again He bases this on the understanding that a used engine is often out of true when it arrives at the plant, but that it has been stress-relieved during its "first life" and by machining the components to obtain their design form a more stable platform is obtained for the engine to perform its function efficiently

Re-manufcturing is the way of the future, according to the Probuilt GM

Mr McComb, who is married with two children, lives in Durbanville He now owns the old family farm in Haenertsburg The farm is run by his late father's staff

VEHICLE COMPONENTS

189

Common purpose

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

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

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

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

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

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

ADE is SA's sole supplier of truck and bus engines It has had the facilities to produce car and light commercial vehicle engine components for years and already has two regular customers VW and Mercedes-Benz (MB) Both are natural clients, particularly MB — given that most ADE technology is sourced from MB's German parent, Daimler-Benz

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

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

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

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

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

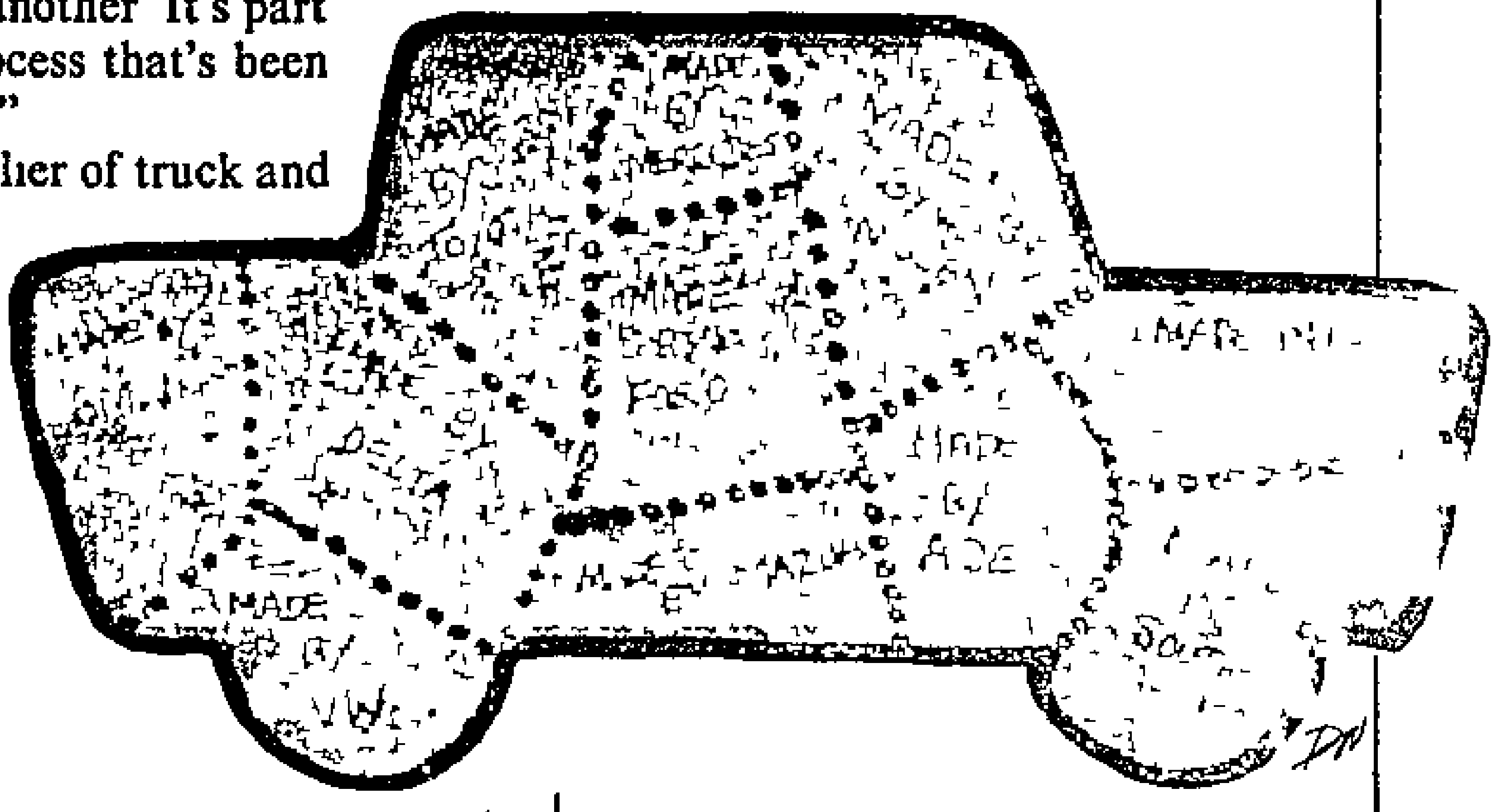
At the same time companies may keep their options open on up-market and performance cars

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

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

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

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



FM 12/8/88

V-series engines launched in . . .

R25m ADE factory extension

ant Tnks 22/10/88

189

By HELOISE HENNING

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

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

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

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

With the introduction of the V-engine cylinder blocks for the new ADE 440 engine series local content by mass in these engines rises to 70% by value from 39%

Two new high-performance engines, the ADE 360 and 440 series, were also launched at the event

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

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

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

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

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

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

ADE was an example of such rationalization

Following a BTI investigation in 1978 the first engine was manufactured at the plant in 1981 It now manufactures engines ranging from three to 12 cylinders with power ranges from 30Kw to 480 Kw

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

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

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

ADE already manufactures components for various petrol engine manufacturers, however, its own truck engine manufacturing is not yet subject to the local content programme

18-9

Afrox profits top R100m

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

Pre-tax profit increased 23,4% to reach R110,3m, with turnover up 26% at R566m

Profit after tax was 26,1% higher at R59,2m due to lower interest and a slightly lower effective tax rate of 46,4% (47,5%)

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

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

Earnings per share reached 146,7c (113,6c), showing a real growth over last year of 29,1%

The increased final dividend shows a relatively conservative 22% increase at 45c (37c) Cover, however, remains a very healthy 1,96 times real earnings or 2,58 times in historic accounting terms

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

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

"The balance sheet remains healthy, showing a gearing ratio of 17,9 in spite of borrowings being higher than last year," says Joubert — Sapa

INDUSTRY

ARGUS 8/11/88 (189

Second div in 16 years as Iscor profits rocket

From ROY COKAYNE

PRETORIA — Iscor has produced a bumper R193-million after-tax profit — its fifth consecutive profit and the best in its history — and is to pay a dividend for only the second time in 16 years

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

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

Of the total R92-million in tax payable by the group, Iscor Ltd is liable for R81-million

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

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

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

However, since the early 1950s, Iscor has calculated profits according to a policy based on the current cost accounting concept because of its contention that in times of high inflation such a policy was advisable to counteract the erosion of a business concern's capital base and ensure its continued viability

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

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

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

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

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

The group's turnover for the year increased 16,7 percent from R4 131-million in 1987 to R4 820-million in 1988 while the total tonnages of steel products as well as mining products sold also increased during the year compared to 1987

Income from the sale of steel products amounted to 86,2 percent (1987 85,0 percent) of the total turnover and the rest represents the sale of mining and other products

ENGINEERING

ARGUS 15/11/88 (189)

City spends millions on new machine tools

Business Staff

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

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

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

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

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

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

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

This specialised exhibition last year attracted 800 engineering people and will probably pull in even more this year, says Mr Cooper.

Joy Manufacturing pledges to stay on

Star 14/11/86

189

By Derek Tommey

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

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

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

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

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

Joy's continuous miner now had a 97,6 percent local content and this would be raised further next year, said Mr Peter Seear, Joy's technical manager.

Among the items Joy was making in South Africa were gears, hydraulic cylinders, DC contactors, chain, electric motor remote controls and sundry parts

BUSINESS TIMES

TOP 100 COMPANIES

SUPPLEMENT TO THE SUNDAY TIMES, DECEMBER 4 1988

S/Times 4/12/88 (189)

Natbolt secures the honours

Targeting in on R25m pretax profit in 1989

By DAVID CARTE

THE Business Times top company for 1988 is National Bolts

Now part of Jeff Liebesman's FSI stable, the country's biggest industrial fastener company has risen from the ashes since the black days of 1983 and 1984

In those years a once-proud Anglovaal company declared attributable losses of R1 6-million and R9 2-million

Spectacular

Last year Natbolt made R18-million and the target for 1989 is a profit of R25 million before tax

This phoenix-like rise has been accompanied by spectacular share-price performance The share rose from R4 to R32 before the October crash which has subsequently set it back to R20

Shareholders who have had the nerve and the patience to stay on board through Natbolt s rich and chequered recent history have been richly rewarded

They have earned an average annual return of 62 2% a year notwithstanding the great crash of last October Those who had R10 000 in the company in September 1983 would have had an investment worth R112 260 in September this year

Chairman Terry Rolfe accepted the award for top company at the Sunday Times awards banquet a year after National Bolts former managing director, Jossie Marcus died in the Helderberg air crash

Amazing

Jossie was a great friend and an important part of the recovery of Natbolt, Mr Rolfe told Business Times. It s tragic he couldn t be here to enjoy this recognition '

The new managing director charged with attaining the R25-million target is Allan Schlesinger, formerly of Sage Schachat.

It has been an amazing year for Jeff Liebesman Terry Rolfe Ivan Posmak Neville Cohen and the rest of the teams in FSI and W&A Three of their companies are in the Top 10 Business Times rankings.

Apart from National Bolt at the top of the pile, FSI ranked eighth and W&A ninth.

There is more detail on each of the top 10 companies inside this survey of companies that performed best for shareholders.

The winner for the previous two years, Waltons Stationery was pipped into second place, earning an average 57,8% a year compound for its shareholders in the five years

This must have been a major disappointment to Waltons founder and driver, Frank Robarts who vowed last year to make top company for the third successive years and hoisted earnings this year by more than 80% to bolster his claim

Waltons was unlucky to be pipped because it came off a much higher base than National Bolts

Growth

Business Times is proud to have been the first newspaper to identify companies such as Waltons Metair and Suncrush as corporate stars.

Waltons really does deserve special mention because, as we have said before it had no special factors running in its favour

The low rand commodity prices, an absence of competition etc played no part in its incredible success

It is the biggest stationery company in SA — but it became that in spite of intense competition

There are still hundreds of competitors but Waltons goes from strength to strength

Remgro has had an outstanding five year trot ending well above the levels of last October Anton Rupert s tobacco multinational has been the JSE s ultimate rand hedge and a wonderful example of the benefits of profit retention and financial prudence

The splitting of the group into onshore and offshore companies this year improved market capitalisation dramatically

Mathieson & Ashley leapt up the lists driven by the entrepreneurial imagination of Winky Ringo who shaped Dashing into an office-furniture company with which to reckon — just as thousands of square metres of new office space came on stream and as corporate profitability improved sufficiently to invest in furniture to accommodate information technology

This year s takeover of chief rival Anglo Dutch from Afcol and the company s association with Bill Venter caught investors imaginations and sent the share soaring

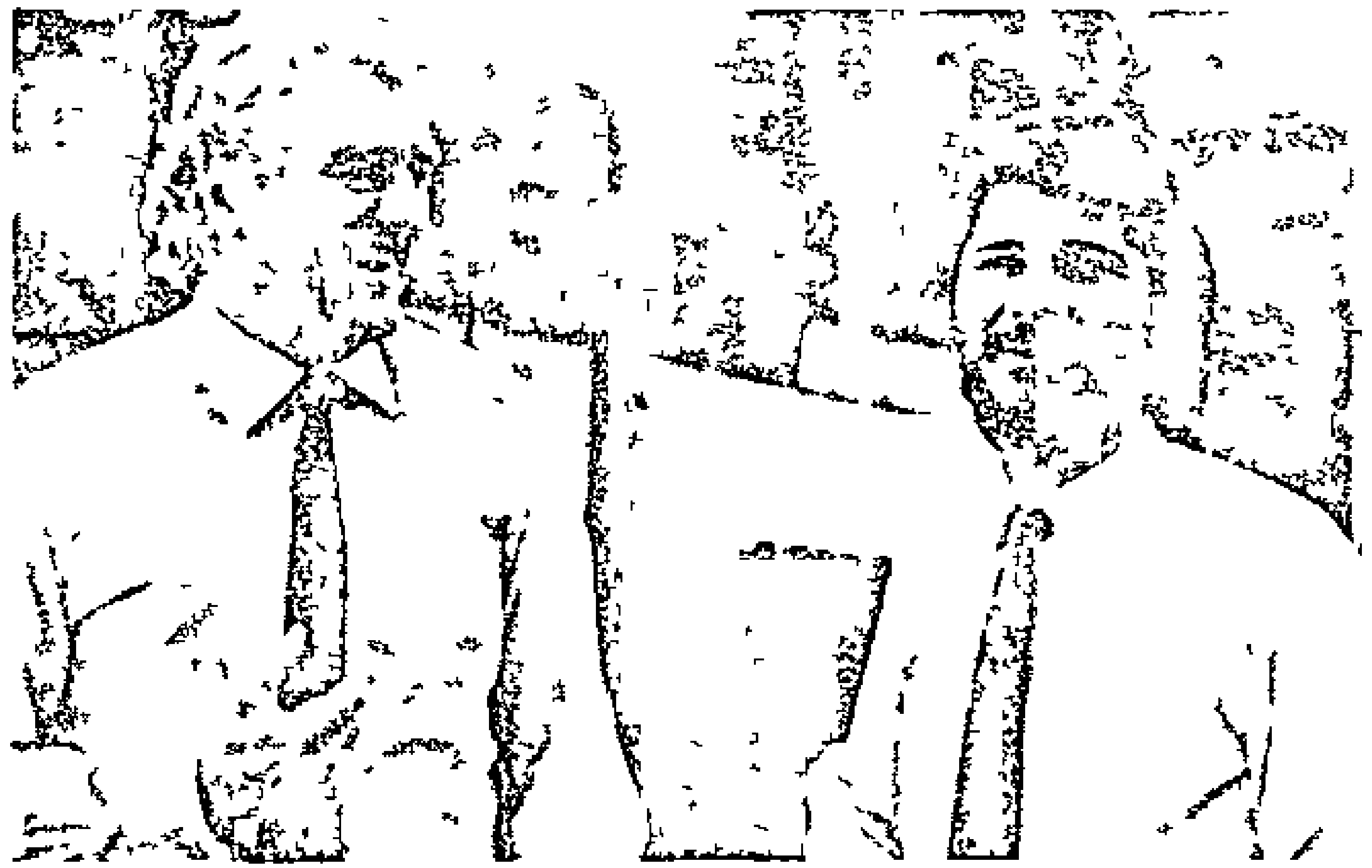
Crashed

The Jowell brothers unlikely Namaqualand transport, tyre-retreading and industrial empire recovered from a bad year in 1983 to be ranked fifth this year

This company is further confirmation of the adage that it s not the type of company that matters but the type of management

The crash had the effect of

☐ To Page 3



JUBILANT Natbolt chairman Terry Rolfe and managing director Allan Schlesinger

THE TOP 100 COMPANIES OF 19

No		All in return (% pa) over 5 years
1	National Bolts	62 2
2	Waltons Stationery	57 8
3	Rembrandt Group	53 2
4	Mathieson & Ashley Holdings	47 9
5	Trencor	45 7
6	Samancor	42 9
7	Irvin & Johnson	42 4
8	FSI	39 9
9	W&A Investment	39 7
10	Malbak	37 7
11	De Beers Consolidated Mines	36 9
12	Anglovaal	35 9
13	Rustenburg Platinum Holdings	34 3
14	Suncrush	33 3
15	Tiger Oats	32 2
16	Plate Glass & Shatterprufe Industries	31 4
17	Mutual & Federal Insurance	31 0
18	Pepkor	30 2
19	Johannesburg Consolidated Investment	29 7
20	Edgars Stores	29 1
21	New Bernica	29 0
22	South West Africa Fishing	28 [illegible]
23	Gentyre Industries	28 8
	Edward L Bateman	28 8
	Anglovaal Industries	28 8
26	Utico Holdings	28 2
27	Chemical Services	28 1
28	Cadbury Schweppes (SA)	27 9
29	Trek Beleggings	27 4
30	Tollgate Holdings	27 0
31	Hartebeestfontein Gold Mining	26 8
	Adcock Ingram	26 8
33	Liberty Life Association of Africa	26 7
	Foschini	26 7
35	Kloof Gold Mining	26 5
36	Anglo American	25 7
37	Farm-Ag	24 6
38	African Oxygen	24 5
39	SA Bias Holdings	24 3
	Palabora Mining	24 3
41	Impala Platinum Holdings	23 7
42	Pretoria Portland Cement	23 5
43	South African Breweries	23 4
44	Trans Hex Group	22 5
45	Vaal Reefs Exploration & Mining	22 0
46	Sappi	21 9
47	Imperial Cold Storage & Supply	21 4
48	Times Media Limited	21 3
49	Argus Printing & Publishing	20 9
	Driefontein Consolidated	20 9
51	Gold Fields of South Africa	20 7
52	H&J Supreme Cables & Electronics	20 6
53	Venterspost Gold Mining	20 0
54	Western Deep Levels	19 8
55	Consol	19 5
56	General Mining Union	19 2
57	East Rand Gold & Uranium	19 0
58	Messina	18 9
	Rentmeesterbeleggings	18 9
60	Metair Investments	18 8
61	Saficon Investments	18 5
62	CNA Gallo	18 5
63	Deelkraal Gold Mining	18 4
64	McCarthy Group	18 4
65	Randfontein Estates	18 1
66	Eastern Transvaal Cons	18 0
	Sage Holdings	18 0
68	Fedfood	17 8
69	Hunt Leuchars & Hepburn Holdings	17 5
70	CBD Property Fund	17 3
71	South African Eagle Insurance	17 2
72	Northern Engineering Industries Africa	17 0
73	Grinaker Holdings	16 8
	Sasol	16 8
75	Kinross Mines	16 7
	Barlow Rand	16 7
77	Anglo American Industrial	16 6
78	Nampak	16 4
79	CG Smith Foods	16 3
80	Seardel Investment	16 0
81	Cullinan Holdings	15 2
82	Centrecity Property Fund	15 1
	Village Main Reef	15 1
84	Blue Circle	15 0
85	Anglo American Coal	14 9
	Putco	14 9
87	Haggie	14 7
88	TW Beckett	14 2
89	Bracken Mines	13 8
	Dorbyl	13 8
91	Kohler	13 7
92	Anglo-Alpha	13 4
	Rand Mines	13 4
94	Guardian National Insurance	12 8
95	Haddons	12 7
96	Toyota South Africa	12 4
97	Santam Insurance	12 3
98	Allied Technologies	12 2
99	Vlakfontein Gold Mining	11 8
100	Winkelhaak Mines	11 7

Natbolt secures top honours

S/Times 4/12/88.

☐ From Page 1

reducing five-year yields to shareholders dramatically

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

Fewer than 50 companies showed a positive return at all in the year to September and a number crashed by 80% to 90% on the year

The average yield on the top 10 companies this year was 46,9% compared with 69% last year The 100th company, Winkelhaak Mines, this year returned 11,7%, against S M Goldstein's return last year of 32,7%

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

This year there are five Royal companies — those that have been in the top 20 for three consecutive years They are Waltons, Rembrandt, Rustenburg Platinum, Suncrush and JCI

The crash hit the highly rated electronics sector hardest of all Bill Venter's Altech tumbled from seventh to 99th spot, even though all operations performed more than creditably during the year

Triple winner Toyota plunged from 17th to 97th position, while it was a tribute to New Bernica that it fell only from third to 20th

Leap (189)

One company that leapt up the list was Winky Ringo's Mathieson & Ashley, which leapt from 55th to third after the main operating company, Dashing, acquired chief rival Anglo Dutch — and Bill Venter came on board as a non-executive director, underlining the synergy between office-furniture and office-appliance suppliers such as Fintech

Plate Glass soared from 37th to 14th and the Jowell Brothers' hot-performing Namaqualand transport empire, Trencor, moved from 18th to fourth position

Samancor was not even in the Top 100 last year, but, thanks to a low rand and burgeoning demand for manganese and ferro-alloys, it has become the biggest single profit source in Gencor and deservedly claimed fifth spot

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

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

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

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

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

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

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

J J Williams' blue chip in food, Irvine & Johnson, moved up from 16th to seventh, while its holding company, Anglovaal, made similar progress, improving from 15th to 11th

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

~~188~~ 189

THE TOP 100 — ONE YEAR

THE ONE YEAR PERFORMANCE TABLE

	COMPANY	Yield to holders (%)
1	Union Steel	107 3
2	Autopage	83,5
3	Garlick	75 0
4	CMI	73 8
5	Samancor	61 9
6	Harwill	60 0
7	Abercom	42 9
8	AT Coll	43 6
9	Willem Barendsz	40 2
10	Sea Products SWA	37,2
11	Rembrandt Group	30 8
12	Witwatersrand Collieries	29,0
13	Mathieson & Ashley	27 6
14	Gold Fields Coal	26,7
15	Yorkcor	26 6
16	Picardi Properties	24 6
17	Palabora Mining	22 6
18	Oceana Fishing	22 3
19	Liberty	21,4
20	Plate Glass	20 5
21	Cadbury Schweppes	18 2
22	Beares	15,3
23	Associated Manganese	15 2
24	SWA Fishing	15,1
25	South Atlantic	14 1
26	Anglo American Coal	13 7
27	Bonuskor	12 5
28	Uniserv	12 0
29	Gubb & Inggs	11,8
30	Penny Pinchers	10 1
31	Consol	9,5
32	Metal Box	7 2
33	Adonis	6,6
34	Highveld Steel	6 4
35	Afex SA	6,0
36	Trencor	6,0
37	Union Cold Storage	5 9
38	Murray & Roberts	4,0
39	Delta	3 8
40	Crookes	3,8
41	Vereeniging Refractories	3 8
42	Oceana	1,8
43	Press Supplies	nil
44	Metje and Ziegler	-0,5
45	SA Eagle	-1,0
46	I&J	-1 1
47	Masonite	-1,8
48	Natal Ocean Trawling	-2 2
49	CG Smith Food	-2,4
50	Gypsum Industries	-2,4
51	Arwa.	-2 4
52	Waltons	-2,4
53	Commercial Union	-2 5
54	Frencorp	-2,6
55	Nampak	-2 9
56	Sun Packaging	-3,0
57	Sappi	-3,2
58	Ind & Comm Holdings	-3 4
59	Curries	-3,7
60	Mutual & Federal	-3 8
61	Da Gama	-3,8
62	NBS Holdings	-4 3
63	Ensign	-4,3
64	Tiger Oats	-4,4
65	Group Five	-4 5
66	Globe	-4,8
67	Barprop	-5 3
68	Witwatersrand Deep	-5 4
69	Tollgate	-6,3
70	Protea Assurance	-6 5
71	Robor Industrial Holdings	-6,6
72	Ninian & Lester	-6 7
73	Boymans	-7,0
74	Pepkor	-7,0
75	Haggie	-7 3
76	Associated Ore	-7,4
77	Veka	-7 7
78	Africom	-7 7
79	CNA Gallo	-7 8
80	Midas	-7 8
81	Sun Bop	-8,4
82	Porter Holdings	-8 5
83	Debonair	-8,5
84	Metal Closures	-8 6
85	Caxton	-8 8
86	Rooiberg	-8 8
87	Tongaat	-9 2
88	Kudu	-9 3
89	Turner & Newall	-9,4
90	Gefco	-9 5
91	Tomkor	-9,7
92	Sable	-9 8
93	Anglovaal Industries	-10 0
94	Unihold	-10,2
95	Pick n Pay	-10 6
96	Wooltru	-10,8
97	Witwatersrand GM	-10 9
98	Suncrush	-11 2
99	Storeco	-11 2
100	Coates	-12 1

AFTER the rout the one-year performance table shows that only 42 companies gave shareholders a positive return in the year to September Union Steel, best performer during the year can thank top company National Bolts to some extent. It reduced debt by R14-million by sellings its stake in Natbolt. It also returned to profitability after losing R19,5-million and R4,5-million in 1985 and 1986 respectively

Step-by-step — how our rankings work

BUSINESS TIMES ranks its top companies by the measure that matters — how they have done over five years for shareholders.

We took the share price on September 30 1988 and from that deducted the share price five years earlier, to arrive at a capital gain.

To that amount we added income on the shares — all dividends paid, plus 12% pa of interest on those dividends

☐☐☐

We added income to the capital gain to arrive at an all in cash return to shareholders This return was related to the original investment and an average annual compound yield to shareholders calculated The rankings are based on that average annual compound yield

The beauty of the system is that it makes comparisons between all types of shares possible And the yields can be fairly compared to fixed interest returns

More than 80 companies gave a return of more than 16% pa — roughly today's long term gilt rate — over the five year period. Last year every company in the top 100 did, indicating the damage done to returns by last October's crash.

A possible objection to the method is that some shares trade so infrequently or in such small volumes that their prices are not truly market prices It would be possible to manipulate the share prices of such companies

For this reason, we exclude companies whose shares trade in inadequate volumes Sadly it meant leaving out some fine performing companies, such as Caxton Once it led to the omission of Times Media

To avoid double counting we also exclude pyramid companies We also leave out investment trusts, whose portfolios seldom change, cash shells and mining exploration companies

☐☐☐

In the past we have omitted companies whose nature has changed radically but this year we have included Malbak and FSI for reasons explained within.

These days outstanding stock exchange performance is being achieved more and more by acquisition and, for better or worse, operations increasingly are taken for granted — hence inclusion of these companies from now on.

Business Times pioneered measuring company performance by all in cash returns for shareholders. Before 1984, our rankings were based on earnings growth over five years. But we moved away from that because differing accounting conventions forced us to exclude banks, insurance, property, sugar and mining companies

Lately, earnings calculations have become even more varied, with some companies making inflation adjustments and others not. The situation is so confused that an institution of the stature of Liberty Life no longer uses price earnings multiples in measuring value.

This year many companies, such as Barlows, adopted the partial method of accounting for deferred tax, adding millions to stated earnings

Needless to say, we have few regrets about our change of five years ago

☐☐☐

The method we use for measuring performance is the method institutions use to calculate their returns Fortune magazine also uses it

We were gratified that the University of Cape Town Graduate School of Business used our rankings as a filter in its search for excellent SA companies The companies that it named coincided quite closely with ours

The nuts and bolts of a success story

S/ Times ~~188~~ 189

NATIONAL BOLTS is making piles of money again — but nut, bolt and rivet volumes are still down 40% on 1981

By DAVID CARTE

Last year a company that Jeff Liebesman reckons was nearly bust when he bought it in 1984 made R18-million before and after tax.

This year the target is R25-million before tax — and half those profits will come from sources other than the group s bread and butter, nuts and bolts

"The market is still over-supplied and very competitive ' says chairman Terry Rolfe

"But when gross domestic fixed investment starts growing again, the way it did in 1981 money will flow out of nuts and bolts as if it were coming out of a six inch pipe under high pressure. It'll be an avalanche"

Mr Rolfe maintains that if GDFI rises to 5%, bolt volumes will rise by 40% and profits even more spectacularly

But if that key economic indicator falls by 1%, local volumes will fall further He is hoping that the Mossel Bay and Lesotho Highlands projects and the present mass housing drive could be the start of a decent run in GDFI

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

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

Overheads

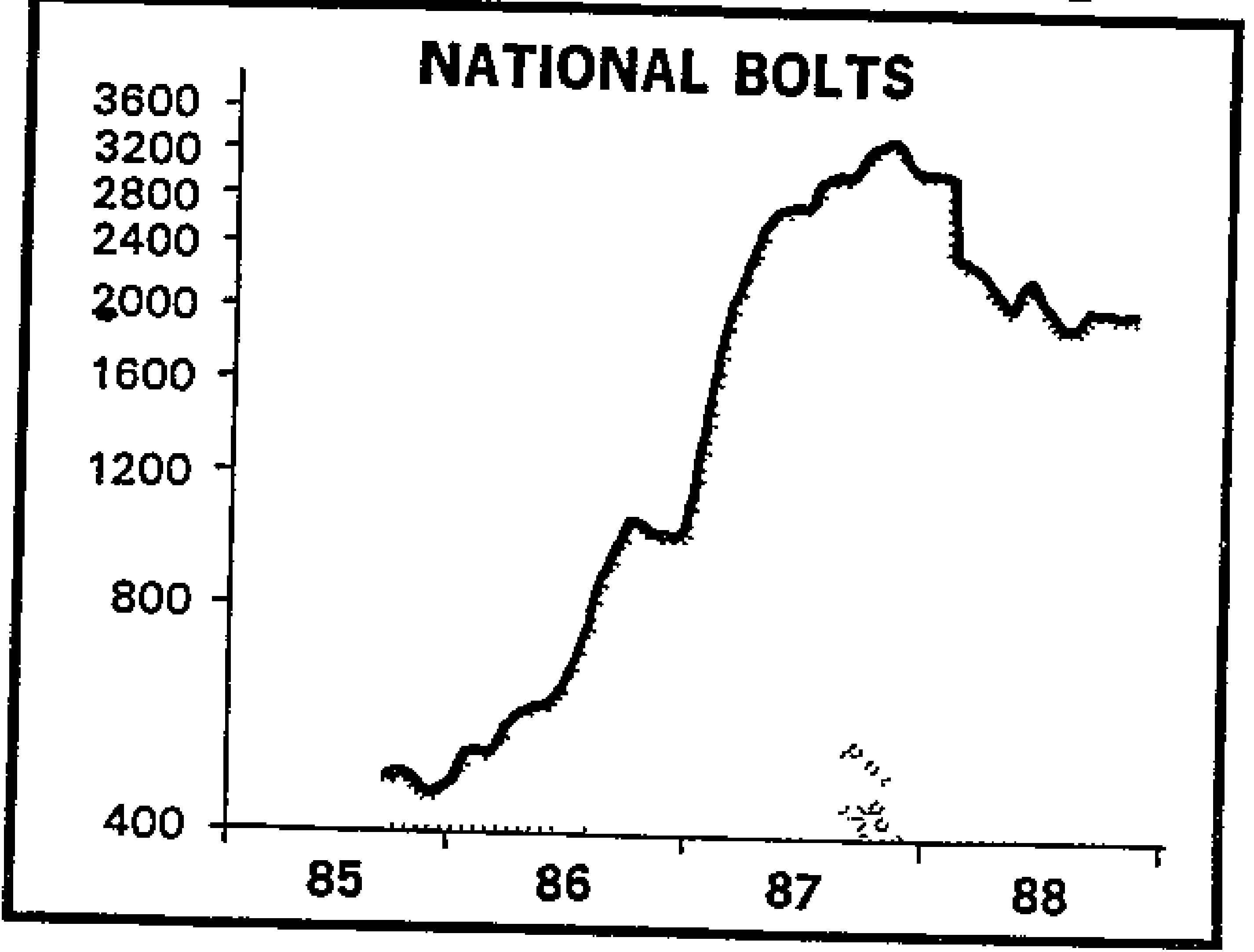
"In trying to use assets better we have tried to change perceptions and to move from nuts and bolts to more sophisticated, better margin fastening systems

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

Natbolt has concentrated on cutting its overheads and staff to meet reduced volumes — and it has diversified its profit sources The labour force at the main factory has been trimmed from 2 200 to 800

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

National Bolt makes numerous different types of fas



national distribution network for all these products

Subsidiaries make nickel cadmium batteries multi plugs and adaptors three-pin plugs power charges power support systems pipe couplings lighting generators for the mines blasting barricades mine refuge chambers

The diagram shows the new look diversified National Bolts.

National Bolts al o has a

ly at Sage Schachat the property company took over as managing director in June this year He has been given a free hand to run the company

Diverse

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

Mr Sch'esin

pany he built up from scratch after selling to National Bolts

Mr Rolfe describes the future In the 1990s we will get technology and money and continue to attract the right people We want to grow the distribution side

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

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S/ Times 189

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By DAVID CARTE

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

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

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

Subsidiaries make nickel cadmium batteries, multi-plugs and adaptors, three-pin plugs, power charges, power support systems, pipe couplings, lighting generators for the mines, blasting barricades, mine refuge chambers

The diagram shows the new-look diversified National Bolts

National Bolts also has a 35% investment in Elcentre, the high growth electrical wholesaling company run by the Mowszowski brothers

Allan Schlesinger, formerly at Sage Schachat, the property company, took over as managing director in June this year He has been given a free hand to run the company

Diverse

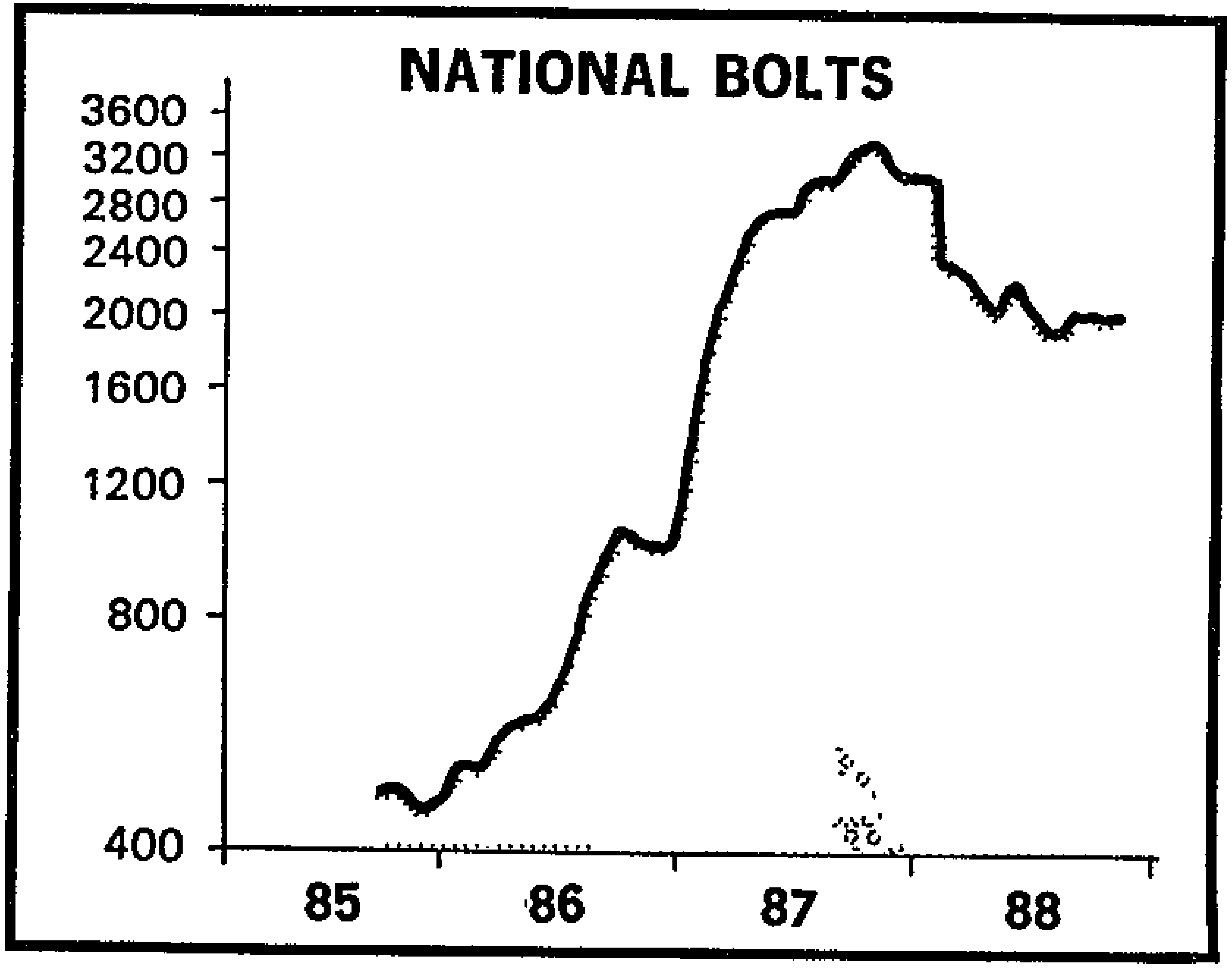
In FSI style, he has a small head office of only three men to oversee all the diverse operations

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

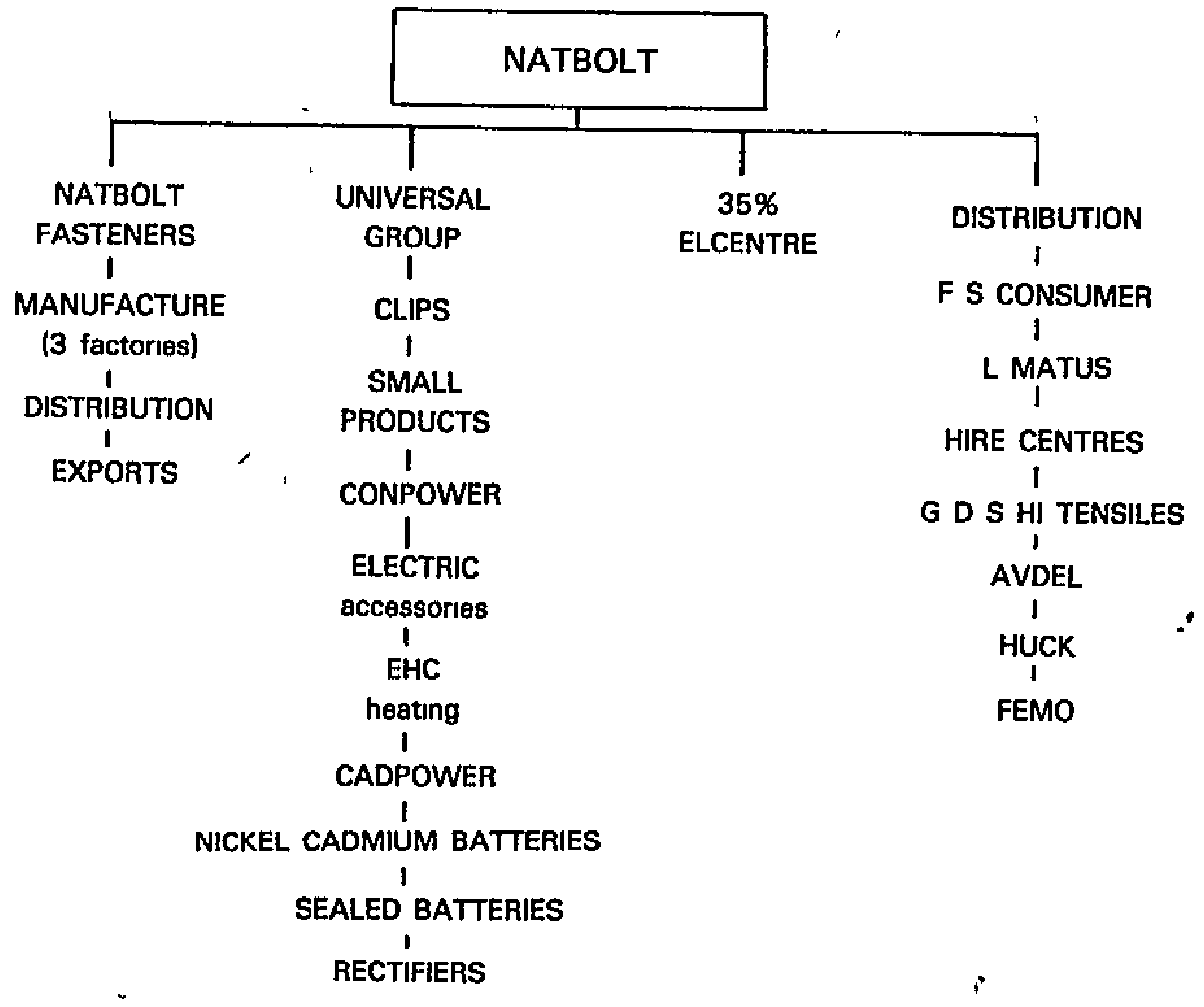
Mr Rolfe describes the future "In the 1990s we will get technology and money and continue to attract the right people We want to grow the distribution side

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

National Bolt is only a small part of the FSI group, which came 8th in the rankings and is profiled elsewhere in this survey



HOW THE COMPANY IS STRUCTURED



Carlo Maccelari has been appointed Transvaal regional director of Caltex Oil (SA)

Gibson

Cape Times 7/12/88

Borg-Warner changes name

Financial Staff

189

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

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

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

Today, the company's rear axle local content is 96% by mass and 98% by value

MACHINERY

AND

EQUIPMENT

EXPORTS

1988

Armscor is largest exporter

189

Cape Times 21/1/88

LONDON — Armscor is now the largest single exporter of manufactured goods in South Africa, with sales to 23 countries valued in 1987 at R1,8 billion, Jane's Defence Weekly (JDW) reported yesterday

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

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

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

FENNER GROUP 184 FM

Adding on

Activities· *Supplies mechanical power transmission equipment, PVC conveyor belting, centrifugal pumps, valves and process control equipment*

Control *Fenner International (Africa) is the immediate holding company The ultimate holding company is J H Fenner PLC*

Chairman. *P J Ibbotson, managing director A S T Clegg*

Capital structure *15m ords of 10c, 2 1m shares of 1c, 3,2m cum, red prefs of R1 Market capitalisation R27m*

Share market *Price 155c Yields 4,2% on dividend, 19,3% on earnings, PE ratio, 5,2, cover, 4,6 12-month high, 275c, low, 130cc Trading volume last quarter, 1,7m shares*

Financial: *Year to August 31*

	'86	'87
Debt		
Short-term (Rm)	0,98	5 1
Long-term (Rm)	0,77	0,1
Debt equity ratio	0,11	0,14
Shareholders' interest	0,54	0,53
Int & leasing cover	2,0	4,9
Debt cover	0,84	1,1

Performance

	'86	'87
Return on cap (%)	8,9	20,3
Turnover (Rm)	63,8	104,6
Pre-int profit (Rm)	2,6	10,7
Pre-int margin (%)	4,0	10,3
Taxed profit (Rm)	1,0	5,5
Earnings (c)	—	29 9
Dividends (c)	—	6 5
Net worth (c)	—	156 9

Fenner exceeded forecast earnings by 8% in 1987, confounding critics who thought the company would suffer from its exposure to coal mining

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

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

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

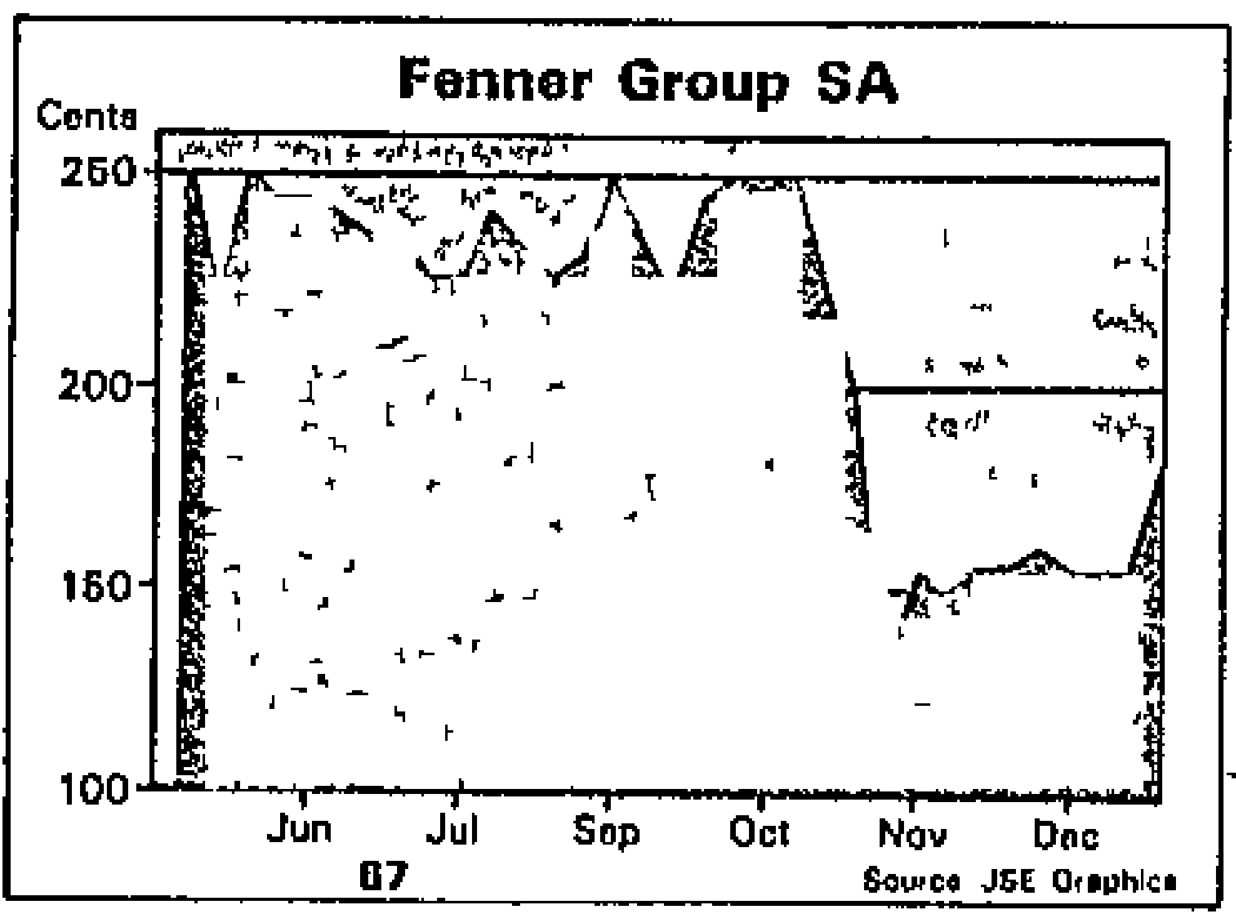
Debt levels are low, with a debt equity of 0,14, so there is plenty of room to gear up Clegg says none of the acquisition propositions is likely to have a significant impact on profits in 1988, although an agency presently under consideration could have some small effect on second half profits should Fenner decide to purchase it

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

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

The pre-listing prospectus forecast eps of 27,7c in 1987 and 33,3c in 1988 While 1987 actual earnings of 29,9c well exceeded the forecast, Clegg is conservative and says 34c is the expectation for 1988 Based on that prediction, the share is on a prospective p e of 4,6, while a dividend of about 13c makes for a high prospective dividend yield of 8,4%

Dave Edwards



Source JSE Graphics

22/1/88

FENNER GROUP 184 K/184

Adding on

Activities. *Supplies mechanical power transmission equipment, PVC conveyor belting, centrifugal pumps, valves and process control equipment*

Control *Fenner International (Africa) is the immediate holding company The ultimate holding company is J H Fenner PLC*

Chairman. *P J Ibbotson, managing director A S T Clegg*

Capital structure *15m ords of 10c, 2,1m shares of 1c, 3,2m cum, red prefs of R1 Market capitalisation R27m*

Share market: *Price 155c Yields 4,2% on dividend, 19,3% on earnings, PE ratio, 5,2, cover, 4,6 12-month high, 275c, low, 130cc Trading volume last quarter, 1,7m shares*

Financial *Year to August 31*

	'86	'87
Debt		
Short-term (Rm)	0,98	5 1
Long-term (Rm)	0,77	0 1
Debt equity ratio	0,11	0 14
Shareholders interest	0,54	0,53
Int & leasing cover	2,0	4 9
Debt cover	0,84	1,1

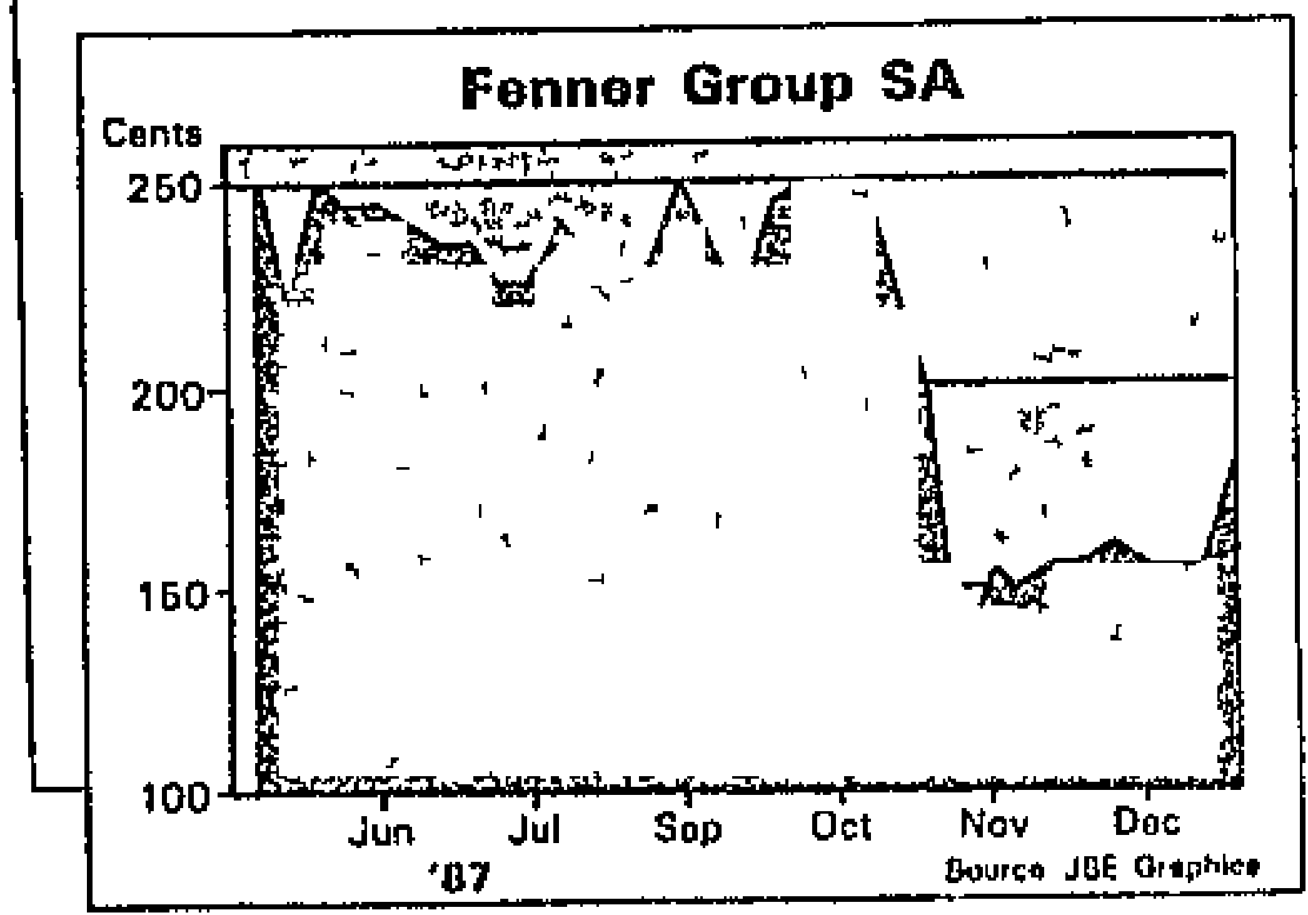
Performance'

	'86	'87
Return on cap (%)	8 9	20 3
Turnover (Rm)	63,8	104 6
Pre-int profit (Rm)	2 6	0 7
Pre-int margin (%)	4,0	10 3
Taxed profit (Rm)	1,0	5 6
Earnings (c)	—	29,9
Dividends (c)	—	6,5
Net worth (c)	—	156,9

Fenner exceeded forecast earnings by 8% in 1987, confounding critics who thought the company would suffer from its exposure to coal mining

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

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



Source JSE Graphics

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

Debt levels are low, with a debt equity of 0,14, so there is plenty of room to gear up Clegg says none of the acquisition propositions is likely to have a significant impact on profits in 1988, although an agency presently under consideration could have some small effect on second half profits should Fenner decide to purchase it

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

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

The pre-listing prospectus forecast eps of 27,7c in 1987 and 33,3c in 1988 While 1987 actual earnings of 29,9c well exceeded the forecast, Clegg is conservative and says 34c is the expectation for 1988 Based on that prediction, the share is on a prospective p e of 4,6, while a dividend of about 13c makes for a high prospective dividend yield of 8,4%

Dave Edwards

22/1/88

Robor coins it as exports boom

S Times 4/12/88

189

By Ian Smith

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

RIH shines in an environment clouded by criticism of South African industrialists' failure to push exports

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

Taxation

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

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

Export benefits also played a key role in maintaining the low tax charge, which was 10% lower last year at R3,9-million

"We believe our performance in foreign markets means that our long-term strategy is paying off," says RIH's new managing director, Mike Gahagan

He says RIH now sells to about 40 companies in Africa, Europe, South America, the Indian Ocean islands and the Far East

RIH, listed in 1983, is made up of seven companies involved in the manufacture, processing, galvanising, distribution and export of steel products, tube and pipe, stainless steel and aluminium

RIH International, specialises in exporting and accounts for about 70% of the group's foreign sales But most of its busines still comes from companies outside the RIH group

Mr Gahagan says the export success stems from RIH's commitment to foreign markets Executive throughout the group are aware of the importance of the foreign sales drive

Recovery

"Years ago we took the view that the domestic economy would not grow at the rate expected in some quarters and we decided to look further afield More recently we have been helped by the world recovery in steel markets

"But it does take time and constant effort to gain a foothold"

Too often in the past SA exporters have looked for foreign orders only when the domestic market has collapsed or the exchange rate is extremely favourable

"You have to hang in there, through bad times and good," says Mr Gahagan

It is essential to provide a flexible service, accepting small and difficult orders and sometimes accepting unfavourable prices

The benefits flow when the customer has come to appreciate the product and the service and world prices harden Bigger orders come through, leading to volume economies

"This is what we are beginning to experience," says Mr Gahagan

One of the major problems is the cost of moving exports from the Reef to Durban This often equals the cost of shipping exports from Durban to the Far East

"We are also penalised by higher freight costs when we add value to goods for export," says Mr Gahagan

But he hopes there may be relief when the Government's new export incentives are announced, saying "It could result in a big boost to foreign earnings"

VEREENIGING REFRACTORIES

Boost from building

Activities: *Produces refractories, building products and minerals*
Control: *Anglo American Coal Corp holds 66,8%*
Chairman: *W G Boustred; managing director: H R Reid*
Capital structure: *5,1m ords of 50c each and 500 000 5,5% cum non-red prefs of R2 Market capitalisation R59m*
Share market: *Price· 1 150c. Yields· 6,5% on dividend, 17,1% on earnings, PE ratio, 5,9, cover, 2,6 12-month high, 1 400c, low, 1 050c Trading volume last quarter, 5 500 shares*
Financial: *Year to March 31*

	'84	'85	'86	'87
Debt				
Short-term (Rm) .	0,6	—	—	—
Long-term (Rm)	2,2	4,5	—	—
Debt equity ratio	0,05	0,04	—	—
Shareholders' interest	0,69	0,73	0,72	0,74
Int & leasing cover	63,5	25,7	—	—
Debt cover	7,0	4,0	—	—

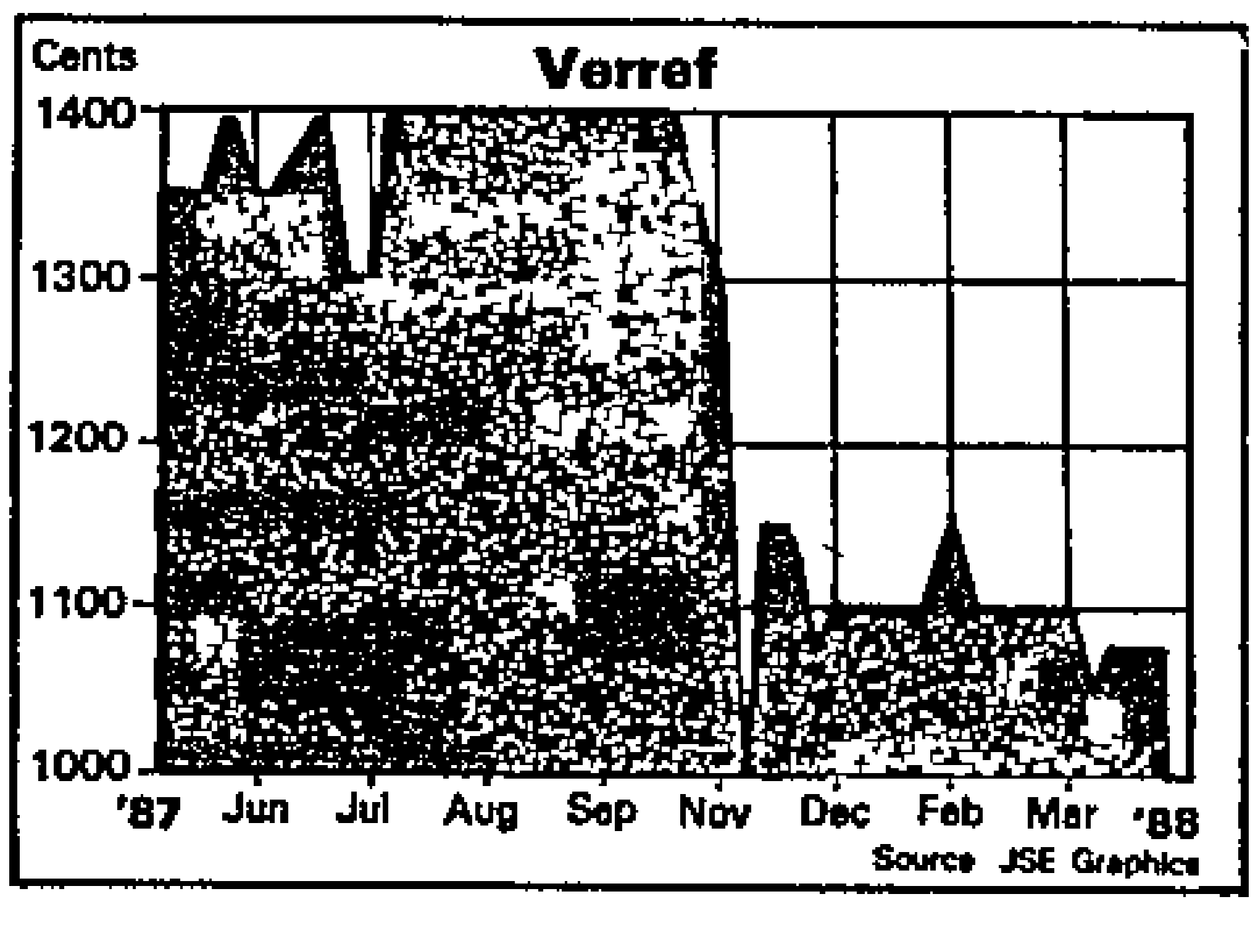
Performance:

	'84	'85	'86	'87
Return on cap (%) .	22,3	17,3	11,5	16,5
Turnover (Rm)	143	144	165	207
Pre-int profit (Rm) .	21,1	13,4	15,9	23,9
Pre-int margin (%)	17,3	14,7	8,2	10,0
Taxed profit (Rm) .	13,9	8,1	9,1	13,3
Earnings (c)	189	139	159	196
Dividends (c)	62	62	65	75
Net worth (c)	1 483	1 576	1 620	1 739

Rising profits from both the building products and the refractories divisions contributed to Vereeniging Refractories' (Verref) 25,2% advance in attributable earnings With cash balances at year end totalling R14,8m, and the balance sheet still showing no borrowings, the group should continue to benefit from any further economic growth and from rising interest rates

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

The largest contributor to pre-interest income was the building products division, whose turnover rose by 35,8% to R88,7m with operating profit leaping — off a low base — by 126,8% to R11,8m. This was achieved mainly because of increased construction of housing for first time home owners who participate in government's interest subsidy scheme The directors say there appears to be enough momentum in the building industry for the division again to boost its profit, although at a slower pace



Source JSE Graphics

Verref's Boustred ... forecasting continued growth

In the refractories division, turnover rose by 18,3% to R111,2m, while operating profit grew by 22% to R8,7m This was attributed to a more profitable sales mix and improved domestic sales, including the supply of special bricks for tall chimney stacks for Eskom, and increased orders from Iscor.

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

The laggard was the mining division, where turnover rose by 19,1% to R23,1m, but operating profit buckled by 41% to R1,3m. A profit improvement expected in the second half did not arrive Among causes was that, following the long period of labour problems at the Havercroft andalusite mine in the eastern Transvaal, technical problems developed and production targets were not met This was worsened by heavy rains The mine should increase profits this year

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

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

Andrew McNulty

FINANCIAL MAIL MAY 27 1988

Stiebel turnover up 70% since buy-out

Star 9/6/88

(184)

By Stan Kennedy

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

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

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

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

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

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

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

"It makes sense to handle synergistic products in those areas in which we are already strong," Mr Mocke says

Mr Mocke, with a background as a property developer/broker in the Vereeniging area, manages the administrative portfolio Sales are handled by Mr Youell, who has been with the company for five years and the technical side by Mr Langworth, who has 20 years experience in the electrical wholesale field

METER SYSTEMS (189)

Steady market

10/6/88

Activities: *Manufactures and supplies fluid handling equipment and systems to the petro chemical industry, the mines and utilities*
Control: *Directors hold 57,7%*
Chairman & Managing Director: *G E Nel*
Capital structure: *8,5m ords of no par value Market capitalisation R5,1m*
Share market: *Price 60c Yields 3,8% on dividend, 12,3% on earnings, PE ratio, 8,1, cover, 3,3 12-month high, 115c, low, 45c Trading volume last quarter, 915 000 shares*
Financial: *Year to February 29*

Debt	
Short-term (Rm)	0,1
Long-term (Rm)	0,08
Debt equity ratio	0,1
Shareholders interest	0,49
Int & leasing cover	44,8
Debt cover	3,43
Performance.	'88
Return on cap (%)	44
Turnover (Rm)	5,4
Pre-int profit (Rm)	1,1
Pre-int margin (%)	20,4
Taxed profit (Rm)	[illegible]
Earnings (c)	7,4
Dividends (c)	2,25
Net worth (c)	14,5

Meter Systems had a good year with attributal profits of R632 000, which was 81% higher than the previous year's pro forma R349 000 and also 20% higher than forecast. Large petrochemical companies such as Sasol offer a steady market for the company's products

During the year, the outstanding 34% of the equity of Metermatic, and 51% of Control & Count, were acquired for cash Significant benefits are expected from the acquisitions and new products The company is presently investing in further takeovers and there is ample scope in the balance sheet for funding these

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

At 60c, a fair amount of future growth appears already to be in the price.

Louis Venter

METAL PRODUCTS

1988

(~~NO EXPORTS~~)

FM 22/1/88

erson Street,

A. Hammon

UNION STEEL (189)

Plant problems

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

By Usco's September year-end, gearing had been reduced to 0,89 (1,26) and the interest bill was twice covered by the R21m operating profit The 8% return on capital looks much better, but it is less than the 11,3% return attained in 1984 when Usco committed R70m to build a direct reduction plant to reduce hematite pellets into sponge Though the innovative plant was completed in 1985, and commissioned the following year, it has yet to produce its first sponge iron for the melting furnaces

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

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

Chairman *F P Kotzee, managing director J H Kaltwesser*

Capital structure· *29m ords of 50c each 125,000 cum pref "A" shares of R2, 125 000 cum pref "B" shares of R2, 20,3m comp conv cum prefs of 50c and 30 000 variable rate red cum pref of 1c Market capitalisation R23m*

Share market. *Price 81c 20,1% on earnings, PE ratio, 5,0, 12-month high, 115c, low, 55c Trading volume last quarter, 1,05m shares*

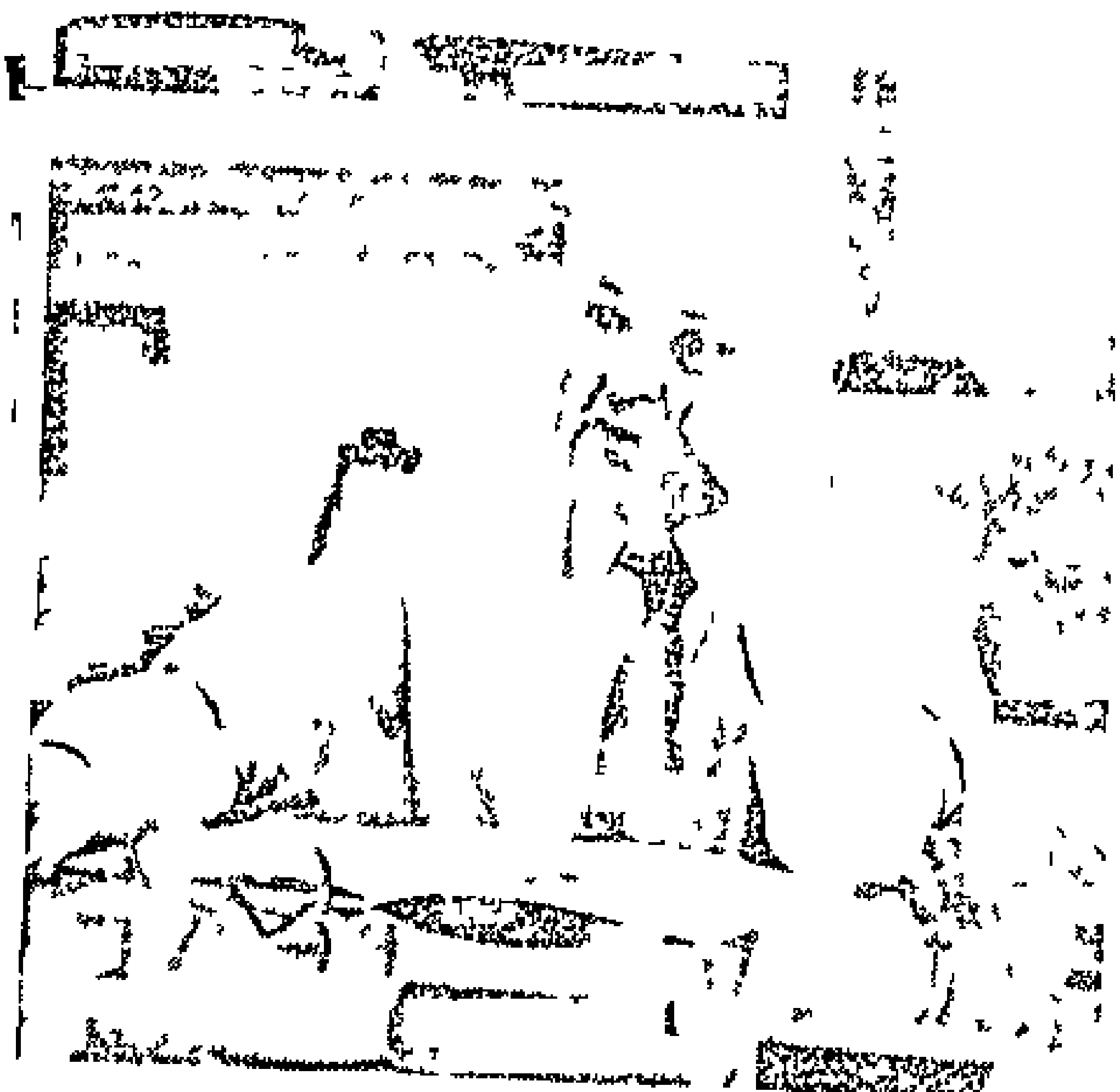
Financial: *Year to September 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	44,7	70,0	26,9	22,0
Long-term (Rm)	25 7	36,0	66,9	52,7
Debt equity ratio	0,67	1,05	1,26	0 89
Shareholders' interest	0,51	0,43	0,37	0,44
Int & leasing cover	2,5	—	—	2,0
Debt cover	0,32	—	—	0 39

Performance·

	'84	'85	'86	'87
Return on cap (%)	11,3	—	—	8,0
Turnover (Rm)	239	264	321	378
Pre-int profit (Rm)	23 4	(5,6)	(10,0)	21,0
Pre-int margin (%)	8,9	—	—	5,4
Taxed profit (Rm)	14,0	(19,5)	(4,5)	25,0
Earnings (c)	46,9	(69,3)	(28,6)	16 2
Dividends (c)	7,5	—	—	—
Net worth (c)	361	303	302	324

Chairman Floors Kotzee reports continuing technical difficulties with the plant "These are not insurmountable and will involve limited capex," he says "For economic reasons, it is not planned to put the plant into operation during the next financial year " Studies revealed that modifications to the cooling system are essential to make the plant work properly Pelletising and the direct reduction plant lost a net R5,8m last year (see table)



Usco's Kotzee ... glum outlook

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

The biggest boost to earnings came from non-ferrous products (aluminium conductor, copper wire and strip, cable products and stainless steel) These, currently the only viable part of Usco's interests, doubled profits to R18m (R8,4m) on increased demand

NON-FERROUS SPRINTS

	1986	1987
	Rm	
Steel products	(0,69)	(1,66)
Non-ferrous products	8 38	18,00
Pelletising and direct reduction plant	(12,24)	(5,80)
Total	(4,54)	10,54

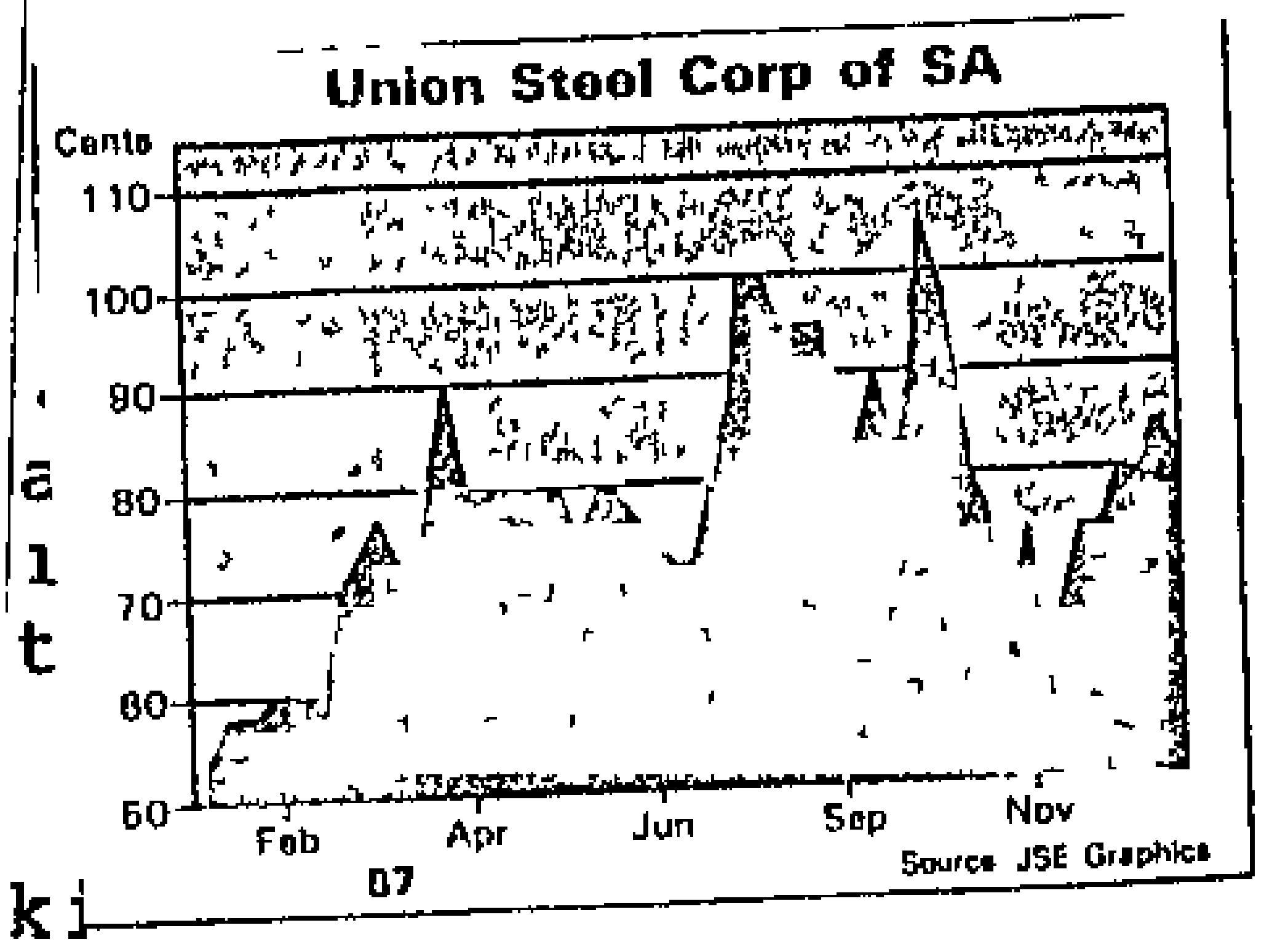
Kotzee sees little hope for further growth in 1988 He expects low growth levels in the domestic market which, with a considerable local capacity surplus and "no significant investment in capital projects," indicates steel product dispatches will not rise significantly in the short term He expects dispatches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

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

Preference shareholders were paid R5,7m in dividends against R3,7m in 1986 (more than half of group earnings before a R14,4m extraordinary profit from the sale of Natbolt shares) The increased payment reflects the full impact of the R30m raised through an issue of variable rate cumulative prefs in 1986, redeemable in R10m tranches on January 29, June 1 and September 30 this year — these prefs have been included in the 0,89 debt equity calculation Further preference issues could be made, so the expected R3m fall in preference dividends may not materialise

The articles of association provide for an 8% dividend on ordinary shares once preference dividends have been paid, assuming the funds are available The group could therefore pay a dividend of about 2,7c once debt equity falls to around 0,7 The present modest economic growth might help, but Kotzee's rather pessimistic forecast suggests ordinary dividends are unlikely short term (none has been paid for the past three years) At 81c, the share looks overpriced — even though the discount to net worth is 75%

Dave Edwards



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Cape Times 12/2/88 (189)

Haggie tops R100m-mark

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

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

Group sales were R794m, an increase of 12,3% over 1986

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

The final dividend is 86,5c to give a total of 114c for the year, 20% up on the 95c in 1986

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

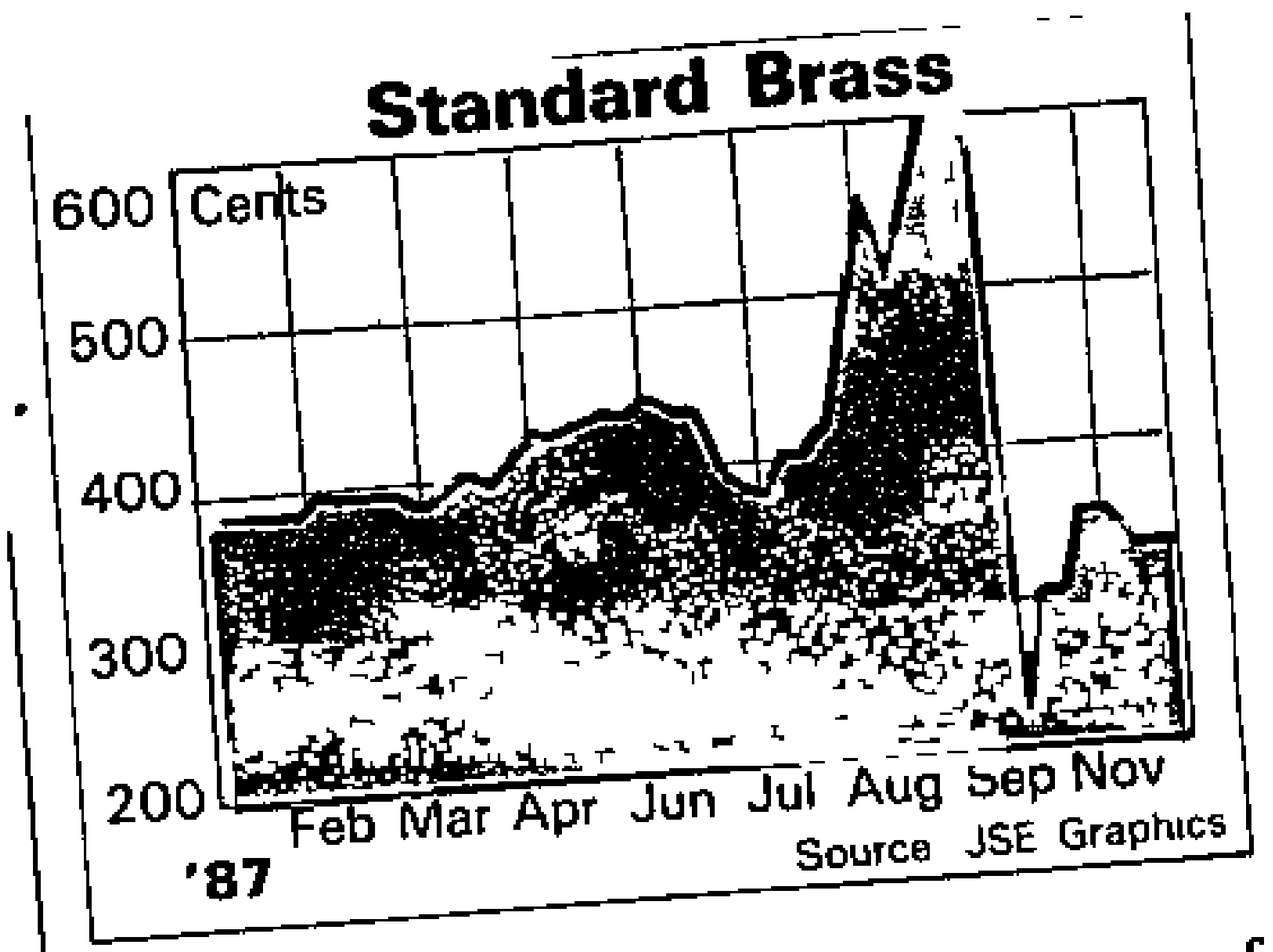
In the year under review, the group acquired the interests of the UK's McKechnie PLC to become sole shareholder in Reclam, a metal and waste reclamation concern

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

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

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

Group chairman Ian Haggie has announced that he is to retire as chairman on March 24 and that deputy chairman Grant Thomas will be taking over. Haggie will become group president — Sapa



Source JSE Graphics

STANDARD BRASS

189

Changing course

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

Control: *Malbak holds about 52% of the is- sued share capital Gencor is the ultimate con- trolling shareholder*

Chairman. *D J Jacobs, managing director R A Fox*

Capital structure. *3,15m ords of 50c each 75 000 5,5% cumulative preference shares of R2 each Market capitalisation R10m*

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

Financial *Year to August 31*	'84	'85	'86	'87
Debt				
Short-term (Rm)	0,4	3,1	3,3	5,5
Long-term (Rm)	0,9	—	—	1,0
Debt equity ratio	0,05	0,12	0,12	0,27
Shareholders' interest	0,75	0,74	0,73	0,64
Int & leasing cover	10	2	1,6	—
Debt cover	13,3	1,1	0,8	—

Performance	'84	'85	'86	'87
Return on cap (%)	4,6	2,0	2,0	(6,1)
Turnover (index)	155	194	205	207
Pre-int profit (Rm)	1,0	0,8	0,7	(2,6)
Taxed profit (Rm)	1,8	0,5	0,2	(2,6)
Earnings (c)	53,5	19,3	6,3	(84,1)
Dividends (c)	15	7	—	—
Net worth (c)	805	854	831	747

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

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

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

Last year's negative cash flow forced bor- rowings up to R6,5m (R3,3m), with debt equity rising to 0,27 (0,12) after the R2,6m fall in shareholders' funds The interest bill at a net R366 00 (R417 000), is less than last year only because the reporting period is only two-thirds of a full year To regain profita- bility, much depends on re-establishing mar- gins on quality products Whether Standard Brass succeeds in this during 1988 largely depends on an industry revival

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

Dave Edwards

D/D 25/3/88

Workers fired after striking

189

Daily Dispatch Reporter

EAST LONDON — Striking Border Wire and Metal Works employees were dismissed this week after demanding a R1,50 an hour across-the-board wage increase, a regional organiser of the South African Allied Workers' Union (Saawu), Mr Lawrence Tuluma, said.

Some 56 workers represented by a workers' committee had been gathering at the works since a strike began on Friday last week, were given a statement of dismissal by management on Tuesday.

Those who reported for work on Wednesday were told that they were no longer employed there, he said.

Mr Tuluma added that the union, which is presently involved in negotiations for a recognition agreement, had contacted management to find out why they had not been informed of the decision to fire the workforce.

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

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

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

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

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

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

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

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

LUCEM

189

Anticipated slowing

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

Control: *Equally controlled by Ozz and S Krok*

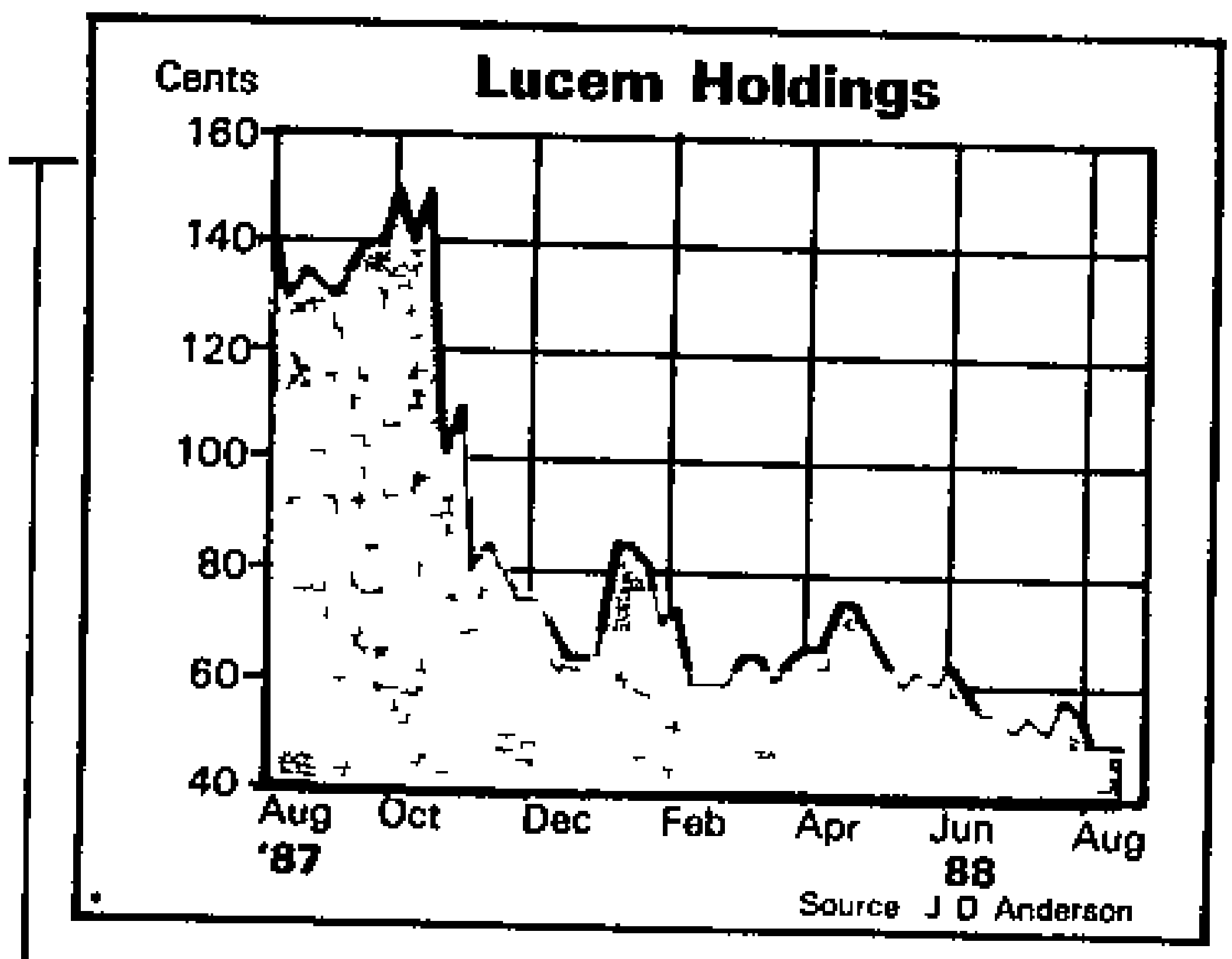
Chairman: *S Krok, managing director R J Paull*

Capital structure: *71,0m ords of no par value, 652 800 12,5% red cum prefs of 10c, 3,9m conv red prefs of 10c, and 1,8 var rate conv red prefs of 1c Market capitalisation R35,7m*

Share market: *Price 50c Yields 8% on dividend, 37,3% on earnings, PE ratio, 2,7, cover, 4,7 12-month high, 162c, low, 50c Trading volume last quarter, 314 000 shares*

Financial: *Year to March 31*

	'85	'86	'87	'88
Debt				
Short-term (Rm)	10,3	0 8	0,2	0,2
Long-term (Rm)	3,6	2,7	1,1	0,8
Shareholders interest	—	0,59	0,63	0,69
Debt cover	—	1 9	8,18	13,77
Performance				
	'85	'86	'87	'88
Return on cap (%)	—	17,4	18,8	25,0
Turnover (Rm)	77 6	69,2	75 9	87 0
Pre-int profit (Rm)	(1,4)	6,7	9,1	12 5
Pre-int margin (%)	—	9,7	12,0	13 9
Taxed profit (Rm)	(12,4)	4,2	9,6	13,6
Earnings (c)	(77,9)	7,3	15,9	18,7
Dividends (c)	—	—	3,5	4,0
Net worth (c)	(47)	27	38,5	54,5



Source J D Anderson

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

It was inevitable that the pace of 1986, which was a turnaround situation, would ease, but the balance sheet and the performance ratios have continued to improve The balance sheet is very strong, with net cash of over R9m (R9,9m) and borrowings down to R1,3m (R1,6m) Debt cover is an enormous 13,8 times, but the degearing has had an impact upon return on equity, which has fallen from 41% to 34% despite the climb in return on capital from 19% to 25%

One of the most important improvements has been the climb in margins, which changed an increase of 15% in turnover to a 37% improvement in operating income According to Paull, this was due to increased efficiencies, higher sales volumes and containment of costs The brick manufacturers especially saw an improvement in prices to more realistic levels, with a climb in margins from 5,0% to 9,5%

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

Lucem's Paull . . . cost escalation problem

The brick operation was expanded last year as the rise in demand came after a period when capital expenditure was tightly contained Last year, the group spent a total of R8,8m on capex compared with R1,9m in 1987, most of which was spent in the engineering operation but a fair amount was for increasing production capacity at Nigel Brick and Clay yard by 50% and upgrading the plant at Brickveld Brickworks

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

As the major portion of the group's profit is earned from activities linked with the mining industry, chairman Solly Krok expects a slowing in EPS growth This will be aggravated by the fact that the group will return to a full tax rate Last year, almost no tax was paid, but the dividend will be unaffected, as the policy has been to calculate it based upon a full tax rate Dividend cover is 4,7 times, which could be sharply reduced

The market has been taking these factors into account, though, as the share is on a dividend yield of 8% This seems high, even with a slower growth in earnings, as the dividend is not likely to be reduced

Pat Kenney

SBT buys Mewa group

189

Star 20/10/88

Control of Mewa, whose subsidiaries make and distribute stainless steel products and which was involved in merger discussion with Boumat earlier this year, is to change hands for R7,1 million

Financial services group Supreme Bond Trust is acquiring a 79,47 percent interest in Mewa from the Rabie family for 79,5c a share, ex-dividend Minorities will be offered 79,5c

Mewa's pre-tax profits for the six months to August are warranted to be not less than R1,4 million This compares with R2,5 million in the previous financial year

CT Times 25/10/88

189

[redacted]

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1 800 workers at wire plant fired

JOHANNESBURG — Haggie Rand have dismissed 1 800 workers at its Germiston and Jupiter plants in the sixth week of an industrial dispute with the Union of Metal Workers of South Africa (Numsa)

The wire ropemaker's managing director, Mr John Midburn, said workers received a week's pay with notices

The notices urge workers to accept the company's offer of re-employment — at the rates it offered at the end of negotiations on August 11 — Sapa

BUSINESS

w/t mbu
3/12
/89

Mossgas contract to provide 900 jobs at Babcock

From PAT CANDIDO

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

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

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

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

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

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

The modules will be fabricated from 2500 tons of special 50e grade Iscor steel and 8km of stainless steel and carbon steel piping The work on the modules will include the installation of 1200 tons of mechanical euipment

Star 31/12/88

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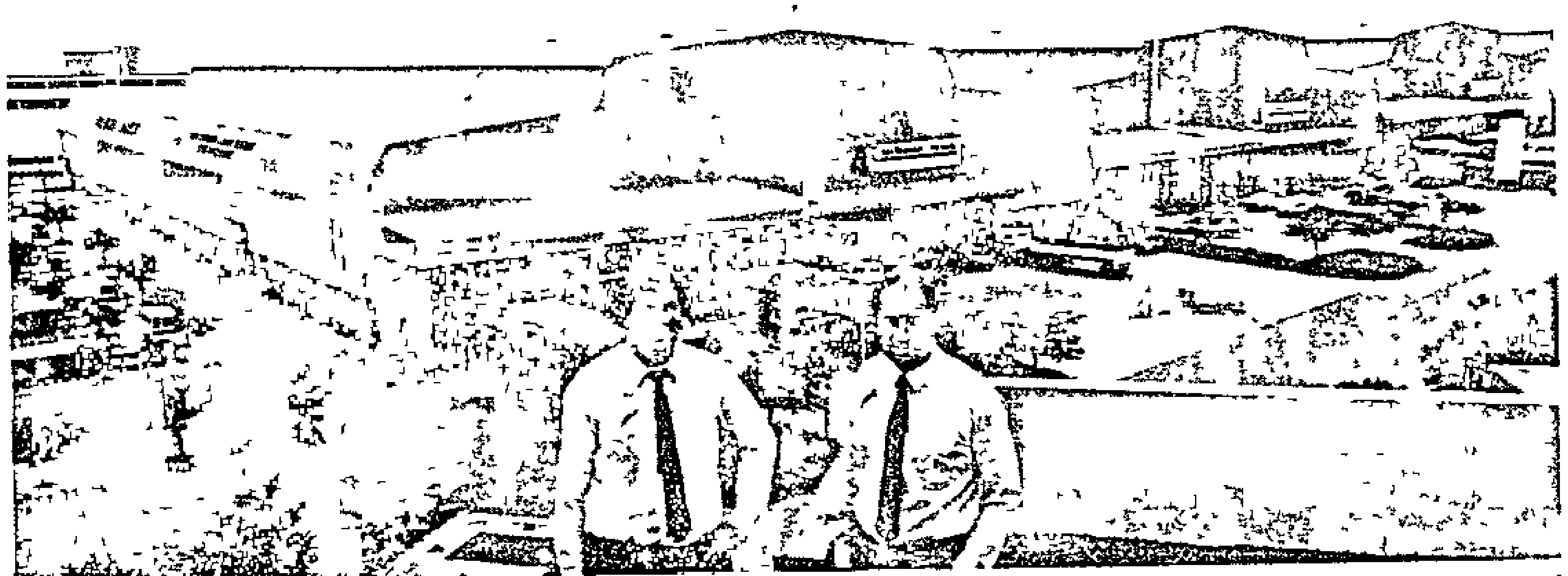
Success - for firm that pays double

Who says all capitalists are exploiters of the workers? WINNIE GRAHAM profiles a firm which pays double the going rate, rarely has anyone quit and just grows and grows



RIGHT ▶ Mr John van Reenen and Mr Patrick Nicholls survey their Alrode steel works, largest factory of its kind in the world

WHEN East Rand industrialists John van Reenen (41) and Patrick Nicholls (41) survey the fairytale success of their steel enterprise at Alrode, Alberton, they salute their staff

"Without them, we wouldn't be here," Mr Nicholls says "The strength of our business is the people We have the best team this country has ever seen."

The comment is not the usual trite line In the 11 years Van Reenen and Nicholls has been in existence, the firm has grown from a backyard operation to an international firm with an annual turnover of more than R240 million In that time, only three people have left

The joint MDs are adamant their growth is directly attributable to their decision to make the firm a profit sharing company, paying not only the best salaries but providing all sorts of incentives

Most staffers earn more than double the going market rate and many qualify for company cars or special perks Staffers decide for themselves when they wish to retire They are free to keep working as long as they wish

More than 150 people (in a staff complement of 650) have company cars Women employees wear designer uniforms The firm runs a fully eqipped gym and, from the beginning of 1989, will have a multi-racial creche

The Christmas party cost more than R700 000 all staffers in other centres were flown to Sun City with their spouses for a three day holiday

Mr Nicholls said he and his partner decided at the outset to provide staff with the best possible salaries and working conditions

He added We want our staff to stay forever

"We measure the worth of our people and pay what we consider a fair wage We don't want them to leave because they have received a better offer We want to remain the highest bidder for their skills We pay people as if they own the business"

The firm Van Reenen and Nicholls has evolved a corporate philosophy which has fired the loyalty of staff It is a company which does not look one or five years ahead but 10 or more

Van Reenen and Nicholls encourages staff members to use their talents and skills for the benefit of the company Everyone from switchboard operator to top executive is expected to make decisions affecting their area of operation

The philosophy has paid off Two of the three people who left the firm resigned because they couldn't keep up the pace (set, incidentally by the staffers themselves) The third left because her husband was transferred

Troubles with trade unions are unknown. The lowest paid staffer earns R920 a month — and he cleans the company's cars

Not everyone has the same capabilities but everyone has to live — and support a family," Mr Nicholls added

The managing directors believe money and pleasant working conditions have kept their workers totally motivated In fact, Mr Nicholls said, workers made demands on themselves which the firm would never ask That dedication kept even the MDs in line

"With our staff at full stretch we think twice about leaving early," he said.

I am always touched when someone from another firm tells me our staff continue working even at Christmas parties If they see an opportunity, they don t hesitate to go for it, prompting one executive to complain 'Don't your staff ever take time off?'"

The Van Reenen and Nicholls partnership was born in 1977 when they decided to combine their skills and start a business Mr Van Reenen is a chartered accountant and Mr Nicholls — who started work as a trainee manager for Greatermans — had marketing experience in the steel industry

'We started from the third bedroom of my girlfriend's house in Edenvale, Mr Reenen recalled 'Within a year we had graduated to the garage"

Because the operation was so small, both men were involved in the buying and selling of steel as well as business administration They had no place to store stock, so they ran a back-to-back operation hiring trucks to collect and deliver steel on the same day

Within 15 months they had a yard in Edenvale A year later they acqured a site in Alrode, using a 'Park home" as office By the time they took over Amsteel a few years later, neither their existing premises nor their newly acqured business were big enough to accommodate all their activities

Today the firm of Van Reenen and Nicholls has what is believed to be the largest steel factory in the world, with a floor space of more than 30 000 sq metres including a railway siding and road transport facilities under one roof It is a firm of international standing with branches throughout the world

"Five years ago when our political future was uncertain, we went overseas to look at the international scene" Mr Nicholls said. "We found the potential right here in South Africa"

When the rand dropped the men used the technology they had gathered on their travels and went the added value route" Today the firm competes on the international market supplying steel to the Far East, Europe Latin America and the United States

They had learned overseas that when it came to service, South Africa lagged behind international standards If they wanted to compete, delays and shoddy workmanship could not be tolerated Their firm had to be service-oriented

With their people-based, profit-sharing philosophy, it did not take much effort to get their business geared for the international market They acquired the technology needed to make themselves competitive and their people did the rest.

Today the Alrode factory cuts and supplies steel to specification for customers around the world

South Africa has been inclined to sit back and export raw materials to overseas supplies, Mr Nicholls said "We produce some of the finest materials money can, buy but we've been too scared to get involved in processing"

When he is asked about sanctions, he simply says 'Yes sanctions." It is undoubtedly a factor, but not one which stifles initiative at Van Reenen and Nicholls Its plant runs seven days a week 365 days a year Big as the firm has become, the little customer remains as important as international buyers

They have introduced an incentive scheme to reward productivity and good housekeeping Work stoppages are unknown and the factory is immaculate

The firm has no pre-conceived ideas about the role of men and women or black or white Everyone is treated exactly the same" If a woman heads a department (and some do) she drives a company Mercedes just as any male departmental head would

The MDs have considerable admiration for the growing role of women in the business

The only conflict is domestic Mr Nicholls added It remains socially unacceptable for a wife to earn more than her husband and many women who work for us earn more than their husbands'

Company cars are an important perk Staffers with company cars include receptionists who have given the firm long and loyal service Some workers get small cars while middle and senior management get the bigger more expensive vehicles

A few years ago when companies throughout South Africa were retrenching staff the firm decided not to declare anyone redundant The staff were told Van Reenen and Nicholls would use all the profits to keep employees in their jobs and if the day came when the profits had been entirely eroded everyone from the MDs down would have their salaries cut before anyone was retrenched

The bosses reasoned that retrenchment not only caused unnecessary hardship but also did untold harm to an employee's self esteem The need to cut back never arose Assured of their jobs the staff redoubled their efforts and the company prospered

Mr Van Reenen and Mr Nicholls are the sort of bosses who have learned they can get anything they want from their workers by including them in their decisions Unlike most excutives they do not have huge panelled office out of sight of the staff Instead, their desks are in the general open-plan office where they work side by side with their people

Why not?' Mr Nicholls asked 'We have no secrets'

What prompted this 'people philosophy?"

Mr Nicholls, who lives with his wife and two daughters at Henley-on Klip, said "Before we started our steel business we both worked for misers When we launched our company, we decided it would be a profit-sharing business"

IRON, STEEL AND ENGINEERING GENERAL 1988

(No Exports)

It's low-key for Seifsa

B/Day 20/1/88 (189)

VIVIAN HARTNETT

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

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

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

Savage is adamant his employers' association will not be "manipulated" or become anyone's political tool

"Under no circumstances will Seifsa take a high profile in the Press to put pressure or anything else on the government and we will not be drawn into conflicts," says Savage

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

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

Accessible

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

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

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

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

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

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

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

□ SAVAGE

To Seifa's credit, wage negotiations in the past have been very successful

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

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

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

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

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

METKOR 18 FM 19/2/88

More dynamism

Activities: *A holding company with interests in the steel, engineering and allied industries Holds a 60% stake in Dorbyl, 100% of Metkor Industries, 100% of Wispeco, 50% of Apsap Gas and 27,83% of Union Steel*

Control: *Rembrandt Industrial Mining Holding has 49,9%*

Chairman: *T F Muller, deputy chairman F P Kotzee*

Capital structure: *109m ords of 50c each Market capitalisation R153m*

Share market. *Price 140c Yields 7,1% on dividend, 18,9% on earnings, PE ratio, 5,3, cover, 2,7 12-month high, 285c, low, 130c Trading volume last quarter, 291 000 shares*

Financial: *Year to December 30*

	'84	'85	'86	'87
Debt				
Short-term (Rm)	34,1	194,5	181,5	150,4
Long-term (Rm)	143,9	151,6	87,9	78,4
Debt equity ratio	0,35	0,51	0,31	0,31
Shareholders interest	0,56	0,50	0,57	0,54
Int & leasing cover	3,6	1,9	2,6	3,8
Debt cover	0,43	0,23	0,42	0,48

Performance:

	'84	'85	'86	'87
Return on cap (%)	8,9	7,1	7,1	11,0
Turnover (Rm)	1 544	1 653	1 737	1 973
Pre-int profit (Rm)	113	97	88	107
Pre-int margin (%)	7,3	5,9	5,1	5,4
Taxed profit (Rm)	62	31	52	66
Earnings (c)	21,8	5,7	14,1	26,5
Dividends (c)	7,25	3,0	6,5	10,0
Net worth (c)	298	288	274	292

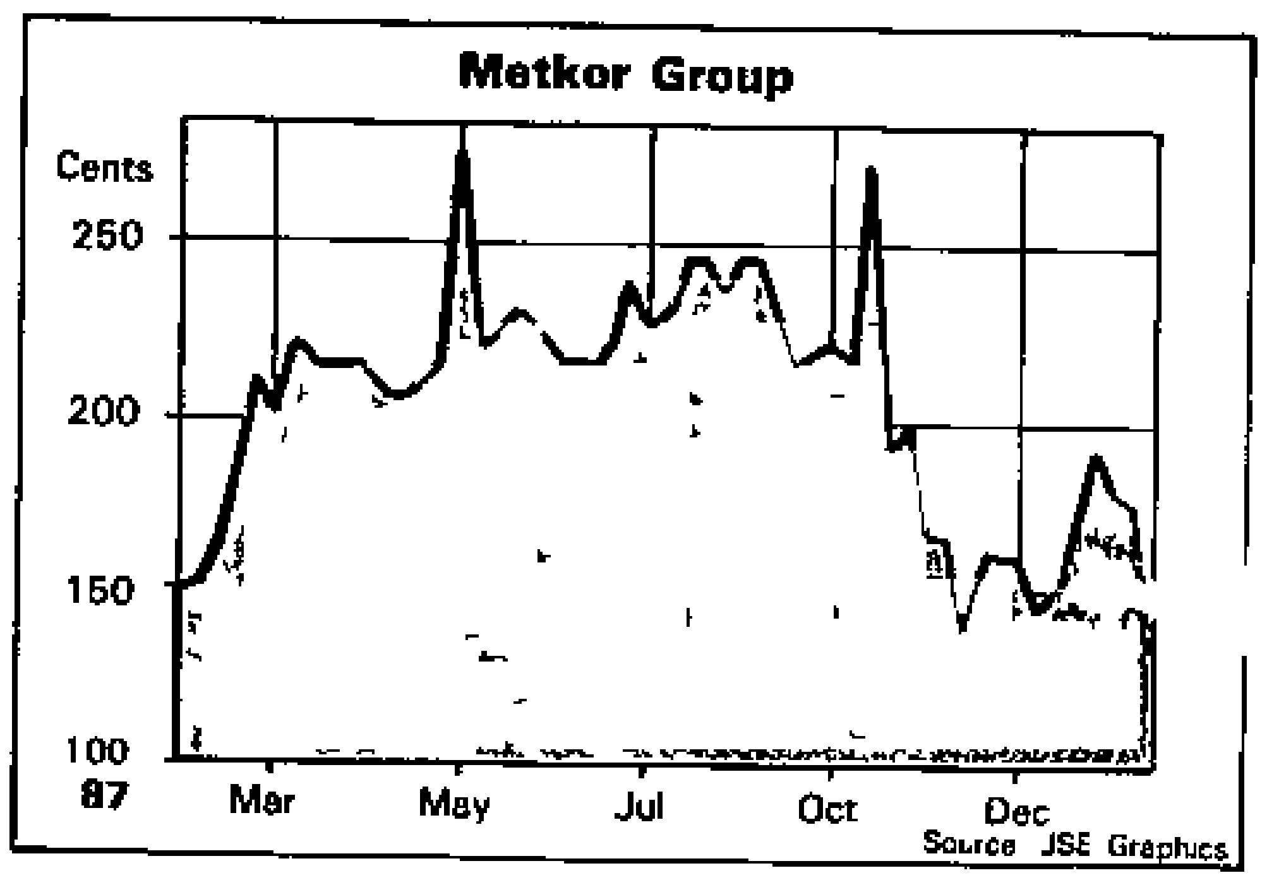
Benefits appear to be flowing through from the re-organisation and rationalisation announced last year Earnings per share rose 88% to 26,5c in the year to end-December Yet the share, after peaking at 285c last year, is back in the 85c-165c range where it has generally traded for the past seven years

The company — apart from its effective 60% stake in Dorbyl (see *Leaders*) — runs some interesting operations The Hart division makes household appliances, hollow-ware and plastic and metal packaging Hendler makes similar lines as well as galvanised products and Wispeco makes steel and aluminium door and window frames and aluminium ladders These businesses should have growth potential in line with a recovery in consumer spending in the building sector

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

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

However, last year's surge in EPS did not come only from higher taxed profits Benefits of a 21% increase in operating profit and an 11% decrease in the interest bill were partly offset by increased tax, as the tax bill doubled last year to R15,8m (R7,7m) Biggest boost came below the line income attributable to outside shareholders dropped from 71% to 60% of taxed profits and this was the main reason why EPS soared by 88%



Source JSE Graphics

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

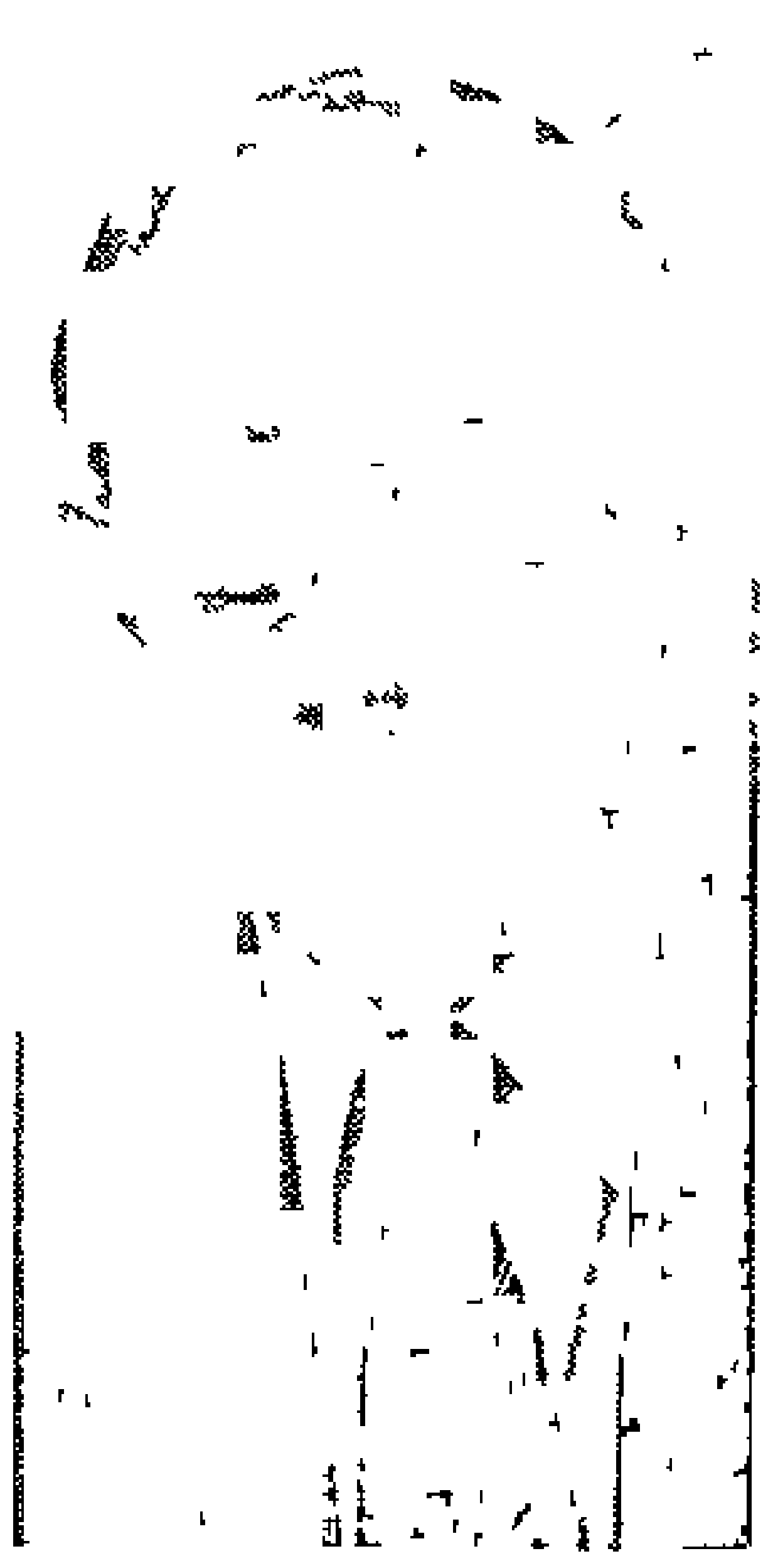
These activities suggest that Metkor is becoming more aggressive While Dorbyl may take a couple of years to grow its earnings, suggestions of a greater dynamism in the operating divisions make the share look worth watching, even though the 10c (6,5c) dividend did not measure up to the increase in earnings At 140c, Metkor stands on a 5,3 times p e compared with Dorbyl's 5,2 times and the engineering sector average of 7,1 times

Dave Edwards

Cullinan — from bricks to high tech and more

6/2/88 ST

18



Neil Cullinan ... In the beginning were diamonds

CULLINAN Holdings was established in 1902 as a brickworks. Today it incorporates electrical, cabling, property, timber and minerals among its holdings.

The chairman and chief executive officer Neil Cullinan is the grandson of the company's founder, Sir Thomas Cullinan of Premier diamond mine fame

The group's headquarters are south of Pretoria at Olifantsfontein A fair part of this area is still owned by Cullinan

The group seems to have two core businesses — electrical and refractories — but it has had the other interests for a long time

"It is our objective to develop some of the smaller parts into core businesses," says Mr Cullinan

The group has undertaken a change in direction In the 1970s it was almost solely a refractory brick producer, but the management saw the writing on the wall — growth in that field was limited

It expanded its interests into the production of electrical insulators through Cullinan Industrial Porcelain There are factories at Olifantsfontein and Benoni

The product range grew and last year Cullinan bought a controlling interest in the complementary listed company African Cables

"We serve the same markets as does African Cables and have a similar client base Its products add to our concept of selling a package in the power distribution and management fields

"We offer total project management we engineer it, supply many of the components, install it and service it"

Although African Cables did not contribute to earnings this year, Mr Cullinan says it was bought as a long-term investment

"The industry needs rationalisation, but African Cables has a significant share of the market"

Mr Cullinan reflects sagely on the property market "In good times everyone you meet says he's in property, but in hard times nobody emphasises the fact Either we make a sale or we don't"

"In the current financial year a partnership was formed with GKN to merge our timber interests with Macrall Timbers"

Two other projects are under way One is an R8-million plant to make bleaching clays which are used in filtration A joint venture with German company Sud Chemie, the plant is due to be opened officially at the end of this month

DIES, JIGS

The other is the establishment of Cullinan Precision Engineering, a manufacturer of high-precision tools, dies and jigs The plant, which is being built in Jet Park, should be completed by the end of June

Cullinan is developing an electronics business As a fraction of the total group turnover of R400-million plus for the year to June 1988, R15-million may seem insignificant But a small electronics business turning over that amount in isolation is worthy of merit

African Cables has a strong balance sheet and this has helped Cullinan to reduce group gearing to 22% Group net asset value is 761c a share — the shares at 700c are trading at a large discount

Tax incentives largely from exports have helped to reduce the rate of taxation to 38%

ACCOUNTING

Interim results released two weeks ago showed a new method of accounting Instead of equity accounting, where profits of associated companies were consolidated and minority shares taken out, Cullinan has switched to proportional consolidation

For example if Cullinan owns 50% of a joint venture, it will record 50% of its turnover, profit, assets and liabilities in the group financial statements This change does not alter the earnings a share

It was made in line with recommendations made by the accountancy profession Mr Cullinan believes it will give investors a clearer idea of the group's identity, especially with regard to the smaller operations

There are 13 3-million shares in issue in what is a strong institutional stock — Old Mutual owns 42% and Anglo American 17% The shares are reasonably tradeable

Mr Cullinan has forecast a rise in earnings a share of 35% for the year to June 1988 — making 122c The rise of 55% at the interim was boosted by the sale of a property

At the current price of 700c the forward PE ratio is only 5,7 times, and the dividend yield 6%

BLUE CHIPS

Cullinan has diversified from early brickmaking and property, through refractory bricks to electrical components to electronics and other fields It is certainly no dinosaur when it comes to keeping up with the times

It has a blue-chip client list of mines, municipalities, the steel industry and Eskom among others Its future looks secure and the shares are cheap They can be bought at this price with little downside risk

By the way, Cullinan still makes bricks

Four metal unions unite on wage talks

By HILARY JOFFE

THE trade unions affiliated to the South African council of the International Metalworkers' Federation (IMF) will present a united front when national wage negotiations open in the metal industry's industrial council next week.

The four IMF unions, which represent 128 556 workers, most of them black, have co-operated in the past But this year workers from all the unions have held general meetings to formulate joint demands and the unions will decide together whether to accept or reject the employers' wage offer.

The IMF unions are this year demanding an increase in the minimum hourly wage from R2,61 to R5 and an across-the-board increase of R1,50 an hour

The more conservative ex-Tucsa unions in the industrial council, aligned with the Confederation of Metal and Building Unions, are demanding a 20 percent across-the-board increase

Both unions and employers expect a tough battle

Brian Angus, executive director of the Steel and Engineering Industries Federation of South Africa (Seifsa), says. "Employers are not of the view that these wage demands are realistic they are out of all proportion to what the industry can afford "

But Geoff Schreiner, national organiser of the industrial council's largest trade union, the National Union of Metal Workers of South Africa (Numsa), says· "The economic situation should be favourable to substantial increases. Manufacturing sector profits increased last year by an average 56 percent and that applies equally in the engineering sector.

"That increase in profits was generated largely through increasing productivity and rationalisation — as a result of which a lot of our members have lost their jobs. Companies are in a position where they are well able to afford increases substantially above inflation "

The IMF unions are also demanding

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

The negotiations could see a dispute declared almost as soon as they open The IMF unions want a response from Seifsa to the Labour Relations Bill at the opening of negotiations — if they are not satisfied they will consider declaring a dispute

They will also want to discuss the effective banning of opposition organisations and the latest restrictions on the Congress of South African Trade Unions

The largest of the unions — the Metal and Allied Workers' Union (now merged with the National Automobile and Allied Workers' Union into Numsa) has declined to sign the industrial council main agreement every year since it joined the council in 1983 Last year it declared a dispute with employers and called a strike, which was halted when the minister of manpower gazetted the industrial council agreement and extended it to non-parties, making the strike illegal

(189) WMail 11-17/2/88 140A

Angry words at Ccawusa talks

BY MONO BADELA

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

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

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

It was the Kganare group which refused to participate in Sunday's proceedings, seeking observer status

Five of the eight branches have elected delegates to support the Kganare group at the convention· the Pretoria, Northern Transvaal, Eastern Cape, Natal and Orange/Vaal regions The Klerksdorp and Western Cape branches have yet to vote

The division within Ccawusa resurfaced on Sunday, only weeks after the two factions had resolved their dispute through an out of court settlement

The Johannesburg branch meeting on Sunday was characterised by intermittent angry exchanges between the two groups

The Johannesburg branch resolved, among other things, that·

- The Freedom Charter was a divisive document
- Under no circumstances would officials who operated under Kganare during the split be re-absorbed into the union

Newly-elected treasurer Kaizer Thibedi said members of the Kganare group had realised they were a minority, hence their decision to abstain

(104A) 11-1 1/3/88 CW/Mail

METAL INDUSTRY

Wage talks begin

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

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

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

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

18\3\88

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

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

The IMF unions are seeking a R2,61 increase to the minimum hourly rate, which would make it R5, and R1,50 an hour across-the-board They also want the working week reduced to 40 hours from 45, more overtime pay, six months' paid maternity leave and two weeks' paternity leave; paid holidays on March 21, May 1 and June 16; and a guaranteed annual wage

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

23/3/88 Star

189

FS Industries charges ahead

By Ann Crotty

FS Industries (FSI) has released astounding interim figures, with earnings per share up threefold from 13,4c to 41,8c for the six months to December A maiden interim dividend of 10c a share has been declared.

The increase in turnover from R107 million to R432 million was accompanied by an even larger percentage increase in operating profit, from R14,9 million to R62,4 million. This means operating margins are not being sacrificed as the group pursues its growth strategy At the half-way stage, margins were up to 14,4 percent from 13,9 percent.

Other major features of the income statement include the sharp rise in interest payments, from R5,9 million to R15 4 million, the pre-tax profits increase of more than 400 percent to R47 million, the increase in the proportion of profits, from 30 percent to 50 percent, that went to outside shareholders, chiefly reflecting the Waicor acquisition, the tripling of attributable income from R5 million to R17 million.

The performance makes chief executive Mr Jeff Liebesman's earlier forecast of 69c for the full year look very conservative At this stage he states that earnings for the full year will materially exceed those forecast. Which is not giving very much away But given that the second half is traditionally stronger and that W&A will be chipping in with a contribution for the full six months, compared with just four months to December, 95c should be within reach

Jeff Liebesman, chief executive of FSI, who has taken on the additional duties of chairman

Management is not expecting a significant increase in the interest bill in the final six months and is looking to a full year bill of R31 million This suggests allowance has been made in the review period's interest bill of R15,4 million for a full six month interest charge on the R221 million needed to fund the Waicor acquisition This has been done despite the fact the the group only had to pay out some R105 million of the full amount in the review period And even this portion was only paid out in September The remaining portion was payable in the second half Making this allowance will smooth the earnings performance between the two periods

The group provides an abridged balance sheet as at end-December The major features include a massive increase in total shareholders' interest, from R152 million to R760 million, the bulk of which is represented by outside shareholders' interests of R689 million, again chiefly Waicor Ordinary shareholders' interest was down due to the writing off of goodwill on acquisitions

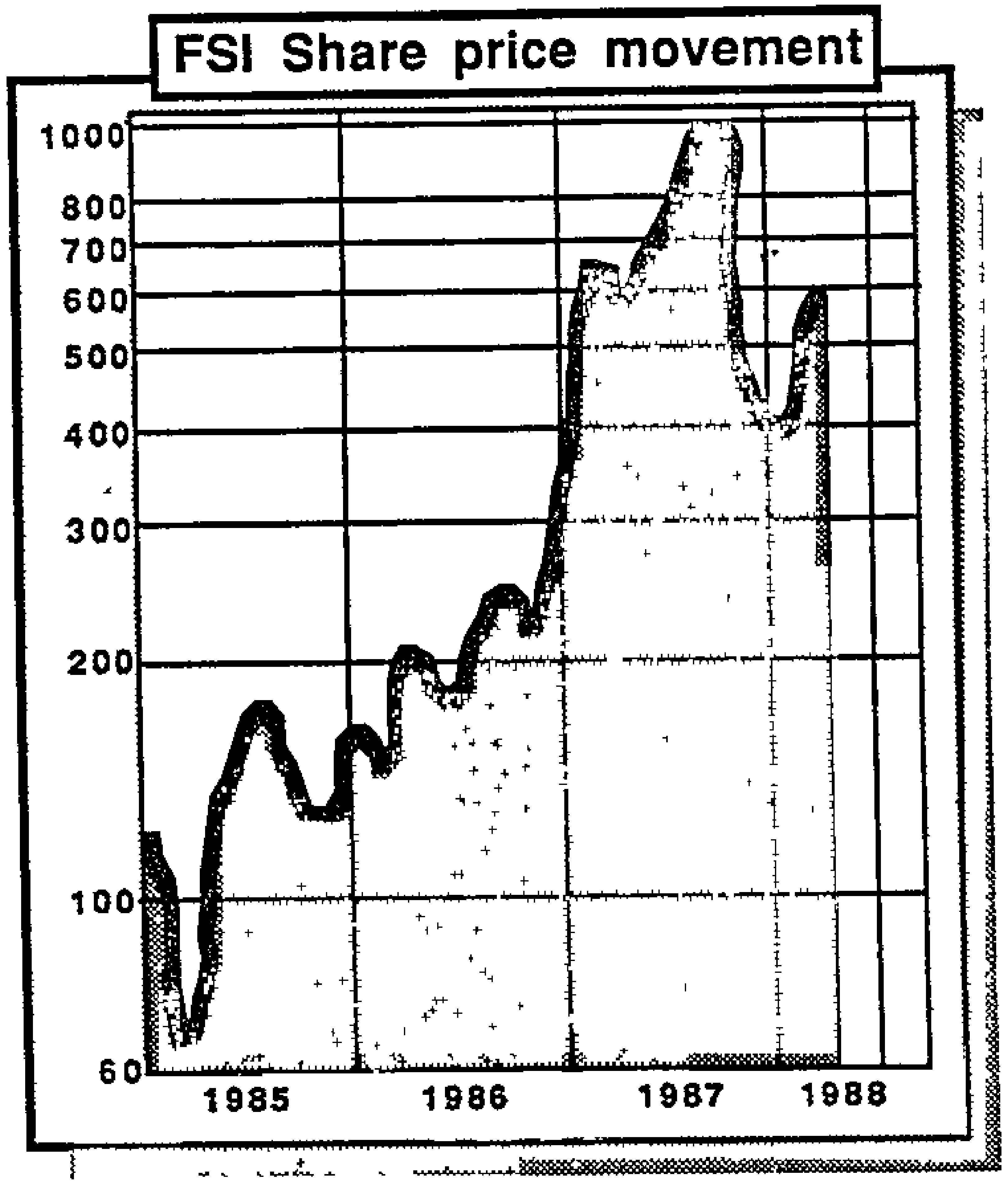
Long-term liabilities are up from R87 million to R377,7 million Some R221 million of the increase represents the debt raised for Waicor, with the remainder due to consolidation of W&A's debt and an increase in FSI's debt.

Gearing is down from 95 percent to 61 percent and the current asset to current liability ratio is up from 1,4 to 1,6.

Mr Liebesman notes that consolidation of W&A provided a boost of 12,1c per FSI share, which was more than expected at the time the acquisition was made He says that all operating companies in the FSI group produced record results Overseas operations contributed around 20 percent of operating profit.

Although the excellent performance topped most analysts' expectations, interest in the FSI group continues to focus on the cash-flow implications of the Waicor purchase While there is enthusiasm for the management team, in terms of the outstanding way in which it operates a large and rapidly growing group, this seems to be over-ridden by the concern relating to the issue of getting sufficient cash to the FSI company to finance the interest bill on the Waicor acquisition. The introduction of minimum company tax (MCT) will not add to this problem as the extent of the tax holiday enjoyed by some of the subsidiaries is not large enough to attract MCT

FSI Share price movement



Analysts have put the Waicor-related interest bill at around R20 million a year, if not tax deductible, compared with a full year's dividend flow from Waicor of around R8 million for 12 months to December 1988 This would not be too far from the "tax efficient" cost of the debt.

Company sources stress that FSI is in a positive cash-flow situation and this is not expected to change in the foreseeable future This is presumably why Mr Liebesman's attention is focused on running the group as efficiently as possible rather than getting cash to FSI at any cost. And he is emphatic that any plans to restructure the group will be done only on the basis of what makes good business sense

FSI shares tripled

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JOHANNESBURG — FS Industries' interim results — the first since the acquisition of W and A — reflect earnings a share more than tripled to 41,8c (13,4c) in the six months to end-December compared with the same period in 1986

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

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

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

Operating profit at FSI leapt from R15m to R62,4m in the six months and pre-tax profit climbed more than 400 per cent to R47m (R9m)

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

23/3/88 Star

(189)

FS Industries charges ahead

By Ann Crotty

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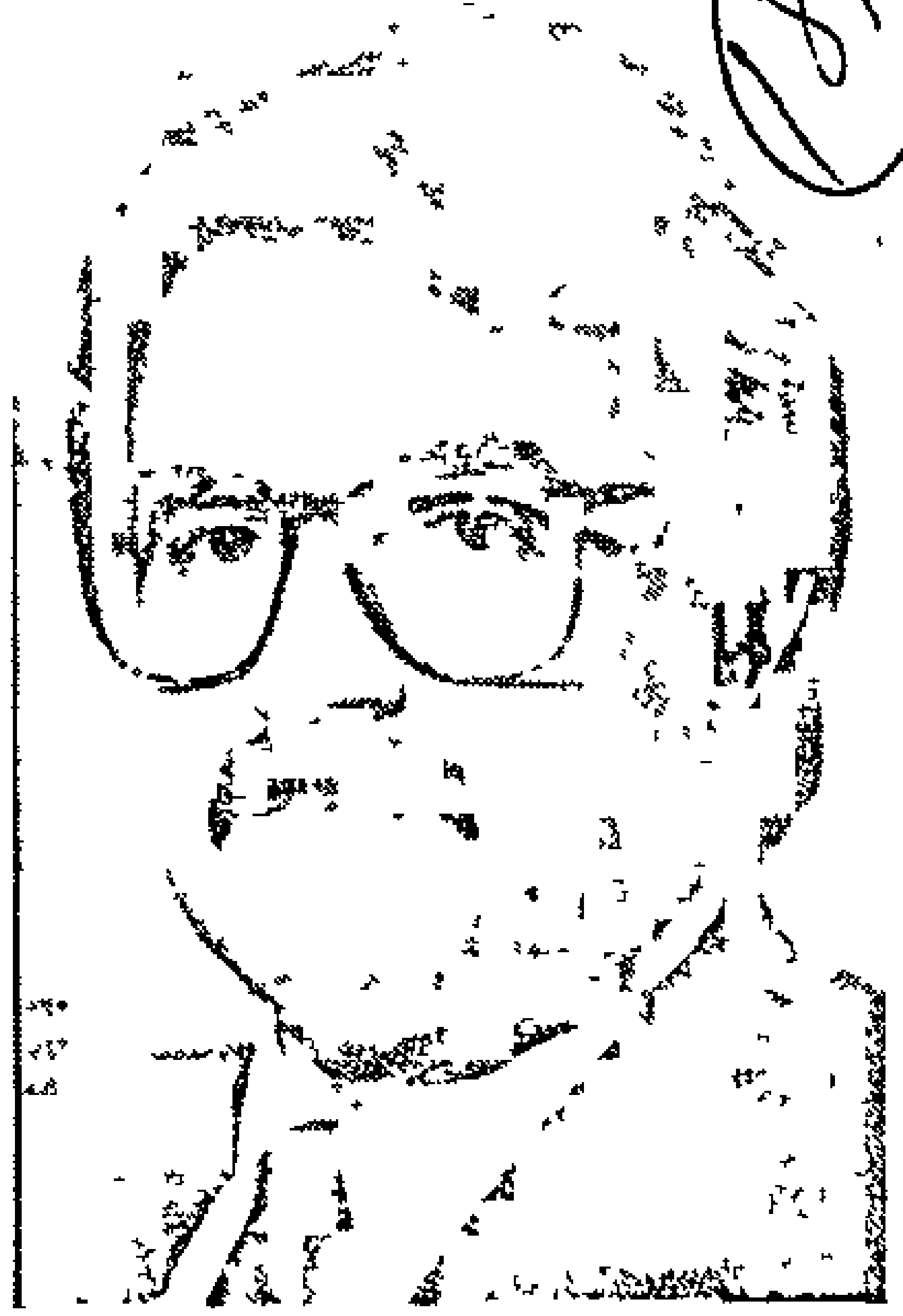

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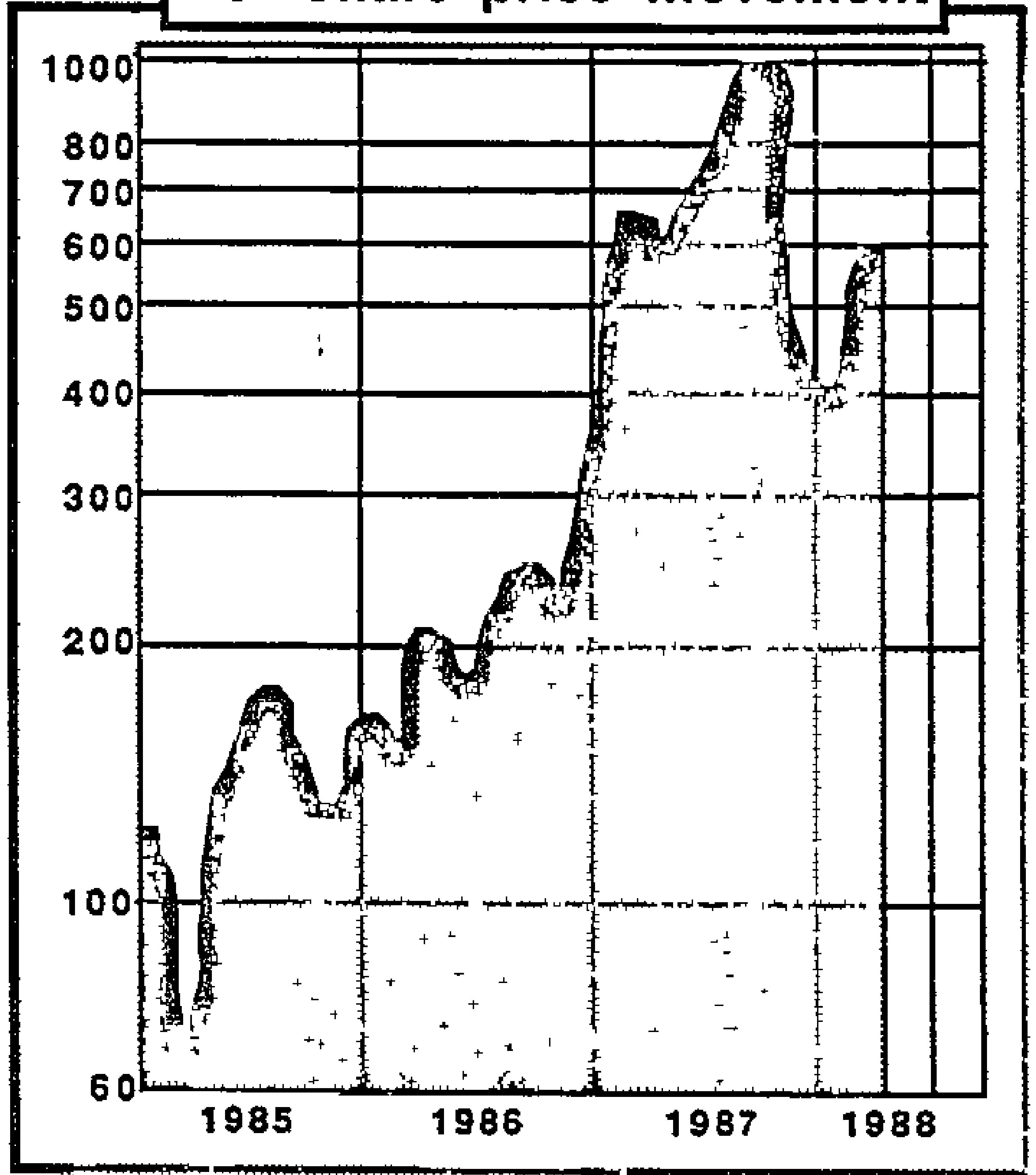

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AMIC

Growth from within

189

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

Unlike most other diversified industrial groups, Amic made few acquisitions in recent years when management chose to take a more introspective approach and invest in grassroots projects and modernisation It has poured funds into the R1bn Mondi pulp mill at Richards Bay, built a second iron plant at Highveld Steel, nursed the haemorrhaging Samcor back into profits and continued the expansion of drilling and exploration company Boart International

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

In the four years from 1982 to 1985, shareholders saw dividends pegged at 180c per share while earnings per share crashed by 48% from the 663c peak of 1981 By end-1987, earnings were back up to 663c, the dividend had been lifted to 225c, total borrowings including redeemable prefs were chopped back during the year by R345m and the major capital projects were coming fully on stream with promise of more surging profits

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

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

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

Avowedly conservative by temperament, he professes disdain for growth by "shuffling paper around" and says he is happier pursuing organic growth "We all prefer to do things we enjoy," he points out "I was originally trained as a chemist rather than in management or finance and that's probably one reason why I would rather create growth by internal investment."

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

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

Amic's Boustred ... conservative by temperament

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

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

Now some benefits are being reaped From 1985 to 1987, Mondi's attributable earnings jumped from R1m to R95m, Highveld's rose from R41m to R57m, and Boart's from R35m to R63m In the associates, most performances were improving — particularly at AECI, the biggest single contributor to equity-accounted earnings Heavy capital spending and export allowances helped to keep group tax payments down — the rate was 30% last year — and gross cash flow rose by 32% or R152m to R634m although group turnover was up by only 13%

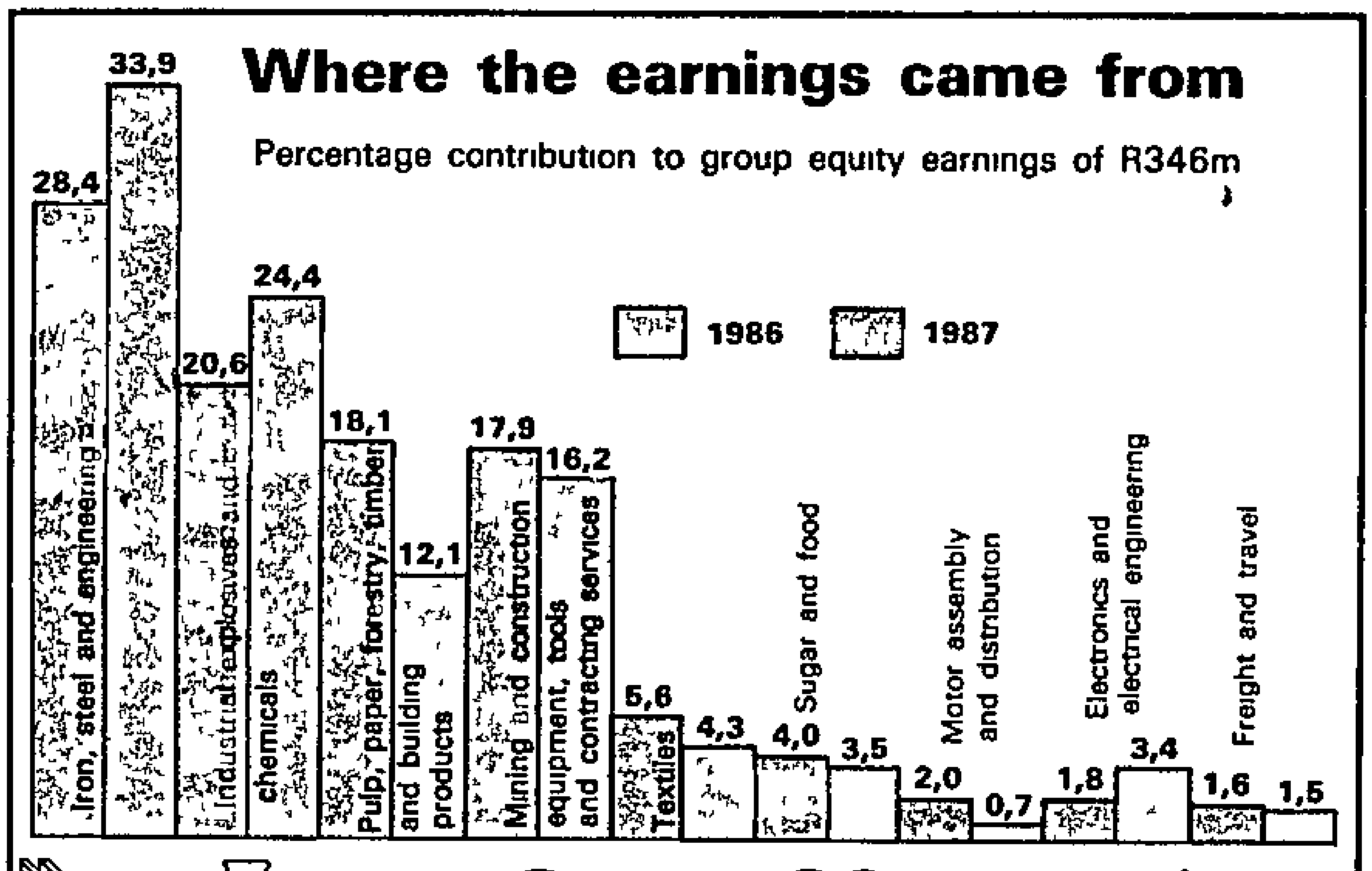
This not only contributed to last year's 28% earnings advance, but also to a stronger balance sheet With debt down from the year-ago R993m to R535m, gearing on gross borrowings was reduced to 0,47 from 0,71, while cash balances stood at R146m (R150m)

Apart from the rising cash inflow, Boustred says that both Mondi and Highveld, the major borrowers, have put "tremendous efforts" into asset management and containment of capital expenditure so as to get debt down In addition, the group raised R113m in equity funds last year when holders of 2,5m options exercised rights to subscribe for new Amic ords at R45 a share This was used to repay debt in Mondi and Highveld after issue of preference shares

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

The interest bill was slashed by R24m to R40m last year but could rise again because of higher rates Boustred says that this year borrowings are expected to remain around present levels or fall only slightly lower, as capital spending will continue He stresses that the group is largely involved in capital-intensive industries, where heavy investment in modernisation and technology is essential to attain quality and capacity requirements

With the pulp mill on stream, Mondi is likely to make "quite significant" investments in other operations, particularly in the board mill division "We really have to do something about the output and quality of board," Boustred says "There is a shortage of board and the quality of



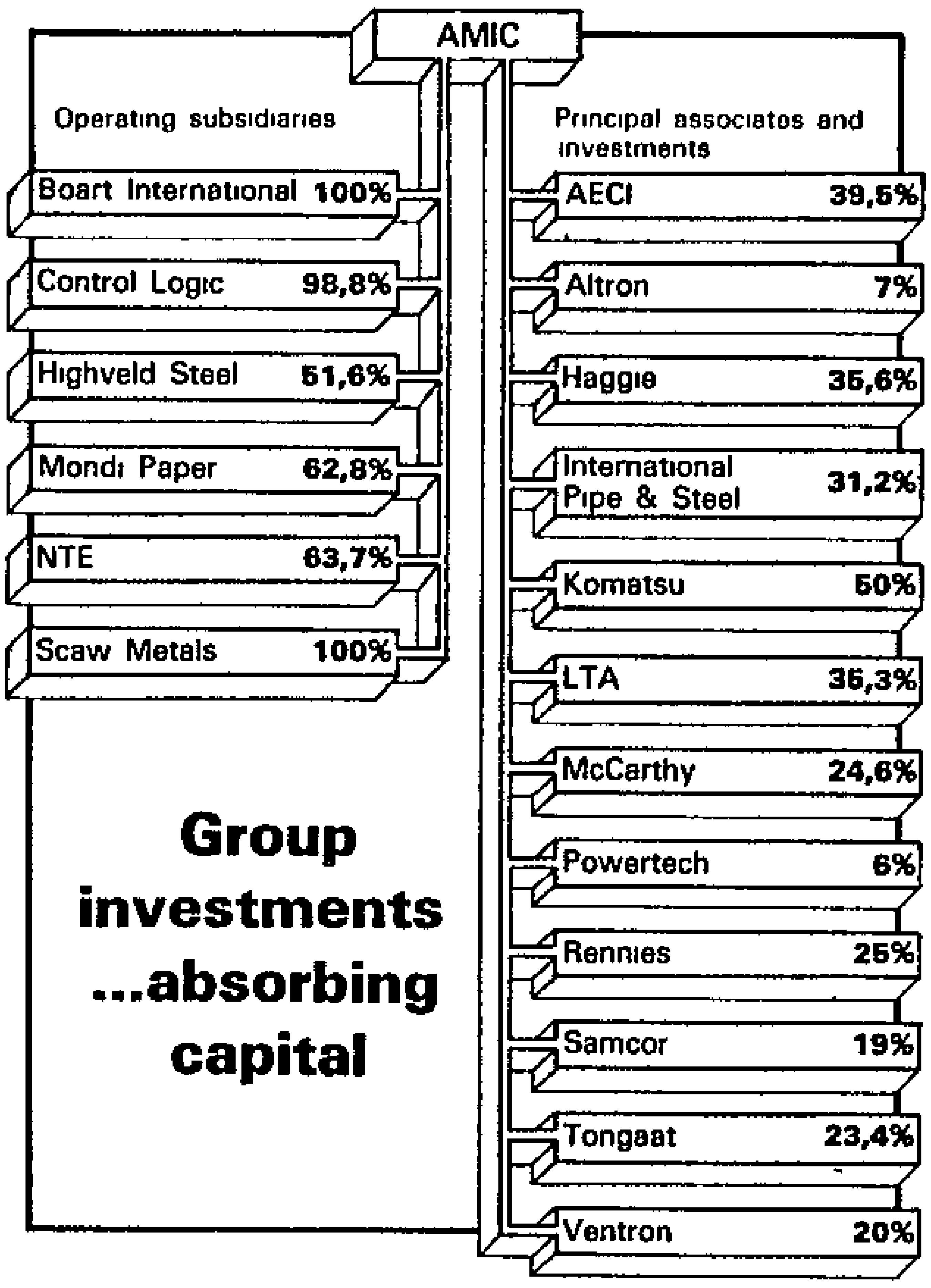
Where the earnings came from

Percentage contribution to group equity earnings of R346m the product manufactured in this country is not up to the latest international standards "

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

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

Dividend cover was increased this year, rising to 2,9 times from the low of 1,8 in 1984 But this remains low compared with historical levels which were as high as 4,0 in the early Eighties, and Boustred says it could easily go higher, apart from capital spending, costs remain under pressure from inflation and currency fluctuations have squeezed international margins.



Group investments ...absorbing capital

Even though management is keeping an eye on rising interest rates and the possibility of another slowdown in the economy, there is little sign yet that earnings will run out of steam soon "None of our companies is on a plateau," says Boustred Benefits from the recent projects will continue, there should be further gains from growth in the economy, and the investments being planned at present should help towards a new growth phase later Despite the large spread of interests, the efficacy of previous internal investment is clear More than 75% of 1987 equity earnings of R346m was derived from four companies, of which three are subsidiaries AECI (24,3% of the earnings), Boart (18,1%), Mondi (17,3%) and Scaw Metals (16,1%) A further 14,5% came from Highveld (8,5%) and Tongaat-Hulett (6%)

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

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

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

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

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

Andrew McNulty

Pay increase talks resume

Star 12/4/88

By Mike Siluma, Labour Reporter

189

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

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

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

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

The employers offered increases in hourly pay for labourers of 21c and 52c for artisans

(189) 12/4/88

CSIR launches major research programme

Corrosion costs SA R6,8bn

MICK COLLINS

A MAJOR research programme into corrosion has been launched after it was found corrosion cost the economy more than R6,8bn or 4% of the gross national product (GNP) of R157bn in 1987.

The figure is based on earlier research compiled during a study of the problem by Wits University department of metallurgy and materials engineering (DMME).

The study showed that corrosion in 1983 cost R4,4bn. But analysts said since then that figure had been overtaken as the country's GNP grew.

DMME's Professor Paul Robinson said it was customary in industralised countries to operate on 3,5% of a country's GNP as a corrosion cost.

He said: "But in the case of SA, where we are mining orientated, the economy is faced with heavy losses."

Hidden

Robinson said the R4,4m discovered during the 1983 research — carried out as part of a thesis by a DMME student under his supervision — was the direct cost to the economy but that there were many other hidden costs.

Dr Bryan Callaghan, of the CSIR's National Institute for Materials Research (NIMR), said the cost to the economy could be cut by 25%.

He said: "We will extend our research into corrosion and to link industry more closely with the programme. Should industry show sufficient interest, a new coastal site will be established to accommodate tests, not only on metals but on various other materials of economic importance such as plastics."

Corrosion was the direct cause of many factories going out of commission last year.

Callaghan said: "But it would be a mammoth job to try to compile statistics on hidden costs. These include downtime due to equipment failure, especially in the transport and mining sectors.

"From my own experience with corrosion and galvanised piping, the cost to the provincial administration last year was in the region of R25m."

Tested

At the proposed site, materials would be tested in marine conditions varying from the surf zone to above the high-water mark. The rate of corrosion of steel over an exposure period of 10 years in Pretoria was 4,3 micrometres compared with 37,1 at the Durban bayhead and 219 micrometres on the Durban Bluff.

Callaghan said the NIMR already had corrosion sites at various places in the country including Pretoria, the Durban Bluff and Durban bayhead.

4 Cape Times, Friday, April 15, 1988

Metal workers want to settle without Bill

Own Correspondent

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

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

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

Key issue

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

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

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

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

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

Right to strike

In addition, he said, Seifsa should accord to unions the right to strike This encompassed an undertaking that no disciplinary action (including dismissal) would be taken against workers who had complied with agreed procedures and whose actions were authorized by their union

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

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

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

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

- At Tuesday's negotiations Seifsa increased its wage offer to 12,2% on the bottom rate down to 10,1% for artisans The IMF unions reduced their demands to 53% on the bottom rate, while the latest CMBU demand is 13%

W/Mail 22-28/4/88 189

Metal unions' target: colour-blind pay

By EDDIE KOCH

UNIONS representing the majority of organised black workers in the metal industry say they are fighting to end racial discrimination in salaries during this year's wage talks

Brian Frederickse, chairman of the South African Council of the International Metalworkers' Federation (IMF), said this week that anomalies existed in wage rates for different grades of workers in the industry and these discriminated against the mainly black unskilled workforce

The IMF is representing three affiliates of the National Council of Trade Unions (Nactu) and the National Union of Metalworkers of South Africa (Numsa), an affiliate of the Congress of South African Trade Unions (Cosatu)

The unions have for the first time tabled joint demands during their annual wage talks with the Steel and Engineering Industries Federation of South Africa (Seifsa) The move marks an unprecedented alliance between members of the rival union federations

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

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

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

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

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

Frederickse said Seifsa was expected to reply in writing by the end of the week to complaints about the Bill that had been drawn up by IMF unions

Robor benefits from productivity boost

Star 4/5/88

(189)

By Ann Crotty

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

The group enjoyed a significant recovery in demand for its products in both local and overseas markets and was able to boost turnover by 26 percent from R213 million to R268 million

The improvement at the operating income level was substantially greater due to the group's enhanced productivity which saw operating margins up from 5,5 percent to 7,7 percent The improved margins and the increased turnover combined to produce a massive 76 percent surge in operating profit from R10,9 million to R19,2 million

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

The group's balance sheet at end-March shows working capital up only 13,3 percent to R96 million(R84,7 million) A 27 percent increase in stock to R130 million was chief reason for the 20 percent rise in current assets

But the surge in interest payments appears to reflect the more than doubling of short-term loans to R44 million (R20,9 million)

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

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

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

"Profitability should exceed that of the first half provided the annual wage negotiations are settled in a responsible fashion"

Darmag's 2c maiden

Star 5/5/88

(189)

Darmag, the diversified industrial group, yesterday reported a 60,5 percent increase in attributable income to R2,3 million (R1,4 million) for the year to February

Earnings a share were 11c (7,6c) A maiden dividend of 2c is being paid

The improvement flowed largely from substantial tax savings, tax falling from R1,7 million to R384 000

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

Managing director Monty Dersley foresees further substantial tax savings and improved performance in the current year — Sapa

Union wins R400 000 for its workers

189

CPt Tms 9/5/88

Own Correspondent

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

After an all-day negotiating session last Thursday with Gallaher representative Mr Michael Kettle, it was agreed Gallaher would finance a R200 000 trust fund, while a similar amount would be paid out in equal portions to the firm's 350 employees, said shop steward chairman Mr Abraham Motha

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

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

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

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

Mr Kettle left for the UK on Friday morning and could not be reached for comment.

Cape Times 17/5/88 189

Numsa: Wage demands

JOHANNESBURG. — The National Union of Metalworkers of SA (Numsa), in its proposals for the 1988 wage talks with Iscor, has demanded a R5-an-hour minimum wage and that it undertake to end all racial discrimination. The wage demand is R2,71 above the present minimum for the lowest-grade workers.

Star 20/5/88

189

Wedge on course to see R100-m turnover

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

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

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

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

"As far as trading conditions are concerned, the market has firmed since the beginning of the year although prices are still extremely competitive," he noted.— Sapa

Simchowitz has pivotal role in FS restructuring

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26/5/88 Star

By Magnus Heystek, Finance Editor

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

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

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

Hunts, part of the W&A group of companies, is the immediate effective holding company of Aurochs, owning 87 percent of the equity.

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

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

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

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

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

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

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

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

When asked whether he intended selling the shareholding of 11 percent he has in AAF Mr Simchowitz said " I will sell anything if the price is right "

Mr Jeff Liebesman, chief executive of FS Industries, the new controlling shareholder of the W&A group of companies was not prepared to discuss the matter yesterday, saying that the restructuring is nearing completion and that an announcement would be made within two weeks

‘Breathtaking year’ for Fintech

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Star 4/6/88

ANN CROTTY

The radical changes undertaken by the Fintech group during financial 1988 are highlighted in the group’s annual report which shows capital employed up from R8 million at the end of financial 1987 to R67,8 million at end financial 1988

The bulk of the capital employed is represented by working capital which was up from R6,3 million to R48,5 million Fixed assets also saw a massive hike, from a mere R225 000 to R17,7 million

A break-down of the current assets shows stocks up from R2,1 million to R86,5 million and debtors surging from R3,1 million to R79,8 million The largest items on the liabilities side included short-term loans which were up from R1,2 million to R35,3 million and, creditors and provisions which soared from R1,5 million to R74,7 million

The massive build up of the balance sheet underpinned the surge in operating performance as shown in the income statement Turnover soared from R3,6 million to R256,5 million and attributable earnings were up from R1,7 million to R12,9 million

In his chief executive’s review, Marius Furst, refers to financial 1988 as “a breathtakingly exciting year in South Africa’s information technology industry ”

“It was a year marked by widespread rationalisation as a result of large scale acquisitions and mergers, continued disinvestment from the Republic and a profound slide in the electronics sector on the JSE

“ Sanctions continued to loom over the industry while most disinvestments resulted in foreign interests being bought by local companies at good prices ’

Although the local industry is in a healthy state, Mr Furst notes that profits are under pressure because of a wide range of low-cost products from South East Asia

An additional problem facing the industry is the continuing shortage of highly skilled manpower Fintech management believes that people are its most valuable resource and that their development is a major priority “The group’s training schemes are dentralised at its various subsidiaries and are aimed at improving employee performance while developing individual potential ”

Sowetan 7/6/88

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NO PRODUCTION AT AUTOMOBILE PLANTS

THE output of the entire South African motor industry came to a standstill yesterday as all seven major assembly plants closed down in response to stayaway threats to production track schedules.

The National Association of Automobile Manufacturers confirmed that production would also be at a standstill at all seven plants today Certain producers had decided not to resume assembly tracks until tomorrow or Thursday

NAAMSA executive director, Mr Nico Vermeulen, estimated that between 20 000 and 25 000 production workers were directly affected Only salaried staffers and administrative employees remained at work

The closures would halt production of all passenger cars and commercial vehicles

The Steel and Engineering Industries Federation reported that while certain big factories had been hit by 100 percent stayaways, others had a full labour force at work and operations were normal

Seifsa spokesman, Mr Hendrik van der Heefer, said the stayaway by workers in the industrial divisions run by Barlow Rand on the Reef was almost 100 percent yet at the Highveld Steel Corporation works at Witbank the stayaway had been totally ignored

In Cape Town, about 70 percent of factory labour forces had ignored the stayaway and in Durban about 80 percent of workers in the non-ferrous metals sector had reported for work as normal

Toco pips prospectus forecast at the post

Star 3/6/88

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By Ann Crotty

Columbia subsidiary, Toco Holdings, which is involved in industrial marketing and was listed on the JSE last September, has reported a 56 percent increase in its turnover index and a 100 percent improvement at the pre-tax profit level

The annualised results for the seven months to March show pre-tax profit up from R4,9 million in the thirteen months to March 1987 to R9,9 million With the effective tax rate down from 50 percent to 26 percent due to export activities, the improvement at the earnings level was an even stronger 192 percent, up from R2,5 million to an annualised R7,3 million The increase in the weighted number of shares in issue, from 32,8 million to 62,2 million, diluted the improvement at the per-share level to 54 percent, equivalent to 11,7c (7,6c)

The performance at the per-share level is just slightly ahead of the prospectus forecast of 11,5c A dividend of 4,5c a share has been declared.

Last October, Toco acquired seven companies in a deal worth R5,7 million, which was forecast to add at least R2 million to group 1989 pre-tax profits

The directors are optimistic about prospects, saying it is the first year that all the divisions will be operating for a full year as an integrated, rationalised unit

"A substantial portion of the rationalisation and strategic planning programme, originally earmarked for 1989, was actually completed in the review period"

Eurefin's puzzling share price

Star 11/6/88

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ANN CROTTY

With details of the Eurefin deal expected to be announced within the next few days it is somewhat puzzling that the share has not attracted more interest

Eurefin's assets comprise R30 million cash and Atlas-Utas which is estimated to be worth about R25 million The plans are for Eureka, which has a 40 percent stake in Eurefin, to strip out Atlas-Utas and then sell Eurefin as a R30 million cash shell

Eurefin has just over 7 million shares in issue which means that the cash value alone is equivalent to 400c a share Toss in another 300c a share for Atlas-Utas and the share price should be closer to 700c This amount should be increased further in order to allow for a premium for the cash shell.

As the market sees it the minority shareholders in Eurefin are likely to be offered just over 400c a share for the cash portion as well as a share in the separated Atlas-Utas

If somebody of the calibre of Brian Joffe is the buyer of the cash shell, it is unlikely that many of the minorities will accept the cash offer and will instead opt to remain in for the ride. This means that the shell buyer stands to get access to R30 million cash for an outlay of just R12 million, which is what will have to be paid to Eureka for its 40 percent stake

Metal workers fail to hammer out differences

By Alison Campbell

A MAJOR strike is looming in the metal industry because of an impasse between Seifsa represented employers and unions affiliated to the International Metalworkers Federation (IMF) during their annual wage negotiations.

Four unions, representing some 129 000 workers have decided to hold wage strike ballots after declaring themselves in dispute with industry employers

A spokesman for the IMF unions says a ballot will be held among members on July 20 Votes will be counted three days later

Last year's negotiations ran into similar problems with the then Metal and Allied Workers Union (MAWU) refusing to support the industrial council's main agreement and resolving to strike on the wage issue

The strike was rendered illegal by a controversial last-minute renewal of the previous year's agreement

MAWU has since merged with other unions to form the National Union of Metal Workers of South Africa (NUMSA)

Seifsa chief executive Brian Angus says this year Manpower Minister Piet du Plessis is likely to be asked to renew the main agreement — which expires at the end of the month — excluding the four IMF-affiliated unions

This would clear the way for a legal strike to take place

Mr Angus has denied IMF union claims that Seifsa and the CMBU unions are planning to extend the existing main agreement in order to make the proposed strike illegal

The latest round of negotiations saw the IMF unions bid for an increase of R1,04 per hour for labourers (a 40% increase), down from original demands made in March for a R1,50 across the board hourly wage

Employers put their final offer at a 41 cents per hour increase for labourers — a raise of 15,7%

S Times 12/6/88

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(187) SN 16/6/88

3M dismisses speculation it is pulling out

By Sven Forssman

Mr Ed Ashe, managing director of 3M South Africa, this week laid to rest speculation that the company was planning to disinvest from South Africa

"3M South Africa has been established in the country for some 30 years and is fully conscious of its responsibility to its customers and employees. We have no plans to withdraw," Mr Ashe said

"And at the company's annual shareholders meeting in Minnesota recently, a proposal by the National Council of Churches of Christ in America for the company to withdraw from South Africa was defeated"

More than 90 percent of the shareholders voted against the proposal

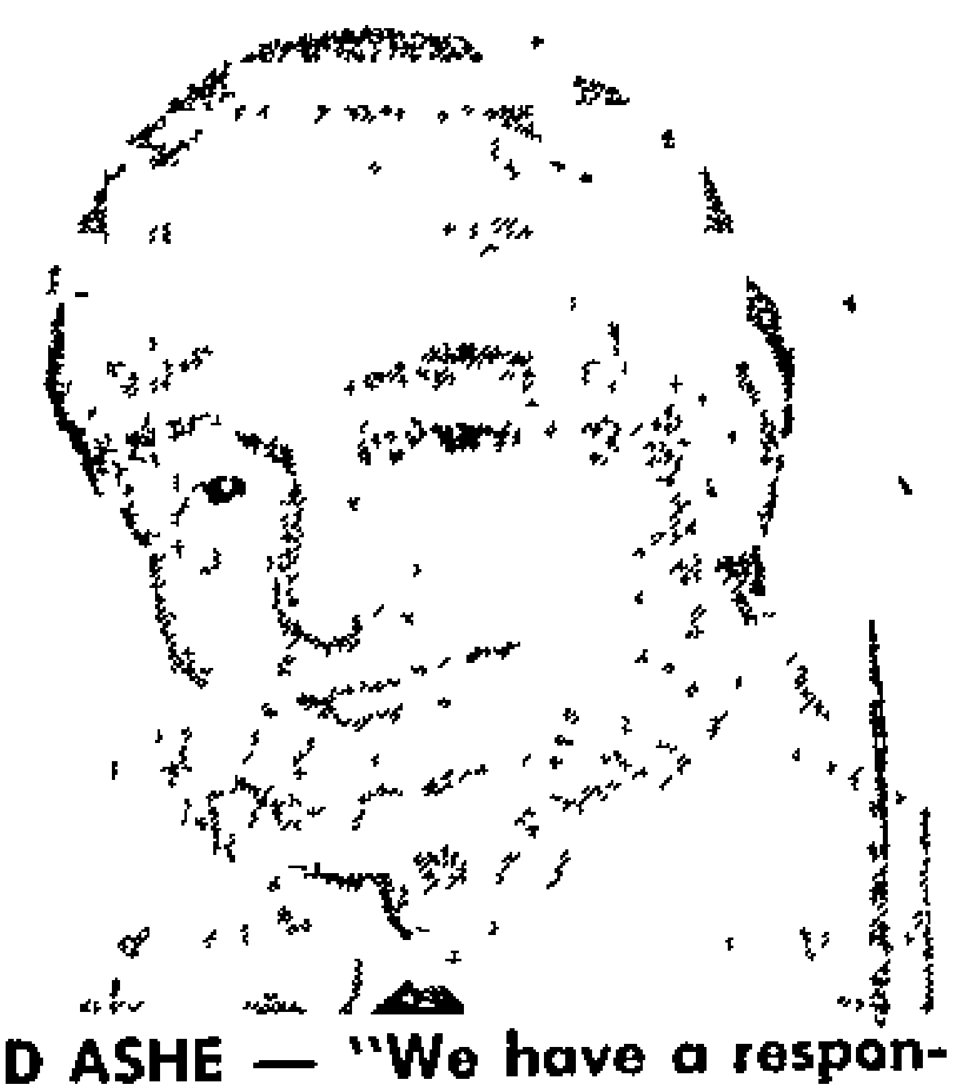
Mr Ashe added that 3M South Africa, which has 850 employees with its head office at Elandsfontein, had in recent years concentrated on acquiring locally sourced raw materials

Chairman and chief executive officer of 3M St Paul, Minnesota, Mr Allen Jacobson, told investors recently that one of the company's strategies was to "expand global penetration".

He said although 3M derived 40 percent of its sales from international operations — of which the South African subsidiary contributed one percent — he saw large opportunities for further growth because the market share remained well below what it was in the US

"To capitalise on this opportunity, 3M is systematically strengthening every area of its global operations with regards to research, manufacturing and marketing"

The company ranks 37th in sales on a list of the 500 largest US industrial companies In 1987, 3M earned $918 million.



ED ASHE — "We have a responsibility to customers and employees"

Order books at highest level since 1981 — Seifsa

Star 17/6/88

(189)

Order books in many sectors of the metal and engineering industries are currently at their highest levels since 1981, says the Steel and Engineering Industries Federation (Seifsa) in its quarterly survey

Companies report new orders are up by about 9,5 percent on the previous quarter and by as much as 30 percent over the 1987 average The also report the trend is continuing in the current quarter, although manufacturers of consumer durables and semi-durables are starting to see some levelling off of demand.

Seifsa says that business conditions have been consistently improving since the middle of 1987 and that there was considerable improvement in production volumes in the first quarter of this year, compared with the same period last year

Volumes increased by 5,6 percent in this period, but only registered a three percent increase over the last quarter of 1987 and 2,8 percent on 1987 as a whole

Seifsa says "In comparison, total manufacturing, of which the metal and engineering industries represent about a third, showed a 6,1 percent increase in physical volumes in the first quarter"

The survey also shows that total manufacturing only increased by 0,5 percent on the 1987 figure and that the first quarter was one percent down on the figure for the same period in 1987.

Seifsa says "In the metal and engineering industries, it is expected that major capital projects such as Mossel Bay and possibly other synfuel projects will lift sectors of the industry, especially the heavy engineering and construction sectors to further improved levels later this year

"However, the consumer-led recovery, which began during the second half of 1987 and which has continued into 1988 with only a minor levelling off in demand, shows signs of weakness

"Efforts to combat inflation through restraint on wage increases and higher interest rates may further dampen demand during the rest of 1988 and it is not at all certain whether the recovery is sustainable into 1989" — Sapa

Order books at highest levels

(189) B/Bom

Demand soars in metal and engineering

17/6/88

ORDER books in many sectors of the metal and engineering industries are at their highest levels since 1981, the Steel and Engineering Industries Federation (Seifsa) says in its latest quarter survey.

Companies reported that new orders are up by about 9,5% on the previous quarter and by as much as 30% over the 1987 average They see the trend continuing into the second quarter although manufacturers of consumer durables and semi-durables are starting to report some levelling off in demand

Seifsa says business conditions have been consistently improving since the middle of 1987 and that there has been considerable improvement in production volumes in the first quarter of this year compared with the same period last year.

Volumes increased by 5,6% in this period but only registered a 3% increase over the last quarter of 1987 and 2,8% on 1987 as a whole.

"In comparison total manufacturing in SA (of which the metal and engineering industries represent about a third) showed a 6,1% increase in physical volumes in the first quarter."

The survey also showed that total manufacturing only increased by 0,5% on the 1987 figure and that the first quarter was 1% down on the figure for the same period in 1987

As regards the metal and engineering sectors, Seifsa says "Efforts to combat inflation through restraints on wage increases and higher interest rates may further dampen demand during the rest of 1988 and it is not at all certain whether the recovery is sustainable into 1989"

Also, exports would have to improve — Sapa.

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Steel industry braces as four unions warn of strike ballots

By EDDIE KOCH

STEEL and engineering companies around the country are bracing themselves for a massive wage strike that could erupt before the end of the month, as four unions representing 130 000 black workers announced plans to begin holding strike ballots in the industry.

More than 500 shop stewards from unions affiliated to the International Metalworkers' Federation (IMF), who have deadlocked with the steel employers in annual wage talks, met this week to plan a possible legal strike

A statement issued after the meeting said the National Union of Metalworkers of South Africa (Numsa), the Engineering and Allied Workers' Trade Union of South Africa (Eawtusa), the Steel Engineering and Allied Workers' Union of South Africa (Seawusa) and the Engineering and Allied Workers' Union (Eawu) had set up joint shop steward councils to plan for the stoppage

Ballots are due to begin on July 20 and votes will be counted three days later. The unions said preparations would include discussions with their members about IMF strike rules which "forbid intimidation .. and call for maximum discipline at all times".

A wage strike in the industry was aborted last year after manpower minister Pietie du Plessis extended the life of the old wage agreement, effectively making the strike illegal.

At the time, the metal industry employer body, the Steel and Engineering Industries Federation (Seifsa), justified the move on the grounds that Numsa was the only union which was unwilling to settle.

But during this year's wage talks, Eawtusa, Seawusa and Eawu, which are affiliated to the National Council of Trade Unions, have sided with Numsa, a member of the Congress of South African Trade Unions.

"The four IMF unions are indisputably representative of most workers in the industry and it will thus be difficult for the minister to arbitrarily extend the agreement this year," said Numsa representative Bernie Fanaroff.

Seifsa executive director Brian Angus told the *Weekly Mail* that unions in the Confederation of Metal and Building Unions (CMBU), which represent some 90 000 mainly "coloured" and white workers, had indicated they would accept the employers' final wage offer.

He confirmed that both Seifsa and the CMBU would apply for the minister to apply the agreement only to workers who were not members of the IMF unions.

He denied claims by the IMF unions that Seifsa and the CMBU were planning to extend the existing agreement for three months after it expires in July. This would make strike action during that period illegal.

"The IMF has made it clear that it will oppose the extension of any agreement in the industry that has been agreed to by a minority," the IMF unions' statement said

At the time of deadlock, the IMF unions were demanding a minimum wage increase of R1,04 per hour (40 percent) that would take the minimum rate to R3,65.

The four unions also want the working week to be gradually reduced from 45 hours to 40 hours, increased overtime rates; recognition of March 21, May 1 and June 16 as paid holidays; six months' paid maternity leave; 14 days' paid paternity leave; and increased vocational training for workers.

Seifsa's final offer was for wage increases that ranged from 41 cents an hour (15,7 percent) for labourers to 70 cents an hour (11,6 percent) for artisans. The employer body agreed to meet the unions over the demand for more technical training

17/6/88 CPress [illegible] 189

SA metalworkers plan strike ballot

By KERRY CULLINAN

ABOUT 129 000 metalworkers are to cast votes in strike ballots starting on Monday

This follows the failure of their unions and employers – who are grouped in the Steel and Engineering Industries Federation of SA – to reach agreement over wage increases

The National Union of Metalworkers of SA, the Electrical and Allied Workers Trade Union of SA and the Engineering and Allied Workers Union – all members of the International Metalworkers Federation – declared a dispute with Seifsa after their demand for a 46 percent wage increase was refused

Seifsa has indicated that its final offer stands at a 15 percent increase for unskilled workers and an 11 percent increase for skilled workers

Meanwhile, the CMBU unions, which represent 80 000 workers and have also been party to wage negotiations with Seifsa, have decided to accept the employer body's offer

Metalworkers' grievances have been building up since last years national strike, planned by Numsa to start in July, was outlawed

Days before the strike was due to start, Manpower Minister Pietie du Plessis renewed an Industrial Council agreement between Seifsa and 14 of the 15 trade unions in the metal industry, effectively rendering Numsa's planned strike illegal

According to the IMF unions, Seifsa has indicated that it intends approaching Du Plessis to again extend the agreement for a further three months until an agreement has been signed with the CMBU After that, the IMF believes, Seifsa will try to get the minister to make the agreement binding

However, the IMF has made it clear that it will oppose the extension of the agreement this year, as it believes it was agreed to by a minority

Although member unions of the IMF hold differing views, with Numsa affiliated to Cosatu and Seawusa to Nactu, co-operation over the wage negotiations has been good

Not only have officials from the four unions been meeting, but this week a meeting of 530 Transvaal shop stewards belonging to the four different unions, was held to plan further action

"We believe that working with the other three unions has been constructive," said a Numsa spokesperson "Should the IMF unions decide to strike, the alliance will hold."

Cape Times 20/6/88

Hudaco earnings rise by 42%

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Own Correspondent

JOHANNESBURG. — Hudaco Industries achieved a strong profit advance in the first half of the year and, with 1987's acquisitions now fully integrated, is looking for a major strategic acquisition.

Earnings for the six months to May increased by 42% to 33,4c a share (23,6c a share) while the interim dividend has been raised by 50% to 15c (10c).

All three divisions — Deutz Dieselpower, bearings and power transmission — contributed to a 33% rise in turnover to R119,96m (R90,43m) with operating profit up 22% to R11,2m (R9,17m).

The group incurred net finance costs of R1,1m (R83 000 income in 1987 half-year). The tax rate was 44%.

Hudaco's continued earnings growth, coupled with strong cash generation in the past six months resulted in borrowings being cut substantially to R9,5m at the end of May from R20m at the end of December 1987.

The group is now in trim shape following integration of acquisitions, including restructuring of the power transmission division through the disposal of both Terraquip and the Frencorp listed shell to Duros.

Stock turnaround has improved — stocks are down at R34,3m (R47,2m at the end of December) — and management's handling of the restructuring augurs well for an acquisition.

Hudaco directors say in the interim report that further earnings growth is expected in the second half of the yar, which is traditionally better than the first half.

The shares have lifted off their low and are currently trading at 490c.

Hudaco to seek major acquisition

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20\6\89

Finance Staff

Hudaco Industries, after showing earnings growth of 42 percent to 33,4c a share for the six months to end-May, has hinted that it is looking for a major acquisition soon Hudaco upped its interim payments by 50 percent to 15c

Commenting on the results the directors said that against the background of strong management, combined with positive cashflow, Hudaco was well resourced to identify a major strategic acquisition in the medium term

The stronger balance sheet derives largely from the succesful integration of major acquisitions made in 1987 and the restructuring of the power transmission division, through the disposal of both Terraquip and the Frencorp listed shell

The directors expect earnings growth to continue in the second six months.

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METAL INDUSTRY

Wedges in the deadlock

Seifsa's Angus ... May Day bargaining chip offered

Numsa's Schreiner ... questioning the procedures

The unions grouped together under the International Metalworkers' Federation (IMF) are unperturbed by Seifsa's objection to their allegedly "illegal and defective" strike ballot papers If indeed they are, this could, of course, snag the unions' planned strike against the steel and engineering sector — assuming the ballot result, expected this Thursday, is in favour of one

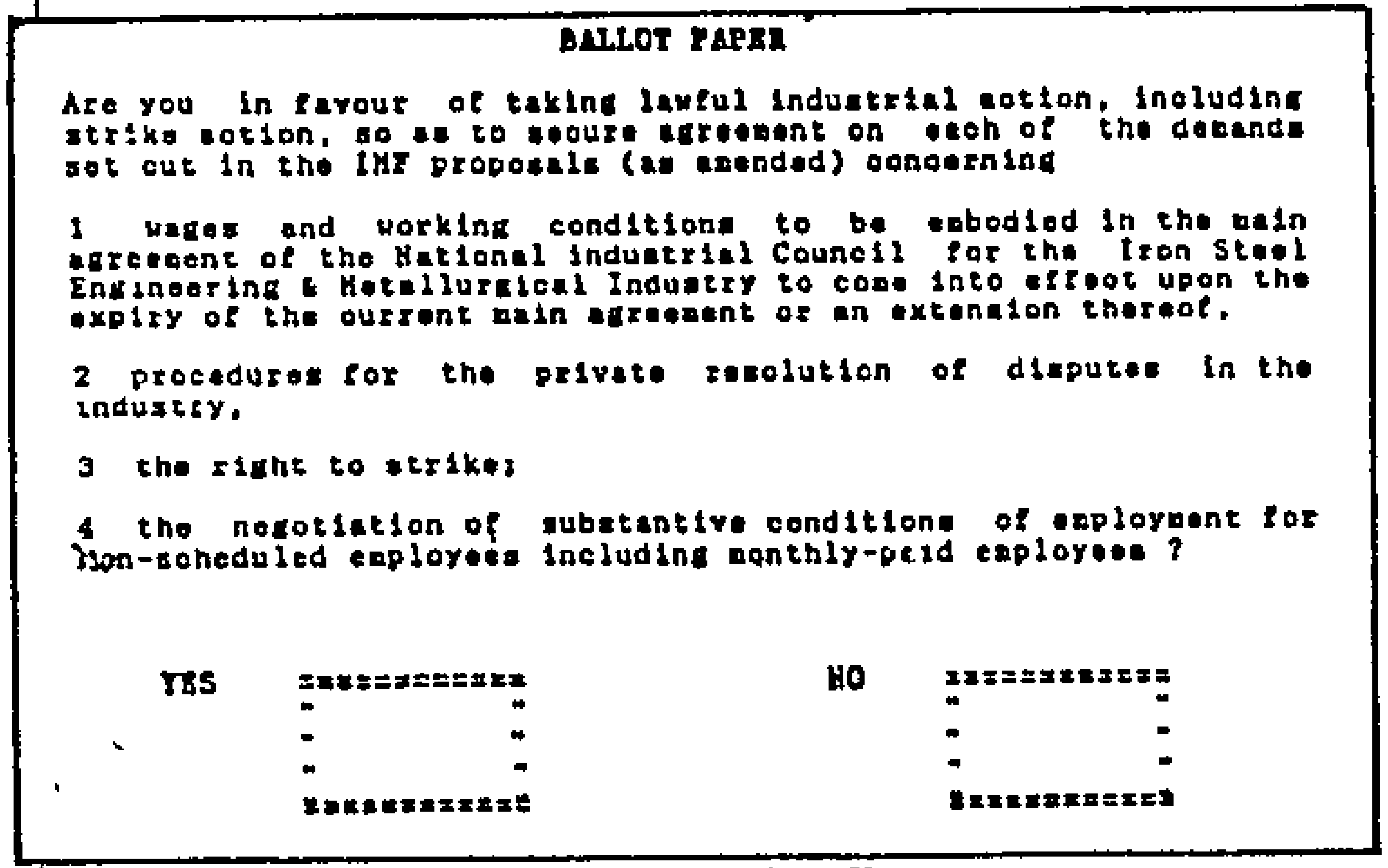
While Seifsa is seeking legal advice on the matter, IMF spokesman, Numsa's Geoff Schreiner, describes the objections as "totally spurious " He points out that the balloting has been done under the supervision of independent mediators, Imsa, whose involvement would seem to give the unions cover So, it's over to the labour lawyers

Despite all that, Schreiner tells the *FM* a meeting is due this Friday between Seifsa and the IMF unions, which declared a dispute with the industry late in May Seifsa, however, said that negotiations had reached "finality " But on Tuesday, it conditionally offered to recognise May 1 as a paid public holiday in substitution for an existing public holiday if the IMF unions accept the employers' final wage offer

Seifsa is highly unlikely to better its final wage offer of a 15,7% increase to labourers, which would give them R3,02 an hour, as against the IMF demand for R3,65 Therefore, the deadlock reached in May over the annual negotiations on the main industrial council agreement, remains — unless a deal is reached on the May Day offer

Seifsa's Brian Angus said members were this week fully briefed on how to deal with a legal strike and contingency plans have been drawn up The industry's main agreement on wages and conditions expires on June 1 Seifsa has meanwhile applied to the Manpower Minister to implement the employers' final offer, which would then apply to the 11 unions grouped under the mainly white Confederation of Metal and Building Unions (CMBU), which accepted the offer, as well as to non-unionised workers This would cover roughly half the workforce in this sector, which employs some 350 000, accounting for 55% of all manufacturing activity in SA In these circumstances, some wonder whether the IMF unions have a power base big enough to mount a successful strike

If the minister does implement this "partial" new agreement it would, says Schreiner, be "novel " The IMF unions also have a legal nicety up their sleeve they will call into question the procedures Seifsa has followed in seeking to get the partial agreement implemented — if it is They would also question the legality of having the agreement apply to non-unionised employees Once again — over to the labour lawyers ■



BALLOT PAPER

Are you in favour of taking lawful industrial action, including strike action, so as to secure agreement on each of the demands set out in the IMF proposals (as amended) concerning

1 wages and working conditions to be embodied in the main agreement of the National Industrial Council for the Iron Steel Engineering & Metallurgical Industry to come into effect upon the expiry of the current main agreement or an extension thereof.

2 procedures for the private resolution of disputes in the industry,

3 the right to strike;

4 the negotiation of substantive conditions of employment for non-scheduled employees including monthly-paid employees ?

YES ☐ NO ☐

Questions in dispute

CAPE TEACHERS

Left turn

At its annual congress last week ~~at the~~ University of the Western Cape, the Cape Teachers' Professional Association (CTPA) celebrated its 21st birthday by adopting the Freedom Charter This is a watershed event in the politics of the coloured community, arguably, the conference was the most important political happening in the region since the launch of the UDF at Mitchell's Plain in August 1983

Most of the four-day conference was devoted to dealing with matters of specific professional interest More significant, however, were the political undercurrents From the emotionally charged opening evening onwards, there was a clear feeling, repeatedly expressed in the speeches, that "the time has come" for the organisation to stand up and be counted

The political significance of the conference boils down to this an organisation which in the past had been seen to be equivocal about its political stance, hitched its wagon in the most convincing way to the "democratic movement " This was most obviously done through the organisation formally accepting the charter It also decided to align with Sacos and the nonracial sports movement and discussed the formation of a central teacher union affiliated to Cosatu (which itself adopted the Freedom Charter last year)

CTPA's political stance is remarkable when the constituency of the organisation and its past are considered This is not an outfit of T-shirt sporting political activists It is an essentially moderate, God-fearing (in the words of their president, Franklin Sonn) group of people It is also, with 22 000 members, probably the largest organised grouping in the coloured community

The opening ceremonies were dominated by such luminaries of the Left as Allan

1/7/88 FM

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Leaked letter tells of plan to 'lock out' metal strikers

EDDIE KOCH reports on a Seifsa strategy to get tough with unions

EMPLOYERS in the metal industry are considering a nationwide lock-out in order to pre-empt an impending strike by 120 000 members of four trade unions with which they are locked in a wage dispute

In a confidential document leaked to the *Weekly Mail*, the executive director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Brian Angus, tells employers "Seifsa has decided that an urgent ballot be conducted among the membership to determine the extent of the support for an industry lock-out."

Four unions linked to the International Metalworkers' Federation (IMF), with 120 000 members in the metal industry, have declared a wage dispute with Seifsa and are currently balloting their members for a nationwide legal strike

Union shop stewards said this week that employers had also begun asking workers to sign forms saying that they accepted Seifsa's wage offer and undertaking not to take part in the looming national strike

The Seifsa circular, leaked by an employer to the *Weekly Mail*, says the organisation plans to begin counting the employers' ballot votes on Thursday this week

An industry-wide lock-out has never taken place in South Africa.

A memorandum from Seifsa's lawyers, attached to the circular, argues that if employers take the initiative by locking workers out, the four unions will no longer be able to launch a legal strike.

It notes that in terms of the Labour Relations Act, companies are obliged to conduct a ballot if they wish to stage an industry-wide lock-out.

"The party which initiates the industrial action, whether it be a strike or lock-out, characterises the industrial action," says the memorandum Seifsa's lawyers point out, however, that there is some disagreement in legal circles about whether this interpretation of the law is correct.

Seifsa representatives were not available for comment at the time of going to press

Wage talks between Seifsa and the IMF unions deadlocked earlier this year, with the workers demanding an across-the-board increase of about 40 percent and a minimum hourly wage of R3,65 The employers' final offer comprised increases ranging from between 11,6 percent and 15,7 percent.

Seifsa's lawyers say the aim of a lock-out is to "induce or compel any employees to agree or to comply with the demands or proposals made by the employer/s concerning conditions of employment"

Under the heading "Advantages of the lock-out", the memorandum says the tactic "can be used as a collective bargaining tool enabling the parties to reach agreement on issues in the dispute.

It also advises that employers will not have to pay wages during the lock-out period.

Seifsa has reached agreement on wage increases with 11 trade unions, representing mainly white and coloured unions in the industry, and has announced that it will not extend the pay increase to members of unions who still reject their offer.

The National Union of Metalworkers of South Africa (Numsa) has condemned this move as a bid to foster antagonism to the IMF unions

Seifsa has denied the charge and says it is "reasonable and legitimate to arrange for the agreement to be extended to employees of a group of trade unions that has accepted the employer offer"

Shop stewards of the IMF unions report that their members were this week asked by various companies to signs forms saying: "I hereby request to implement the employer offer of increased wages ... In return I undertake that I will not take part in any strike action concerning the employer."

The four IMF unions are Numsa, the Steel, Engineering and Allied Workers' Union of South Africa (Seawusa), Engineering and Allied Workers' Trade Union of South Africa (Eawtusa) and the Engineering and Allied Workers' Union (Eawu)

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[illegible]

Cape Times 7/7/88

Drop racism, says union

Own Correspondent

JOHANNESBURG — The National Union of Metalworkers of SA (Numsa) included in its wage demands with Seifsa yesterday that Seifsa undertake to ensure member companies abandon racism

Seifsa said it would distribute the demand to its members

Numsa organizer Mr Bobby Marie said the union found evidence of racism in at least five companies employing about 40 000 workers

Numsa declared a dispute with Union Steel Corporation claiming discrimination in pay scales and overtime rates

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Cape Times 12/7/88

Metalworkers favour 'industrial action'

JOHANNESBURG.— Of 90 000 National Union of Metalworkers of SA (Numsa) members, 87% voted in favour of industrial action over wage increases.

A total of 130 000 International Metalworkers Federation (IMF) workers will take part in the current ballot.

An IMF spokesman said the "Industrial action" would still have to be decided upon

A strike would be included among the possibilities

The four unions linked to the IMF are Numsa (Cosatu), the Steel, Engineering and Allied Workers Union of SA, the Engineering and Allied Workers Union of SA and the Engineering and Allied Workers Trade Union.

The unions demand an across the board increase of 60 cents an hour [illegible] CPress 17/7/88 (189)

Strike ballot as metal talks deadlock

By KERRY CULLINAN

Employers in the metal industry and unions from the SA Council of the International Metalworkers' Federation have once again reached deadlock on wages and working conditions.

And preliminary results of a strike ballot over the last few weeks reveal that 87 percent of workers are in favour of a strike.

Last week, after holding a number of mass meetings with its members, the IMF unions submitted six revised demands to employers, who are organised in the Steel and Engineering Industries Federation of SA.

These included reducing wage demands from 40 percent to between 14 and 23 percent.

However, the employers' reply this week indicated that they were determined to stick to their proposals.

According to the employers' federation: "Employers are prepared to make the final employer offer – a 17,4 percent increase – retrospective to July 1, 1988, but are not in a position to make a further offer on wages."

Seifsa also refused to endorse the call for the suspension of the Labour Relations Amendment Bill and discuss a proposal for an internal dispute procedure to establish labour relations for the industry.

"Seifsa supports the decision of the Minister to promulgate the Bill on September 1, to allow more time for the discussions currently taking place between Saccola, Cosatu and Nactu," said Seifsa.

Union observers believe that, following the Chamber of Mines' settlement of a wage dispute with the National Union of Mineworkers – more or less on its terms – metal employers are determined to do the same.

However, since last year's planned strike in the metal industry was outlawed by a Government Gazette, anger has been steadily building up among workers on the factory floor, and the IMF may be compelled to call a strike.

Star 22/7/88

Malbak forges ahead

(189)

By Ann Crotty

Malbak management is forecasting earnings per share of 100c for the 12 months to end-August and a dividend payment up by 25-30 percent which means that shareholders can look forward to a dividend in excess of 25c a share

The 100c forecast represents a 54 percent increase on financial 1987's actual weighted average performance and is 40 percent ahead of the pro forma earnings

Referring to the group's third quarter performance, to end-May, the directors note a continued improvement in profitability and state that earnings per share are well ahead of last year and budget

"As a result of the major acquisitions made during 1987 and further acquisitions during the current financial year, group turnover is 202 percent ahead of last year "

Cape Times 22/7/88

Strikes start industrial action

JOHANNESBURG — Strikes at three metal companies yesterday heralded the beginning of a wave of selective industrial action over the wage dispute between the Steel, Engineering and Industrial Federation of South Africa (Seifsa) and International Metalworkers' Federation unions, a union spokesman said.

A spokesman said the strikes were in protest against management's refusal to agree to plant-level negotiations

189 [illegible] [illegible]

McCallum.

CA Times 23/7/88

Strikes at three metal factories

189

JOHANNESBURG. — Strikes at three metal sector companies yesterday are the latest step in the wage dispute between Seifsa and the International Metalworkers' Federation unions. Strikes at Femco, Brits and Denver Steel in Benoni were in protest against managements' refusal of plant-level negotiations. — Sapa

189

Skr 29/7/85

New Eurefin listing pitched at 200c

By Ann Crotty

Eurevest, the latest product to come from the Ronnie Price stable, looks set to get a listing via a one-to-one rights offer to existing Eurefin shareholders at an issue price of 200c The deal should boost Eurefin's current cash holdings of R30 million to R40 million.

Yesterday, Eurefin closed at 400c after heavy trading Ahead of the announcement of the deal, the group was sitting with cash of R30 million, equivalent to 400c a share, so the market appears to be putting no value on the additional assets that Eurefin is now selling, or is perhaps uncertain of how to rate its total assets

It seems likely that the investment community will, at least initially, be soemwhat taken aback at the price at which Eurefin management is pitching the issue price of Eurevest

According to management, the 200c is in line with Eurovest's net asset value, which is said to include cash of about R6 million, equivalent to 75c a share.

Some time ago Eurefin management said the book value of Atlas-Utas, which is to be part of Eurovest, was in the region of 67c a share. (However, analysts believe its earning capacity should ensure a much higher market value) If the 67c is accepted for Atlas-Utas, then the remaining assets are being valued at around 130c, of which 75c is represented by cash

Apart from Atlas-Utas and the cash, Eurovest will comprise Durafoam and Utas Investments Atlas-Utas is a distributor of automative reconditioning machine tools and has long been part of the Eurefin group, Durafoam is a manufacturer and distributor of PVC plastic outdoor and leisure furniture and is a recent acquisition by Eurefin Utas Investments holds a portfolio of selected marketable securities

If the deal goes ahead as planned (management has said it is subject to certain conditions precedent), then Eurefin will with one hand be giving over R6 million to Eurovest, but with the other hand will be taking in some R15 million from the sale of assets on which the market seems unwilling or unable to put much value

So Eurefin is now a cash shell with R40 million and, with the collapse of the Sage deal, there is talk once again of a possible deal with Brian Joffe

Allegations fly in metal industry

Strike action set to begin

89

2/8/88 B/Day

ALAN FINE

CO-ORDINATED and "strategic" strike action in the metal industry would begin tomorrow, the SA council of the International Metalworkers' Federation (IMF) said yesterday.

Mass meetings of shop stewards at the weekend had endorsed recommendations to that effect made by the IMF negotiating team last week.

The IMF said the action would take place primarily in the major industrial areas and in companies which were important in Seifsa decision-making.

The four unions involved are demanding a 23% increase in the minimum wage, while Seifsa has offered 14% to 17%

However, 66 companies which had "decided to move away from Seifsa's rigid position", most of whom had already agreed to increases close to the IMF demand, would be excluded from the action. So would others which made acceptable offers before tomorrow.

The IMF said Seifsa's wage offer did nothing to reduce the industry's wage gap, which was a result of a history of job reservation and the exclusion of African workers from collective bargaining

Seifsa director Brian Angus said those allegations had been raised and refuted several times during negotiations.

He said employees at another company had yesterday notified management of acceptance of the Seifsa offer, suggesting certain elements in the National Union of Metalworkers of SA were not supporting the union stand.

Employer sources said they understood there had been substantial worker support for the acceptance of the wage offer However, a group of militant East Rand elements had swung the decision in favour of a strike.

ent was declared invalid earlier this
the Supreme Court, is confused

Mr Enos Mabuza

The trial court's view t

Metalworkers opt for strategic strike

Cape Times 2/8/88 167

Own Correspondent

JOHANNESBURG — Co-ordinated and "strategic" strike action in the metal industry is to begin tomorrow, the SA council of the International Metalworkers' Federation (IMF) said yesterday

Mass meetings of shop stewards at the weekend had endorsed recommendations of this effect made by the IMF negotiating team last week. Strike action involving about 2 000 workers is already occurring at seven Transvaal firms.

The IMF said the action will take place primarily in the major industrial areas, and in some companies which are important in Seifsa decision-making

The four unions involved are demanding a 23% increase in the minimum wage, while Seifsa has offered 14% to 17%.

However, 66 companies which have "decided to move away from Seifsa's rigid position", most of whom had already agreed to increases close to the IMF demand, will be excluded from the action. So, said the statement, would others which made acceptable offers before Wednesday.

The statement said Seifsa's wage offer did nothing to reduce the industry's wage gap, which was a result of a history of job reservation, the exclusion of African workers from collective bargaining

The wage gap was also a consequence of Seifsa's continuing practice of signing agreements with predominantly white minority unions, and its refusal to bargain properly with the majority unions representing semi-skilled and unskilled workers, the IMF said.

Star

(184)

2/8/88

Metal workers set to strike tomorrow

Mass meetings of shop stewards from International Metalworkers' Federation unions at the weekend endorsed recommendations of the IMF's negotiating committee for strike action in the metal industry from tomorrow, a statement from the National Union of Metalworkers of South Africa said today.

This decision followed the Steel and Engineering Industries Federation of South Africa's (Seifsa) "refusal to make any further move on the wage offer it agreed with minority unions".

The statement said the IMF represented the majority of organised workers in the industry and its members rejected Seifsa's wage offer which "does nothing to reduce the wage gap in the industry"

"This gap is a result of job reservation, of the exclusion of black workers from collective bargaining in the past, and the continued practice of Seifsa to sign agreements with predominantly white minority unions and refuse to bargain properly with the majority unions "

66 COMPANIES

The statement said the "legal strategic strike action" would occur primarily in the major industrial areas and at some of the companies which are important in Seifsa decision-making

"The action is scheduled to begin on Wednesday August 3 "

Numsa said 66 companies had decided to move away from Seifsa's position

Wage increases close to the IMF's demand had been agreed in most of the 66 companies and they were not expected to be included in the strike

Other companies which made acceptable offers on the IMF demands before tomorrow would also be excluded, the statement said

The IMF was looking for an average wage increase of 23 percent and wanted to exchange two other public holidays for June 16 and Sharpeville Day

Seifsa had offered increases of between 14 and 17 percent and had agreed to May 1 as a workers' holiday

A spokesman for Seifsa was not immediately available for comment — Sapa

METAL INDUSTRY DISPUTE STILL ON

139

2/8/88 Sowetan

Workers stick to their demands

HUNDREDS of workers continued their strike in the metal industry yesterday in an attempt to pressurise managements to accede to their wage demands.

A spokesman for the Steel and Engineering Industries Federation of South Africa (Seifsa), said six companies were affected by the industrial action while workers at five other firms had called off their strike and returned to work

He said companies hit by the industrial action included Repco in Port Elizabeth, where the workforce had embarked on a go-slow strike

Members of the International Metalworkers' Federation (IMF) are on strike in protest against Seifsa's refusal to move on its final wage offer

Four IMF affiliates locked in a wage dispute with Seifsa are the National Union of Metalworkers of South Africa Electrical and Allied Workers' Trade Union of SA, Steel Engineering and Allied Workers' Union and Engineering and Allied Workers' Union

The IMF unions demand — among other things — a minimum hourly wage of R3,21 while managements' final offer stood at R3,02.

Strike to focus on PWV area

189

ALAN FINE

THE metal industry strike planned for today is likely to be based mainly on the Witwatersrand, National Union of Metalworkers of SA leader Bernie Fanaroff said yesterday.

He declined to estimate how many of the 130 000 members of the four unions affiliated to the International Metalworkers' Federation, which had called the wage strike, would take part.

Companies with formal in-house agreements, as well as those which have made satisfactory offers outside the industrial council, have been exempted from strike action.

These include many of the industry's large groups, and it is expected the action will hit mainly smaller plants However, there are some large groups, Dorbyl for example, which have refused to bargain outside the council. Fanaroff said few companies outside the Transvaal did not bargain outside the council. However, 70% of the industry's workforce was based in the Transvaal.

Seifsa chief economist Michael MacDonald said base metals producers were unlikely to be affected.

B/Day 3/8/88

Sowetan 3/8/88

189

[redacted]

[redacted]

[redacted]

New move on wage demands

By LEN MASEKO

UNIONS affiliated to the International Metal Workers Federation are expected to step up industrial action today in another bid to force metal companies to meet their wage demands.

IMF secretary Mr Brian Fredericks said "strategic strike action" would take place in major industrial areas, and at some of the influential companies affiliated to the employer body, the Steel and Engineering Industries' Federation of South Africa (Seifsa)

At the centre of the wage dispute between Seifsa and four IMF unions is the employer body's refusal to improve its final offer of R3,02 an hour minimum wage The IMF affiliates demand — among other things — a minimum hourly wage of R3,21

The IMF official said "The IMF represents the majority of organised workers in the metal industry and our members reject Seifsa's wage offer. The offer does nothing to reduce the wage gap in the industry

"This gap is a result of job reservation, of the exclusion of African workers from collective bargaining in the past, and the continued practice of Seifsa to sign agreements with predominantly white minority unions," he added

Sixty-six companies, the official said, had decided to "move away from Seifsa's rigid position". Wage increases close to the IMF's demands had been agreed to at most of these companies, he said.

Mr Fredericks said "The IMF remains open to negotiations, but Seifsa has not replied to the IMF's request "

A Seifsa spokesman referred the *Sowetan* to an earlier statement issued by the employer body in which it refuted some of the IMF claims

He said employees at another company had already accepted the Seifsa offer, suggesting that some members belonging to one IMF affiliate did not support the union's stand

At least 11 companies in the metal industry have had production affected as a result of strikes by IMF unions in the past week

The IMF unions are the National Union of Metal Workers of South Africa, Engineering and Allied Workers Union, Steel Engineering and Allied Workers Union and Electrical and Allied Workers Trade Union of South Africa

Meanwhile Seifsa is still awaiting response from its member companies whether lock-outs should be effected in the event of strike action by IMF affiliates, a spokesman for the employer organisation said

Seifsa is conducting a ballot over the issue among its more than 3000 members

28/8/88 ([redacted]) ([redacted]) (189) Star

Metalworkers begin selective national action

By Adele Baleta and Janet Heard

Thousands of metal workers — mainly in the Transvaal — began strike action today to induce industry employers to reopen wage negotiations for 1988

However, spokesmen for the National Union of Metalworkers of SA (Numsa) and the Steel and Engineering Industries Federation of SA (Seifsa) could not give an indication of the areas and exact number of workers on strike at the time of going to press

Numsa spokesman Dr Bernie Fanaroff said reports on the selective strike action called by the International Metalworkers' Federation (IMF) would be received from local offices during the day

Mr Brian Angus, Seifsa director, said today there has still been no communication between the IMF and Seifsa regarding the union's decision to strike

He said the bulk of Seifsa's 3 500 members were unlikely to accede to the IMF demands because they regarded the employer final offer to the unions as "very fair"

The IMF is demanding an average wage increase of 23 percent and a minimum hourly rate of R3,21, against an employer offer of 17 percent and R3,01 The parties are also in dispute over the recognition of June 16 and Sharpeville Day (March 21) The unions want the days exchanged for two existing public holidays

IMF spokesman Mr Brian Fredericks said the unions were still open to negotiations

In addition to Numsa, the other unions involved in the dispute are the Electrical and Allied Workers' Trade Union of SA, the Steel Engineering and Allied Workers Union and the Engineering and Allied Workers Union

Metalworkers on strike for 23% wage increase

(180)

CAPE TIMES 4/8/88

Own Correspondent

JOHANNESBURG — Metalworkers yesterday went on a strike in demand of a 23% wage increase, but figures for numbers who took action differed and employers said the strike had limited impact

International Metalworkers' Federation secretary Mr Brian Fredericks said reports showed that 20 517 union members at 111 factories were involved The majority were members of the National Union of Metalworkers of SA (Numsa) The action is confined to the PWV area in all but two cases

A statement by the employer body, the Steel, Engineering and Industrial Federation of SA (Seifsa), said members reported that 10 123 workers at 83 companies were on strike This represented 8% of total IMF membership and suggested employees were generally not in favour of strike action

Numsa leader Mr Bernie Fanaroff said the union had received indications from certain major groups in Seifsa that they may be prepared to negotiate

Business Day

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AL and CAPE 80c (71c + 9c tax) A TIMES MEDIA PUBLICATION

189 B/Day 4/8/88

PWV metalworkers begin wages strike

ALAN FINE

UP to 20 000 metalworkers yesterday began a strike which union leaders predicted would last for two to five days. The action, confined to the PWV region except for two cases, backs a 23% wage increase.

● FREDERICKS

International Metalworkers Federation local secretary Brian Fredericks said regional reports showed 20 517 union members at 111 factories were involved The vast majority were National Union of Metalworkers of SA (Numsa) members.

A Seifsa statement said the action appeared to have had limited impact. Reports from members showed 10 123 workers at 83 companies were involved. This represented 8% of total IMF membership and seemed to confirm employees generally did not favour a strike.

However, union leaders pointed out that companies with in-house agreements, plus another 76 which had broken ranks with Seifsa, were exempt from the strike. The numbers participating therefore represented 60% of those eligible.

Seifsa said strikers' conduct had been generally peaceful and orderly. However, certain companies had reported strikers interfering with the work of temporary employees They intended to seek court interdicts against the strikers, and lock outs were being considered.

The union said most affected companies were small ones with up to 300 employees. However, the numbers included 3 600 Dorbyl/Metkor employees at 15 plants, and 2 500 Siemens workers. Siemens put the figure at 1 500, while Dorbyl could not be reached

Numsa leader Bernie Fanaroff said the union had received indications from certain major groups in Seifsa that they might be prepared to negotiate outside the council. However, this raised the danger that Seifsa, and therefore industrywide bargaining, may crumble.

Seifsa director Brian Angus said yesterday's feedback from employers indicated the dominant Seifsa view, that there should be no movement on the wage offer, would not change.

(189)

Star

4/8/88

Witbank workers down tools

By Adele Baleta

At least 1 000 National Union of Metalworkers of SA (Numsa) members at Middelburg Steel in Witbank went on strike yesterday to back demands for the dismissal of a management staff member, a union spokesman said.

A management spokesman said last night that the strike which involved between 350 and 500 members ended only yesterday afternoon following talks with Numsa.

This could not be confirmed by the union at the time of going to press.

A Numsa official said earlier the workers demanded that the staff-member be removed after he threatened members with dismissal if they did not resign from the union

This happened during Numsa's in-house wage negotiations with Barlow Rand, owners of Middelburg Steel, he said.

A hearing exonerated the official, he said.

4/8/88

Star (184)

Metalworkers continue strike action today

By Adele Baleta and Janet Heard

Between 10 000 and 21 000 metalworkers continued strike action today aimed at pushing employers to resume 1988 wage negotiations

International Metalworkers' Federation (IMF) secretary, Mr Brian Fredricks, said yesterday the strike could last between two and five days, depending on the Steel, Engineering and Industries Federation of SA (Seifsa) response to the action

He said 111 factories had been hit by the strike and 20 517 union members, mostly National Union of Metalworkers of SA (Numsa) members, had participated in the action which began yesterday.

But in a statement yesterday, Seifsa said 83 companies were affected and between 10 000 and 11 000 employees were involved.

Seifsa director, Mr Brian Angus, said the strike appeared to have "limited impact" and would not affect Seifsa's final wage offer.

The strike arose from an ongoing dispute over wages and conditions of employment between the 3 500-strong employer federation and the four trade unions belonging to the International Metalworkers' Federation (IMF)

The IMF is demanding an average wage increase of 23 percent and a minimum hourly rate of R3,21 Seifsa has offered a 17,4 percent increase including an hourly minimum rate of R3,02.

The strike has centred primarily on the Witwatersrand, Mr Fredricks said

The number of companies which had agreed to negotiate at plant level rose from 66 to 76 yesterday, he added Mr Angus however, said he had not received reports from members who had reopened negotiations

In a statement, Seifsa said reports had been received from certain companies yesterday that strikers were singing and chanting and interfering with the work of temporary employees.

"The companies have advised that they intend to seek court interdicts against striking workers and others have indicated that lock-out action is being considered"

Cape Times 5/9/89

Metal worker strike swells in talks bid

JOHANNESBURG. — Metal workers from another 19 companies began striking yesterday in an attempt to reopen wage negotiations, bringing the total number of companies involved up to 130, the local secretary for the International Metalworkers Federation (IMF), Mr Brian Fredericks said yesterday

About 23 000 workers were now engaged in the strike, he said

However, director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Mr Brian Angus, said the situation was "generally unchanged" from yesterday, and only a "small number of companies" had reported strike action yesterday — the second day of the wage strike. — Sapa

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STC employee dies after falling from bus

JOHANNESBURG — An employee of Standard Telephone and Cables (STC) in Boksburg was killed instantly last night when she fell under the wheels of a bus after allegedly being pushed off, group executive of Altech, Mr Jacques Sellschop, said yesterday.

Mr Sellschop stressed that the woman was completely off STC property when the incident happened, adding that the bus was not a company vehicle.

East Rand police spokesman, Lieut Willie Meyer, confirmed that the worker was killed after being run over by the bus, but said they had not received any information that she had been pushed off

The incident happened after a group of women were leaving the factory premises, Mr Sellschop said.

"To what extent the incident is industry related, we do not know, as an investigation into her death has not yet been carried out"

He said between 70 and 90 workers out of the 3 800-strong workforce went on strike for a few hours yesterday morning over a wage dispute, but were back at work in the afternoon

Between 10 000 and 23 000 metal workers began striking yesterday in an attempt to coerce employers to push up their wage offer — Sapa

Metal strike starts to harden

[illegible]

B/Day

ALAN FINE

THE metal industry wage strike spread yesterday as union leaders said they might extend the stoppage for two or three weeks. Seifsa said its members would sit it out

Unions originally planned a strike of between two and five days.

An employee of one of the affected companies was killed on Wednesday outside the plant It is not known whether her death was related to the strike

Seifsa said about 12 000 employees at 89 firms were affected yesterday, compared with 83 on Wednesday

Spokesmen for the local council of the International Metalworkers' Federation said 140 plants — 29 up on Wednesday — and 25 000 workers were involved

Seifsa director Brian Angus, asked to explain the discrepancy, said his estimate might be an understatement as he relied on reports from members.

Angus said some companies were contemplating dismissing strikers. Seifsa had advised them to take note of recent industrial court judgments which indicated employers could not easily nor quickly dismiss workers striking legally

Unionists said another 15 firms had agreed to negotiate terms over and above Seifsa's offer to take the total to 91. Seifsa's failure to approach the IMF for negotiations meant the strike might last for two to three weeks.

Angus said Seifsa had notified the IMF yesterday that the July 13 offer would be withdrawn unless the unions communicated by close of business yesterday By late afternoon no reply had been received.

National Union of Metalworkers of SA leader Bernie Fanaroff expressed concern that 11 companies had locked out employees.

"Having hundreds of people milling around will not help matters," he said.

● To Page 2 ⇨

Metal industry strike starts to harden

5/8/88

B/Day

● From Page 1

(189)

Seifsa said workers had been told to leave company premises because of incidents of violence and intimidation. Reports of intimidation had been received from about 15 firms, a spokesman said.

A woman employee at Anglo American's Standard Telephones & Cables in Boksburg died on Wednesday night after being knocked down by, or falling out of, a bus, Anglo industrial relations adviser Don Ncube said She had just been attacked by six balaclava-clad people

Ncube stressed there was insufficient information to determine who her assailants had been.

5/8/88

Metal wage strike spreads

ABOUT 25 000 workers were staging wage strikes in the metal industry yesterday as the industrial action spread to 130 factories, a spokesman for the National Union of Metalworkers of South Africa said.

Numsa official, Mr Bernie Fanaroff, said between 10 000 and 21 000 workers participated in the industrial action on Wednesday — the first day of the strike.

The strikes are aimed at forcing the employer body, the Steel and Engineering Industries' Federation of South Africa (Seifsa), to settle a wage dispute between itself and four unions affiliated to the International Metalworkers' Federation (IMF).

The IMF unions involved in the wage dispute include Numsa, Engineering and Allied Workers' Union and Steel Engineering and Allied Workers' Union. They demand — among other things — an average wage increase of 23 percent and a minimum hourly rate of R3,21

Seifsa, which represents about 3 500 firms, has offered a 17,4 percent rise including an hourly minimum of R3,02

Mr Fanaroff said managements had instituted lockouts at some plants affected by the strikes. These companies, he said, included Tilley MacMill, Austen Safes, Printers' Rollers Services, Abkins Steel, Dorbyl Heavy Engineering and Mitco Tools

The Numsa official said a number of large companies were not affected by the industrial action because they had separate, in-house agreements with the IMF affiliates

Sowetan.

189

Metal industry is set for long strike

Star 5/8/88 189

By Adele Baleta

The metal industry appears set for a long strike following a hardening of attitudes by the Steel and Engineering Industries Federation (Seifsa) and metal unions

Employers reported yesterday incidents of intimidation and violence at a number of factories, and unions said workers were evicted from factories

At the same time, the Congress of SA Trade Unions (Cosatu) entered the fray by promising support for the thousands of metalworkers "fighting for a living wage".

WOMAN KILLED

A National Union of Metalworkers (Numsa) spokesman said it was not known whether the death of a Standard Telephone and Cables employee in Benoni yesterday was a consequence of the strike

Police said the woman was killed after being run over by a bus, but could not confirm allegations that she had been pushed off the bus.

A Seifsa statement said employers had told it they intended to "sit out" the strike and many were employing temporary staff to ensure production was not disrupted

And the International Metalworkers' Federation (IMF) warned yesterday the strike could last for two to three weeks as there had still not been any Seifsa response to the IMF's call to re-open the 1988 wage negotiations

IMF local secretary Mr Brian Fredricks said metal workers from a further 29 companies came out in support of a 23 percent wage increase yesterday, bringing the total number of companies affected to 140 There were 25 000 workers on strike

Seifsa said reports showed that 12 000 workers at 89 companies were involved and said it had been informed that strikers at two companies yesterday decided to accept the Seifsa wage offer and return to work

A Numsa spokesman, Dr Bernie Fanaroff, said the union was planning to meet Seifsa to discuss the eviction of workers from at least 11 companies and the seeking of court interdicts by companies against striking workers

6/8/88

Metal industry shop stewards meet today

189

JOHANNESBURG — Some 450 shop stewards in the metal industry will meet here today to decide whether to extend the strike, now in its third day

The local secretary of the International Metalworkers' Federation (IMF), Mr Brian Fredericks, announced yesterday that the strike — initially planned to last between two and five days — could be extended to two to three weeks

Between 14 000 and 25 000 workers, mostly in the Witwatersrand area, have been striking since Wednesday morning.

The proposed extended action is an attempt by the union to push Seifsa into reopening wage negotiations and raise their offer of a 17,4% increase, including an hourly minimum rate of R3 02 The four IMF unions are demanding a minimum wage increase of 23%

Mr Fredericks said the full shop stewards council would meet at Wits University today to decide whether the strike should continue for longer than five days

Seifsa's director, Mr Brian Angus, yesterday said he had received more reports of strike action, but could not confirm when the workers had begun striking He said 14 800 workers at 102 companies had taken action since Wednesday — Sapa

6 saw blast suspects

6/8/88 Star

AT LEAST six people saw a white couple, who allegedly planted the Ellis Park car bomb on July 2, fleeing the scene minutes before the explosion.

The blast killed two people and injured 35

Police have confirmed that they are hunting for a white couple who allegedly parked a stolen BMW car outside the stadium in an area reserved for Transvaal Rugby Union members.

The investigation is said to be at a sensitive stage. — Sapa.

Metalworkers may extend strike

Star (189) 6/8/88

ABOUT 450 shop stewards in the metal industry will meet in Johannesburg today to decide whether to extend the strike.

The local secretary for the International Metalworkers' Federation (IMF), Mr Brian Fredericks, announced on Thursday that the strike — initally planned to last between two and five days — could be extended to between two and three weeks.

Between 14 000 and 25 000 workers, mostly on the Witwatersrand, have been striking since Wednesday.

The proposed extended action is an attempt to push the Steel and Engineering Federation of South Africa (Seifsa) into reopening wage negotiations and to up their offer of a 17,4 percent increase, including an hourly minimum rate of R3,02.

The four IMF unions are demanding a minimum wage increase of

TO PAGE 2

Landmark settlement to metal strike

(189)

are due back at work by Monday. Fanaroff said most would return by today

The settlement was based on an eight-point offer made by Seifsa, which supplements the final employer offer made [illegible] month. The entire deal was backdated to July 1.

It included one feature that will add to employees' annual pay packets this year — an attendance allowance of up to two days' pay a year Angus said the *quid pro quo* for employers was the prospect of better attendance.

However, other aspects of the deal were noted as even more significant. These included

☐ employer acceptance of a five-year programme to eliminate anomalies in the industry's wage curve,

☐ a procedure to investigate allegations of racial discrimination in individual firms. This will also be used for investigating alleged intimidation and violence,

☐ may 1 and June 16 as paid holidays in

From Page 1

exchange for Workers' Day and Founders Day, subject to a 75% vote in favour by employees at each plant Minorities will be protected through allowing them to work in extra hours so as to take leave on the latter two days if desired This is believed to be the first such industry-wide agreement,

☐ Seifsa is to attempt to persuade companies that have dismissed workers for their participation in the strike to reinstate them, and

☐ Seifsa will support the Saccola initiatives regarding the Labour Relations Amendment Act

SIPHO NGCOBO reports that Cosatu in a statement yesterday saluted the metalworkers for having won "major gains" following the strike, saying they had shown tremendous courage in pressing their demands "against one of the most hardline" employer bodies

B Day 19/8/88

Metal workers down tools

7/8/88 **By KERRY CULLINAN** C/Press

METAL factories in the PWV area came to a standstill this week as some 20 000 workers downed tools in support of a 23 percent wage increase.

The International Metalworkers Federation, which represents the workers, said that 20 517 of its members at 111 factories were on a strike which would last from two to five days.

(189) ([illegible])

The action comes in the wake of a deadlock between workers in the IMF and employers organised in the Steel and Engineering Industries Federation of SA.

Those firms which had indicated that they were prepared to negotiate separately from Seifsa had been exempted from the strike. This meant that those taking part represented 60 percent of those eligible, said IMF.

Estimates differ on striking metalworkers

8/3/88 Star

189

The metalworkers' strike entered its fourth day today with employers and the union providing markedly different estimates of the number of workers and factories involved

A National Union of Metalworkers of SA (Numsa) spokesman said a meeting of 600 shop stewards at the weekend had decided that the strike was to continue beyond Tuesday of this week

The meeting was told that 28 745 workers were involved at 160 factories

An employers' spokesman said that the numbers involved were 14 050 workmen at 102 factories — Staff Reporter

Another 300 men fired

Metalworkers strike extended until end of week

(189)

9/8/88

Star

By Adele Baleta

Another 300 striking metalworkers were dismissed yesterday, bringing the total number of those who have lost their jobs so far to over 1 200, a National Union of Metalworkers of SA (Numsa) spokesman said today

The spokesman said the 300 workers had been fired from Vetsak in Isando, Johannesburg.

A company spokesman confirmed the dismissals but could not give an exact figure

Numsa reported yesterday that 500 workers were dismissed by Vetsak in Bothaville in the Free State, 19 were fired by Printer Rollers in Germiston, 400 from Maksal Tubes in Springs and 48 from Baisch Engineering in Kempton Park

The union would soon be taking legal action against the dismissals, the Numsa spokesman said.

The Steel and Engineering Industries Federation of SA (Seifsa) said 847 employees of two firms had been dismissed

The employer federation also reported that 15 400 workers at 113 factories were on strike and 1 291 workers at seven companies had returned to work

The International Metalworkers Federation (IMF) said a total of 30 835 workers were now on strike at 178 factories. This was an increase of more than 10 000 workers since the strike started on Wednesday last week.

An IMF spokesman said a meeting between Dorbyl Metkor and union shop stewards ended in deadlock yesterday with the group refusing to raise the Steel and Engineering Industries Federation of SA (Seifsa) wage offer of 17,4 percent Workers are demanding a 23 percent wage increase

The strike, which was originally due to end today, would last until Friday.

9/8/88 B/Day

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Court action over metalworker sackings

ALAN FINE

NEARLY 1 000 striking metalworkers at four firms had been dismissed and legal advisors would be proceeding with Industrial Court action on these cases soon, International Metalworkers' Federation local secretary Brian Fredericks said yesterday

He added that Vetsak in Bothaville had dismissed 500, Maksal Tubes in Benoni 400 and two Kempton Park small firms a total of 65. Seifsa said it had been notified that 847 employees of two firms had been dismissed.

According to the federation, 10 firms had applied for interdicts ejecting employees from premises and nine of these had been granted

Seifsa said 15 400 workers at 113 companies were involved in the strike yesterday while 1 291 at seven firms had returned to work Of the 113 firms only three had agreed to bargain at plant level Employers, on the whole, were determined to resist union demands

The IMF said an additional 18 firms had been hit by the strike and that 30 835 union members were now out

Reacting to Seifsa allegations of violence and intimidation at six firms, reported on Friday, Fredericks said strike organisers had made it clear that such action would not be tolerated

"If necessary we will send organisers and officials to the plants where this is allegedly occurring But it would help if Seifsa supplied us with details," he said

Cape Times 9/8/89

Seifsa workers' strike spreads

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JOHANNESBURG. — The metalworkers' strike entered its fourth day yesterday with management and unions providing different estimates of the number of workers and factories involved.

One of the four unions involved in the strike, the National Union of Metalworkers of South Africa (Numsa), said the number of striking workers had increased by 8 745 to 28 745 since the start of the strike.

But the director of the Steel and Engineering Industries Federation of South Africa (Seifsa), Mr Brian Angus, said the number of workers on strike was 14 050 and 102 factories had been hit.

A spokesman for the International Federation of Metalworkers, Mr Brian Fredericks, said 500 workers had been dismissed by Vetsak in the Free State town of Bothaville while two other companies in the PWV area had dismissed a total of 65 others

The IFM was granted a Supreme Court interdict yesterday restraining the management at Dorbyl (Vaal) from evicting workers on strike there.

Management at Dorbyl informed the IFM that it intended to stick to the Seifsa offer and would not be induced to make a separate deal with the union.

The IFM unions are demanding a minimum wage of R3,21 an hour, and June 16, May 1 and Sharpeville Day as public holidays

Seifsa have offered a minimum wage of just over R3 an hour and May Day as a holiday.

Sowetan 9/8/93

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28 500 involved in metal industry strike

CLOSE on 28 500 workers were involved in the metal industry's wage strike which entered its fourth day yesterday, a spokesman for the National Union of Metalworkers said yesterday.

Numsa official, Dr Bernie Fanaroff, said the strikes had spread to about 160 factories in the Pretoria - Witwatersrand-Vaal areas He said 30 Dorbyl and Metcor plants were affected by the industrial action

He said other developments related to the strikes included

- Dismissal of 500 workers at Vetsak's Free State plant An ultimatum, the union official said, had already been issued to about 300 employees at Vetsak's Isando factory to return to work,
- Baisch management had obtained a court interdict allowing them to evict 40 employees involved in the strike at the company's Durban factory However, he said, the workers had not yet been evicted
- The strikes would continue indefinitely This decision was taken at a shop stewards' meeting at the weekend Another shop stewards' meeting would be held next weekend to review the strike action

The strikes were sparked off by a wage deadlock between the employer body, the Steel and Engineering Industries' Federation of SA, and four unions affiliated to the International Metalworkers' Federation (IMF) The IMF unions include Numsa, Steel Engineering and Allied Workers' Union and Engineering and Allied Workers' Union

Metal strike costing R3,5m a day

ALAN FINE

THE week-old strike in the metal industry is costing R3,5m a day in lost production, calculations by Seifsa's economics division head Michael MacDonald reveal.

The estimate was released yesterday as both sides met for the first time since the strike began.

They held talks on allegations of violence and intimidation and employer applications for interdicts for the eviction of strikers from company premises.

Seifsa said the R3,5m figure was based on employer estimates that the strike involved 15 400 workers at 113 companies, the industry's projected

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10/8/88 BDay

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Metal industry strike costing R3,5m a day

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total output of R36bn for 1988, and on the assumption thataffected companies were maintaining production at 50% to 60% of normal levels

MacDonald also assessed strikers were losing about R500 000 a day in wages.

A union spokesman said yesterday the strike had spread to encompass 31 083 workers at 180 firms Another 728 workers at four firms had been dismissed and two interdicts had been granted to employers — including one because o workers singing at the plant

Seifsa said export supplies were not being disrupted by the strike because base-metal producers had separate wage agreements

BDay

31 000 strike

By LEN MASEKO

THE wage strike in the metal industry spread to more companies yesterday bringing the total number of workers involved in the industrial action to about 31 000, a spokesman for the National Union of Metalworkers said

Numsa national organiser, Mr Peter Dantji, said 178 factories were affected by the strikes while 91 had so far reached wage settlements with the union through the International Metalworkers' Federation

IMF affiliates — which include Numsa and Steel Engineering and Allied Worker's Union — are locked in a wage dispute with the employer body, the Steel and Engineering Industries Federation of SA (Seifsa)

Demand

The IMF unions demand — among other things — an average wage increase of 23 percent and minimum hourly rate of R3,21 while Seifsa has offered an average 17,4 percent increase and a minimum rate of R3,02 an hour

Mr Dantji said other developments related to the strikes included

- Plant-level bargaining between union officials and Printers Rollers' Services resumed yesterday in an attempt to resolve the wage dispute,
- Fresh wage talks between union officials and Dorbyl ended in a deadlock this week after, he said, the company indicated it would only negotiate wages and working conditions through Seifsa,
- Some of the 91 companies which had settled with the IMF had agreed to wage increases higher than the 23 percent demanded by the unions, and
- About 1 200 workers had been dismissed at several companies as a result of the strikes

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Sowetan 10/8/88

Strike costing R3,5-m a day

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By Adele Baleta

The pay strike by thousands of metal workers was costing the industry an estimated R3,5 million a day in lost production, the Steel Engineering and Industries Federation of South Africa (Seifsa) said yesterday

For the first time since the strike began a week ago, both sides met yesterday to discuss employer's allegations of violence and intimidation.

A statement by executive director Mr Brian Angus said the projected value of production in the industry for 1988 was expected to be R36 billion.

DISMISSED

He said 113 out of nearly 9 000 (1,2 percent) companies in the industry had been hit by the strike which entered its eighth day today

The employer federation said yesterday the situation remained unchanged, with 15 400 workers on strike A total of 847 employees were reported to have been dismissed from two companies

But the National Union of Metalworkers of SA (Numsa) spokesman, Mr Jeff Schreiner, said yesterday the strike had continued to gain momentum, with 31 083 workers involved at 180 factories.

SETTLED

Another 380 workers had been dimissed yesterday, raising the total number of those who had lost their jobs since the start of the strike to more than 1 647, he said

He said settlements had been concluded with more than 100 companies

Many of these companies had agreed to wage increases higher than the 23 percent demanded by the unions, he said

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CT Times 10/8/88

Metal strike affects 1% of firms — Seifsa

JOHANNESBURG. — The Steel and Engineering Industries Federation of South Africa (Seifsa) said yesterday that this week's metal industry strike had affected "just over one percent of the nearly 9 000 companies in the industry".

A statement by Seifsa said that 113 companies had experienced strike action involving 15 400 workers.

The International Federation of Metalworkers (IMF), whose four member unions are involved in the strike, claimed that strike action involving more that 30 800 wokers at 178 companies had taken place since last week.

Seifsa confirmed that more than 800 employees had been dismissed by two companies because of the strike.

The IMF said on Monday that workers were fired from Vetsak plants in Bothaville and Sandton. — Sapa

Pay strike costs R3,5-m a day — metal industry

The Argus Correspondent

JOHANNESBURG — The wage strike by thousands of metal workers was costing the industry an estimated R3,5-million a day in lost production, said a statement from the Steel Engineering and Industries Federation of South Africa

In the statement issued by executive director Mr Brian Angus, the federation said more than one percent, or 113 of nearly 9 000 companies, had been hit by the strike, which entered its eighth day today.

Seifsa said some firms had hired temporary labour and others were maintaining production with non-striking employees

"Assuming that companies affected by the strike are managing to maintain between 50 and 60 percent of normal production levels, it is estimated that the strike is now costing R3,5-million a day in lost production," the statement said

The employer federation said yesterday the situation remained unchanged with 15 400 workers on strike

A total of 847 employees were reported to have been dismissed from two companies

But National Union of Metalworkers of SA spokesman Mr Jeff Schreiner said the strike continued to gain momentum with 31 083 workers involved at 180 factories

"LOCKED-OUT"

He said another 380 workers were dismissed yesterday, raising the total number of sackings since the strike began last Wednesday to 1 647

"Standard Telephone Cables has again moved to evict workers

"One hundred and fifty were locked-out at the British Doughty company because they were singing and Hart employees in Alrode were threatened with eviction because they were also singing," he said

Metal workers pour back to work

By Adele Baleta

Thousands of striking metal workers returned to work yesterday after wage settlements were reached between the International Metalworkers' Federation (IMF) and the managements of several companies

The IMF and the Steel and Engineering Industries Federation of SA (Seifsa) both reported a fall-off in the number of workers striking for more pay and to force employers back to the negotiating table

An IMF spokesman said yesterday more than 100 companies had negotiated separate wage agreements with the union federation and more than 4 000 workers had returned to work so far this week

Most of the firms involved in the agreements had offered more than the IMF's demanded 60c an hour increase

He said two of the major settlements reached yesterday were with the giant Siemens group and National Bolts Both companies had agreed to pay more than the Seifsa offer of 41c an hour

A Siemens spokesman confirmed the settlement He said the 1 400 workers on strike at five plants had returned to work.

National Bolts managing director, Mr Alan Schlesinger, said "constructive" negotiations had resulted in a minimum increase of 50c an hour The agreement would affect more than 600 workers at four plants, he added

Seifsa said 90 factories were still hit by strikes yesterday — 23 fewer than the previous day A total of 11 270 workers were said to be on strike and four companies had dismissed 1 214 workers

A Seifsa spokesman said 4 368 workers had returned to work at 25 companies and 10 of those firms had agreed to the 17,4 percent wage increase offered by Seifsa at industry level

He said it not clear on what basis the remaining 15 companies had secured a return to work

1/3/88 Star

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and CAPE 80c (71c + 9c tax) 11/8/88 (89) B/Day A TIMES MEDIA PUBLICATION

Metalworker strikers reach agreements with two major groups

ALAN FINE

WAGE settlements yesterday at two major groups involved in the metalworkers' strike appeared to mark the start of a new trend — a substantial return to work with or without improved wage offers.

Two of the firms most affected — Siemens and National Bolts — concluded agreements yesterday.

A Siemens spokesman, who said 1 500 employees at five locations had been on strike, confirmed workers on the lowest rates were to receive increases of 56c an hour.

The spokesman said the company traditionally negotiated additional merit increases once the industry agreement had been concluded.

Normally these were over a specific range and finally determined on merit. On this occasion, however, the extra increases would be paid across-the-board in each job category.

National Bolts MD Alan Schlesinger confirmed minimum increases of 50c an hour had been agreed for 600 workers at four plants.

He said workers had returned to work last week after four days on strike and "intensive and constructive" negotiations had then begun

Employer-body Seifsa had offered hourly increases of 41c on the bottom rate, with the unions demanding 60c, when negotiations deadlocked.

The National Union of Metalworkers of SA (Numsa)said yesterday a total of 4 404 members had returned to work since Tuesday after reaching settlement with several companies, including two in the Haggie Rand group.

In all, spokesman Geoff Schreiner said, the union had concluded agreements with 122 companies, most of which had not been affected by the strike.

There was no sign of a settlement with the Dorbyl/Metkor group where, according to Numsa, 31 plants were affected.

A Seifsa spokesman said 4 368 strikers employed by 25 companies had returned to work. At 10 of these employees had accepted Seifsa's 17,4% offer.

He said 90 companies remained affected by strike action involving 11 270 employees. Four companies had dismissed 1 214 strikers.

Siemens and National Bolts settlements would not affect most employers' determination to remain firm on their final wage offer.

Schreiner added an increase in the number of plants evicting workers from premises had taken place yesterday.

He added worker representatives remained ready to enter negotiations with Seifsa unconditionally.

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1 214 workers fired, '28 000 still on strike'

JOHANNESBURG — At least 1 214 striking metalworkers have been dismissed because of the stoppage while 4 368 workers have returned to work following the wage strike that started last Wednesday, the Steel and Engineering Industries Federation (Seifsa) said yesterday

The statement said Seifsa was notified that 90 companies had experienced strike action involving 11 270 employees

The International Federation of Metalworkers (IMF) earlier estimated that between 28 000 and 29 000 workers were still on strike at 180 companies

"So far 25 companies have informed Seifsa that 4 368 workers are back at work," the statement said

Of the 25 companies, 10 have confirmed to Seifsa that workers had accepted the 17,5% wage increase offered by the employer federation while the IMF unions were demanding increases of around 23%

Seifsa said it was not clear on what basis the remaining 15 companies had secured a return to work.

The IMF said that more than 100 companies had negotiated separate wage agreements with the IMF Most of the companies involved in the agreements had offered more than the IMF's demanded 23% increase

Seifsa said it had been confirmed that 1 214 striking workers had been dismissed by four companies involved in the dispute — Sapa

Court.

Cape Times 11/9/84 (182) (159) (63) (138)

IMF in wage rise deal

JOHANNESBURG. — The International Metalworkers' Federation (IMF)yesterday concluded a wage deal with the giant Siemens group for wage increases ranging from 56 to 80 cents an hour. The IMF said striking employees at their plants returned to work yesterday.

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Decision leaves metal industry without agreement

ALAN FINE

THE Manpower Department yesterday notified the industrial council for the metal industry that it was unable to gazette a wage agreement on the basis proposed by most of the council.

This still leaves the industry, in which the previous deal expired on June 30, without an agreement.

In June the council asked the Minister to gazette the agreement to exclude members of the four unions affiliated to the International Metalworkers' Federation now in dispute with Seifsa.

It would then cover members of those unions that signed the agreement and non-unionised employees.

However, a letter from the director-general yesterday said the department's legal advice was that objections to such an arrangement advanced by the IMF unions were probably correct.

These included section 48(1)(b) of the Labour Relations Act that empowered the Minister to bind *all* employers and employees to an agreement. He did not, the unions submitted, have the power to exclude any.

Seifsa director Brian Angus declined to comment as members were to discuss the matter today.

National Union of Metalworkers of SA spokesman Bernie Fanaroff welcomed the news. He said the IMF unions, and Numsa particularly, had complained for years at council treatment.

"They have to learn to to deal with us properly," he said.

The strike remained stable yesterday. Fanaroff said two more Dorbyl plants joined the stoppage while Angus said employees at a couple of firms had returned to work.

IN BRIEF

Brand SA, says Carter

Potential investment of R1,865bn

The Star Friday August 12 1988 3

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Strike continues to see-saw in metal industry

By Adele Baleta

The metal industry strike is continuing to see-saw, with more workers going on stike while others return to their posts at the conclusion of wage deals between the International Metalworkers Federation (IMF) and several companies

A National Union of Metalworkers of SA (Numsa) spokesman, Dr Bernie Fanaroff, said yesterday workers at another seven firms had joined the strike, which entered its eighth working day today

They included four Dorbyl/Metkor plants, raising to 35 the number of the group's operations affected by the strike.

DEADLOCK

A meeting between Dorbyl/Metkor and union shop stewards ended in deadlock this week with the group refusing to better the Steel and Engineering Industries Federation of SA (Seifsa) offer of 17,4 percent

A union spokesman based in the Eastern Cape said six companies in Port Elizabeth and Uitenhage had been affected by the strike

Company comment was not available at the time of going to press

Metal firms sack, lock out strikers

C/Press 14/8/88 (189)

Wage action becomes more bitter

By **KERRY CULLINAN**

SINCE workers voted at the weekend to extend the strike in the metal sector, employers have replied with dismissals and lock-outs

According to the International Union of Metalworkers, which is representing the strikers, more than 1 200 workers have been dismissed in the past week

The bulk of the dismissals have occurred at Vetsak in the Free State, where about 1 000 workers were dismissed

A number of factories have also locked their workers out and workers at Doughty say management gave "singing on the premises" as the reason for their lock-out

"The strike is becoming increasingly bitter," said the National Union of Metalworkers of SA in response to the employers' measures

Meanwhile, the employer organisation, the Steel and Engineering Industries Federation of SA, has estimated that the strike is costing R3,5-million a day in lost production

Seifsa bases this figure on its estimate that the strike involves 15 400 workers at 113 companies However, this figure is almost half that given by the IMF, which claims the strike involves 31 083 workers at 180 companies

According to Numsa, which forms the backbone of the IMF strike more than 100 companies have broken away from Seifsa's final wage offer, and offered a substantially better increases

Companies offering independent wage deals include Anglo Dutch and John Deere

For the first time since the strike started, a meeting between Seifsa and the IMF was held on Tuesday However, discussion was restricted to the alleged intimidation of non-strikers and interdicts being brought against the strikers No new wage offer was made

A further meeting between strikers and management at the Dorbyl and Metcor groups also ended in deadlock after the companies refused to offer more than Seifsa's 17,4 percent increase Both groups are powerful decision-makers in Seifsa Thirty-one of their plants

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14/8/88 STimes

Strikers cost metal industry R40m so far

By Robyn Chalmers

THE metalworkers strike has cost the industry an estimated R40-million and seriously affected large operations, such as Mossgas and Eskom.

Several companies in the motor industry slowed down this week because of a shortage of wheels and other components, says International Metalworkers Federation (IMF) spokesman Bernie Fanaroff

Dorbyl, one of the hardest hit companies, makes many automotive components, including wheels, seats, steering gears and window regulators

All motor companies were affected by the strike

Nissan general manager of communications Sarel Liebenberg said work was severly disrupted on Tuesday After negotiations with the union, Nissan reached an agreement and full production resumed on Wednesday

Mr Liebenberg said "All strikes disrupt the economy This strike is serious, particularly because of the effect it could have on the future position of workers"

Dorbyl is one of the many companies directly or indirectly linked to supplying products to the Mossel Bay project

The Dorbyl and Metkor groups together have had as many as 34 plants out of action in the two-week strike.

Dorbyl managing director Dawie Mostert says the largest number of strikers at any one time was about 10% of the 23 000 work force

"The motor industry and many others have been affected by the strike, but we have to a large extent made arrangements to minimise disruption"

Wage loss

Michael MacDonald, head of the economics division at the Steel and Engineering Industries Federation of SA (Seifsa), estimates that the strike is costing the industry about R3,5-million a day

"The value of production in the metal industry as a whole in 1988 is expected to be R36-billion

"Assuming that companies affected by the strike maintained between 50% and 60% of normal production, R3,5-million a day is a fair estimate of the amount of revenue lost"

Seifsa also estimates that striking workers are losing about R500 000 in wages a day This was worked out on Seifsa's figure of 15 000 strikers in a labour force of 350 000

If the IMF figure of 25 000 strikers is closer to the mark, however, the amount of wages lost by workers would be doubled The metal industry's loss would also double

The strike began on August 3 and affected mainly the Witwatersrand Engineered by the IMF, the strike was aimed at forcing Seifsa to raise its final wage offer

The IMF represents four unions, including the militant National Union of Metalworkers (Numsa), the Engineering and Allied Workers Union and the Steel Engineering & Allied Workers Union

First day

Seifsa's final offer before the strike was a 17,4% increase, including an hourly minimum of R3,02 IMF pressed for an average of 23% and a minimum hourly rate of R3,21

On the first day of the strike IMF spokesman claimed that between 10 000 and 21 000 employees did not go to work. The union figure soon rose to about 30 000

Seifsa and IMF figures have differed throughout the strike Seifsa says the highest number of strikers was about 16 000

Cape Times 13/8/88

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Union to meet on Seifsa strike offer

Own Correspondent

JOHANNESBURG — The International Metalworkers' Federation's national strike committee is to meet today to consider a fresh offer by the Steel and Engineering Industries' Federation of South Africa (Seifsa) aimed at resolving the 11-day-old metal industry wage strike.

Neither the unions nor Seifsa would disclose details of the offer Seifsa stressed it had been made informally after three meetings last week and still had to be confirmed by membership same period last year.

[illegible] 15/4/88

Strikes periodically close motor assembly plants

JOHANNESBURG. — Strikes at motor components manufacturers have forced at least two motor assembly plants to shut down production lines periodically over the last 10 days.

A Samcor spokesman said the company's Pretoria plant had been shut down twice early in April. He would not say which parts were unavailable, but a union spokesman said he thought it was a product of a company affected by the main metal industry strike.

A Delta spokesman said a wage strike at Hella had caused a shortage of wiring looms and the vehicle assembly plant been forced to close early last Monday and Wednesday and for the full day on Tuesday.

The Hella strike, now resolved, was not part of the Seifsa dispute.

'S MEDIA PUBLICATION

B/Day

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Metals strike talks continue

16/8/88 (BDay)

ALAN FINE

AFTER a day-long meeting yesterday to discuss a fresh Seifsa offer aimed at resolving their wage dispute, representatives of striking metalworkers requested a further meeting with Seifsa on the proposed deal.

The meeting was scheduled for last night However Numsa official Bernie Fanaroff said no further statement would be made until after today's meeting.

Neither he not Seifsa director Brian Angus would disclose details of this offer, because unions not party to the dispute had to be informed first

Sapa reports the strike, now in its third week, has been hit by another violent outbreak, with two Hart workers stabbed to death at the weekend.

Police said two Indian workers were killed in Bellair on Friday They were Gotaul Ganasen, 29, of Merebank, and Dass Venkatspatly, 44, of Chatsworth

Meanwhile, the number of striking workers has dropped drastically.

A total of 5 594 workers from 35 companies had returned to work since the strike began on August 3, Seifsa said.

CAPE TIMES 16/8/88

Two metal workers die in stabbing

1183 [illegible] [illegible] 189

JOHANNESBURG — The metal workers' strike, now in its third week, has been hit by another outbreak of violence, with two Hart workers stabbed to death at the weekend in what is believed to be a strike-related incident

Police said yesterday the two workers were killed on Friday afternoon at the Buttercup tearoom in Bellair while on their way home from work.

However, though the managing director of Hart, Mr Edward Parritt, confirmed the murdered men were Hart workers, he would not say whether the assailant was an employee of his firm

He also declined to say whether the incident was strike-related

The dead men have been identified as Mr Gotaul Ganasen, 29, and Mr Dass Venkatspatly, 44.

The Steel and Engineering Industries Federation's (Seifsa) director, Mr Brian Angus, said yesterday that the employer group would be meeting with its members to consider a fresh wage offer discussed at the weekend — Sapa

Metal workers come out of strike 'stronger'

The Argus Correspondent

DURBAN — The national strike by unions affiliated to the International Metalworkers Federation has been called off and workers are expected to return to work by tomorrow

A statement from the National Union of Metalworkers of South Africa said members had been asked to convene meetings of the shop stewards' councils tonight to discuss this

"General meetings of workers should be held tomorrow so that there can be a return to work by Thursday," Numsa said

The union said although they did not force the Steel and Engineering Industries Federation of SA to move on money, the employer organisation gave them benefits that would make them much stronger in future

The strike had damaged the Steel and Engineering Industry of South Africa's ability to control its members as more than 120 companies had offered more than Seifsa's 41c increase an hour

The wage structure of the whole industry had been changed as many companies were now paying more than R4 an hour

Pressure would be put on companies to reinstate dismissed workers, the union said

The union said their strike was the only national industrial strike which had taken place this year

Decision likely on metal strike

17/8/88 B/Day

ALAN FINE

LEADERS of the National Union of Metalworkers of SA (Numsa) have made a recommendation to regional union structures on Seifsa's new offer, and a final decision on ending the two-week-old strike is expected today

Numsa official Bernie Fanaroff declined to give details of the recomendation or of the offer, but Seifsa descibed the offer as one which had been developed jointly beween Seifsa and Numsa leadership

The offer does not include any changes to the basic wage rates on the table at the time the strike began

In the event of acceptance by Numsa members at meetings scheduled for last night, an agreement will probably be formalised at the industrial council on Thursday.

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Investigate

Seifsa said the strike involved 10 650 employees at 95 firms yesterday

Meanwhile, Durban-based Numsa officials visited the Hart factory yesterday to investigate the killings of two Indian employees on Friday

A spokesman said they had found no clear evidence linking the deaths to Numsa members, but the union was prepared to take the matter further if management supplied more detailed information

He said the visit was in response to a telex from Hart's attorneys about a number of incidents of violence and intimidation allegedly perpetrated by union members

Hart GM Ted Parrett confirmed the visit but declined to comment further

Meeting over IMF wage deal

THE International Metalworkers Federation strike committee yesterday met with local shop steward councils to discuss the offer made by metal industry employers at the weekend.

The Steel and Engineering Industries Federation of SA (Seifsa) package offer did not include an increase on their wage offer of 17,4 percent

An IMF spokesman said yesterday the Shop Stewards councils would report back today on meetings held with workers

He declined to give details of the Seifsa proposals Seifsa director, Mr Brian Angus, said Seifsa officials had ratified the proposals.

Sowetan

17/8/88

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Sowetan 17/8/

T & N posts 38% higher earnings

189 CAK Times 18/8/88

DURBAN — Turner & Newall Holdings (T & N) has posted a 38% increase in attributable earnings and a 47% increase in the interim dividend for the six months ended June

A dividend of 11c was paid and the directors anticipate dividends totalling 44c will be declared for the year, which reflects an increase of 28% over the 34,5c paid last year

The increase in earnings — from R6,5m to R9m — has arisen primarily from an 83% increase in trading profit which, to an extent, was offset by a higher interest bill

The investment in Everite yielded a 75% improvement from the R1,6m reported last year

"This positive start to 1988 is based on major restructuring of the group last year," the directors said

The automotive division boosted turnover 115% over last year A large part of this was attributable to the Silverton Engineering and Silverton Services which were acquired last October

Ferodo and Belaco-Beral, the friction material units, also achieved significant growth with substantially increased profits as has Payen, the gasket manufacturer, according to the directors

SHE, one of the T & N's automotive divisions, is committed to a vigorous export programme which augurs well for the future

Exports from the new brazed aluminium plant have begun and record profits are predicted for the unit for the third successive year — Sapa

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SAICA supports accounting for inflation

worldwide showed

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Metal strike settlement ‘soon’

ALAN FINE

METAL industry sources said yesterday settlement of the 15-day-old wage strike, which involved at its height up to 30 000 workers, appeared imminent

An employer spokesman monitoring the action said information was that most strikers had decided on a return to work

National Union of Metalworkers of SA spokesman Bernie Fanaroff said yesterday the union was still receiving reaction from regions to new Seifsa proposals negotiated at four meetings between Thursday and Monday

Both Numsa and Seifsa have scheduled media conferences for tomorrow after an industrial council meeting in the morning

Seifsa officials yesterday briefed leaders of the Confederation of Metal and Building Unions, which was not involved in the strike, on the details of the offer

B/Day 18/8/88

Nusaw holds talks

THE National Union of Steel and Allied Workers is to hold its annual conference in Pretoria on Saturday.

Nusaw general secretary Mr Ndomane Tibane said the conference would elect — among others — executive and management committee members as well as shop stewards.

Nusaw, which has 6 000 members in the steel industry, was formed two years ago.

The one-day meeting will be held at Laudium Hotel, and starts at 8am.

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Sowetan 18/8/88

ARGUS 19/8/88 159

Metal workers' strike ends with settlement

The Argus Correspondent

JOHANNESBURG — The metal workers' strike is over

A settlement described as historic by the National Union of Metalworkers of SA (Numsa) and the Steel and Engineering Industries Federation of SA (Seifsa) was agreed to this week, securing a return to work by thousands of metal workers by Monday.

Although workers will not get an increase above the Seifsa final offer of 17,4 percent, Seifsa has made concessions concerning public holidays, attendance bonuses and stop order facilities.

It was the first time the 90 000-strong union — the largest in the industry — had agreed to sign the main agreement for the metal industry

The Confederation of Metal and Building Unions, representing mainly skilled workers, the Mineworkers' Union and the SA Iron, Steel and Allied Industries Union also accepted the proposals at a special Industrial Council meeting yesterday

Numsa spokesman Dr Bernie Fanaroff said the strike had been "successful" and had "changed the power-balance in the industry"

"It is the first time Seifsa has recognised that it must now deal with the unions that represent the majority of workers in the industry," he said

Seifsa director Mr Brian Angus described the agreement as a "breakthrough" for collective bargaining

Agreed proposals included·

- A 17,4 percent rise (76c an hour for artisans and 41c an hour for labourers), backdated to July 1, and
- An amendment to the main agreement to give compulsory stop-order facilities to unions which are party to the Industrial Council

1408

Way now paved to restructuring

Metal strike settlement a landmark

1/8/88 B/Day

ALAN FINE

THE strike in the metal industry ended yesterday after a landmark agreement between Seifsa and the National Union of Metalworkers of SA (Numsa) that heralds the beginning of a restructuring of employment conditions in the industry

While it contains no improvement to the original employer wage offer, the deal establishes a five-year programme to eliminate anomalies between different skill levels in the wage curve — seen by Numsa as racially based — and a procedure for dealing with alleged discrimination at individual firms

This is the first time in five years on the council Numsa has agreed to sign the main wage agreement, which covers some 330 000 employees at 9 000 firms.

—Numsa's Bernie Fanaroff said the main significance of the "historic" deal was that it had changed the balance of forces in the industry. It was the first time Seifsa had recognised it needed to deal primarily with the unions representing the majority of organised workers rather than pushing through agreements with the support of the smaller artisan unions

Seifsa director Brian Angus, who agreed that Numsa had to be reckoned with, said three major factors had facilitated settlement, which he also described as historic

They were Numsa's accommodating approach to negotiations over the past week, union fears of mounting dismissals of strikers, and the Manpower Minister's decision that he could not lawfully gazette an agreement so as to exclude members of the unions in dispute.

Fanaroff said the latter was decisive in strengthening the union's position.

Angus estimated the strike cost R50m to R70m in lost production. All strikers

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P.T.O

Sowetan 19/8/88.

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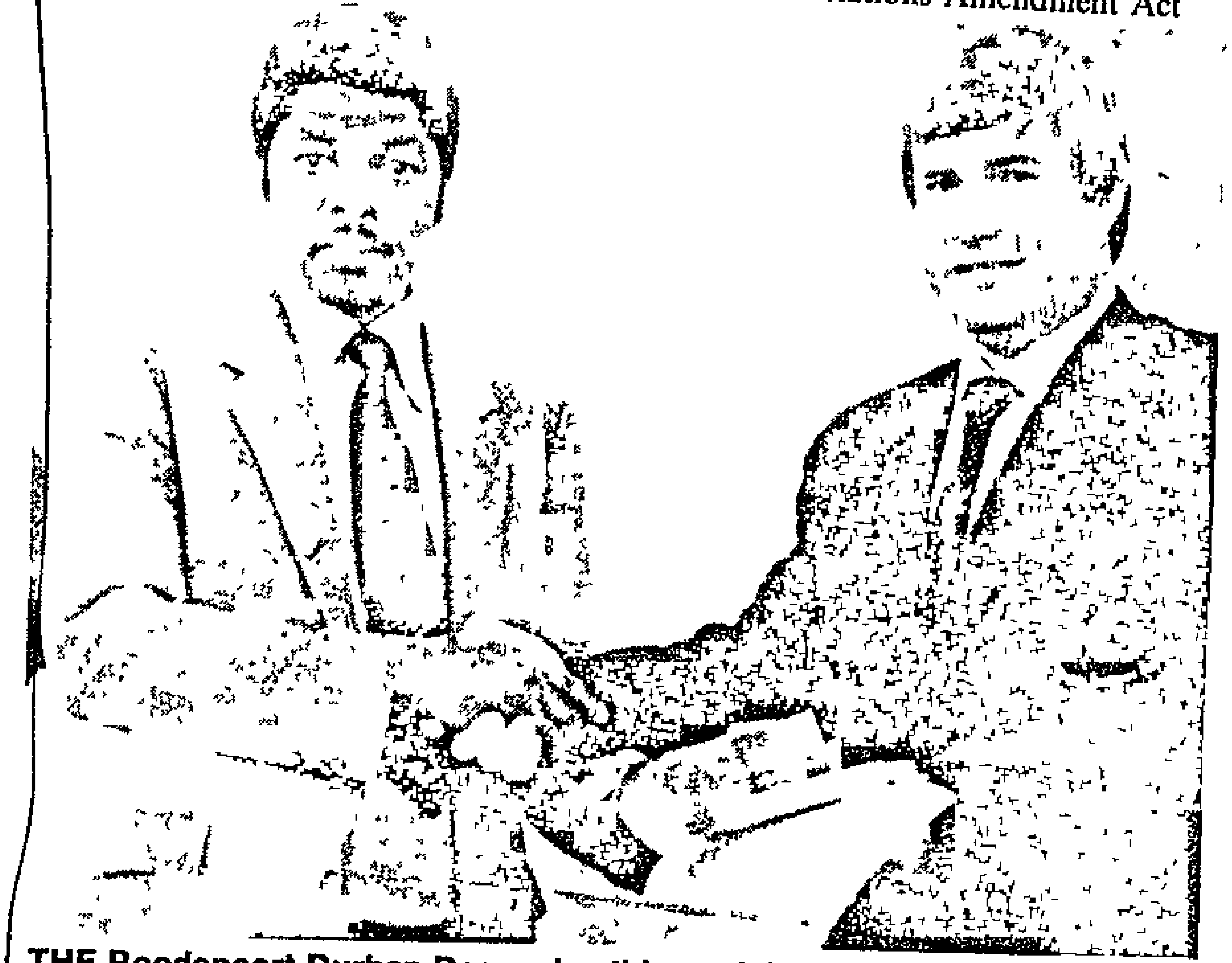
Metalworkers' strike is over

THE metal industry's wage strike, which involved about 31 000 workers at its peak and cost the sector an estimated R17 million in production losses, was resolved yesterday.

The International Metalworkers' Federation affiliate, the National Union of Metalworkers of SA, reached an agreement with the Steel and Engineering Industries' Federation of SA (Seifsa), ending a three-week-old strike by thousands of Numsa members in the Pretoria-Witwatersrand-Vaal areas.

In terms of the agreement, the two parties have settled on — among other things:

- Seifsa's final offer of between 41 cents-an-hour increase (labourers) and 76 cents-an-hour (labourers) to be backdated to July 1,
- compulsory stop orders for unions which are party to the industrial council,
- bonus an extra day's pay for employees who work 180 shifts "in one leave cycle", a two days' extra pay for those who work 235 shifts,
- Recognition of June 16 as a paid holiday in exchange for Founders' Day and May 1 for Workers' Day (first Monday in May),
- Wage anomalies to be eliminated in the industry over the next three years,
- Seifsa agreed to recommend to its members and the South African Consultative Committee on Labour Affairs (Saccola) not to rely on the rights conferred on them by the Labour Relations Amendment Act



THE Roodepoort Durban Deep mine this week honoured nine employees — among them Mr Mathews Maphukata — who have completed 25 years' service with the company. Presenting Mr Maphukata with a wrist watch and a certificate, is Mr C Webster, the company's industrial relations officer.

Cape Times 19/8/88 (189)

Landmark deal ends strike

Own Correspondent

JOHANNESBURG — The strike in the metal industry ended yesterday after a landmark agreement between Seifsa and the National Union of Metalworkers of SA (Numsa) which heralds the beginning of a restructuring of employment conditions in the industry.

While it contains no improvement to the original employer wage offer, the deal establishes a five-year programme to eliminate anomalies between different skill levels on the wage curve — seen by Numsa as racially-based — and a procedure for dealing with alleged discrimination at individual firms

This is the first time in its five years on the council that Numsa has agreed to sign the main wage agreement, which covers some 330 000 employees at 9 000 firms

Numsa's Mr Bernie Fanaroff said the main significance of the "historic" deal was that it had changed the balance of forces in the industry It was the first time Seifsa had recognized it needed to deal primarily with the unions representing the majority of organized workers rather than pushing through agreements with the support of the smaller artisan unions

Seifsa director Mr Brian Angus, who agreed that Numsa had to be reckoned with, said three major factors had facilitated settlement which he also described as historic

They were Numsa's accommodating approach to negotiations over the past week, union fears of mounting dismissals of strikers, and the Manpower Minister's decision that he could not lawfully gazette an agreement so as to exclude members of the unions in dispute

Mr Fanaroff said this was decisive in strengthening the union's position

Mr Angus estimated that the strike cost R50m to R70m in lost production Mr Fanaroff said most strikers would return by today although some, not happy with the absence of an improvement in basic wages, were reluctant

The settlement was based on an eight-point offer made by Seifsa which supplements the final employer offer made last month The entire deal was backdated to July 1

Mr Fanaroff said he was pleased this year's only industry-wide strike had ended with a minimum of damage and casualties Mr Angus conceded the action had largely been conducted in a disciplined way, and the union had attempted to prevent incidents of intimidation and violence

Strike cost tops R50m

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STimes 21/8/88

By Robyn Chalmers

THE metalworkers strike cost the industry upwards of R50-million.

The National Union of Metalworkers (Numsa) and the Steel & Engineering Industries Federation of SA (Seifsa) reached an agreement on Thursday to end the three-week strike.

Seifsa economics division head Michael McDonald estimates that the strike cost the industry between R50-million and R70-million, but this is worked out on Seifa's figure of about 15 000 striking workers

Mr McDonald says "It is difficult to come to an exact amount because there are no exact figures on how much production each company lost or of how many workers went on strike

"We calculate the amount of revenue lost from industry sales of R36-billion for 1988 as opposed to R31-billion in 1987 We found the value output a man by dividing the number of workers in the industry — 350 000 — into R76-billion

"This we multiplied by the number of workers on strike, keeping in mind that we believe that most companies managed to maintain between 50% and 60% of production"

The union says there were 30 000 strikers If that were so, the cost of the strike would be more than R100-million

Large operations, such as Mossgas and Eskom, were indirectly affected by the strike, and so were motor manufacturers who had to go into slow time last week

All of the Seifsa-member companies which did not reach individual agreements with Numsa were affected, some to a larger degree than others

Concessions

Mr McDonald says, however, that because most companies have been working below capacity for some time, they can probably make up the loss over the next month or two

The four unions linked under the International Metalworkers' Federation (IMF) failed to gain the wages they demanded, but won concessions

They include

● May Day and June 16 as

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Strike cost

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STimes 21/8/88

☐ From Page 1

paid holidays in exchange for any other public holidays

● Elimination of anomalies between different skill levels in the wage curve

● The acceptance that Numsa represents most blacks in the industry

● Permission for IMF unions to collect membership dues by stop orders on wage cheques

A Numsa spokesman says "This is a breakthrough for the unions as it has set a precedent for restructuring of wages and conditions It has also damaged Seifsa's ability to keep control over its members

"Seifsa has agreed to encourage its member companies to reinstate dismissed workers At least 1 000 of them have been reinstated"

Metal unions trying to resolve squabble

DAYS after metalworkers ended their wage strike, metal industry unions are trying to resolve a domestic squabble over the agreement ending the stoppage

Smaller affiliates of the International Metalworkers Federation (IMF) have not yet signed the agreement, alleging they were left out of the negotiations with the Steel and Engineering Industries Federation (Seifsa)

The two-week strike ended last week, after Seifsa reached agreement with the National Union of Metalworkers (Numsa), the majority union in the IMF

IMF spokesman Brian Fredericks yesterday said a special meeting had been called for Friday to discuss the matter

"It was not a good situation. I am optimistic we will be able to resolve the problem on Friday," he said

He said members of the Steel, Engineering and Allied Workers' Union, Engineering and Allied Workers' Union and the Electrical and Allied Workers' Trade Union had voted against the strike during ballots.

He said 99% of strikers were Numsa members and "at the end of the day, Seifsa negotiated with Numsa. The other unions were not part"

"I accept Seifsa did divide the unions," Fredericks said

The strike ended after Numsa accepted a compromise offer from Seifsa, granting May 1 as a paid holiday and June 16 as unpaid holiday.

The wage offer had not been improved and the union accepted increases of between 14 and 17%. Its original demand was 24%

EAWTU secretary J Hlongwane said union members would meet at the weekend, to decide whether or not to sign the agreement The other unions were not available for comment — Sapa.

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Numsa, IMF in dispute on strike

Cape Times 22/8/88

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Own Correspondent

JOHANNESBURG — A row has broken out between the National Union of Metalworkers of SA and other affiliates of the International Metalworkers' Federation (IMF) over Numsa's "unilateral" settlement with Seifsa last week of the 15-day wage strike

Mr Tommy Olifant, IMF local president and general secretary of the Electrical and Allied Trades Workers' Union, said on Friday that his union and two others felt betrayed at not having been involved in the negotiations which finally resolved the strike

"Seifsa has won the day They succeeded in dividing the IMF unions — with Numsa's help," he said The wage dispute was originally declared jointly by the four IMF unions

A Numsa spokesman said the allegations were without basis The deal had been negotiated with Numsa because only Numsa members had participated in the strike, he said

Row erupts over metal strike settlement

B/Day 22/8/88 (189)

ALAN FINE

A ROW has broken out between the National Union of Metalworkers' of SA and other affiliates of the International Metalworkers' Federation (IMF) over Numsa's "unilateral" settlement with Seifsa last week of the 15-day strike.

IMF local president and general secretary of the Electrical and Allied Trades Workers' Union Tommy Olifant said on Friday his union and two others felt betrayed at not having been involved in settlement negotiations.

"Seifsa has won the day They succeeded in dividing the IMF unions — with Numsa's help," he said

The wage dispute was originally declared jointly by the four IMF unions.

A Numsa spokesman said the allegations were without basis. The deal had been negotiated with Numsa because only Numsa members had participated in the strike

Seifsa director Brian Angus said there had been only a handful of non-Numsa members on strike Therefore Seifsa needed an agreement primarily with Numsa.

Olifant said the three unions left out had not yet signed the agreement as they had no mandate to do so Members were angry about an agreement that contained no improvements in the employer wage offer, he added.

IMF local secretary Brian Fredericks also questioned why the IMF had been excluded from the talks leading to settlement, but added that the agreement was "the important thing"

Unions clash over settlement of SA metalworkers' strike

By Adele Baleta

The International Metalworkers' Federation (IMF) will hold a special meeting this week in an attempt to resolve a row over the settlement which ended the two-week metalworkers' strike last Thursday.

The National Union of Metalworkers of South Africa (Numsa) was the only one of four IMF affiliates to sign the agreement with the Steel and Engineering Industries Federation of SA (Seifsa).

The IMF meeting will be held on Friday to discuss accusations that the remaining three IMF unions were excluded from the settlement negotiations.

The three smaller unions — the Steel, Engineering and Allied Workers' Union (Seawusa), Engineering and Allied Workers' Union (Eawusa) and the Electrical and Allied Trade Workers' Union (Eatwu) — have not yet signed the agreement.

Numsa spokesman Dr Bernie Fanaroff said the settlement was signed with Numsa because members of the other three unions had not taken part in the strike.

● Northern Transvaal regional Numsa organiser, Mr Jerry Moropa, was detained in terms of the emergency regulations last Thursday, a union spokesman said yesterday

1 Sowetan [redacted] [redacted] (189) 26/8/88

SEIFSA executive director Mr Brian Angus.

NUMSA official Mr Peter Dantjie

LABOUR LESSON

What the steel industry bosses learnt

FOCUS

By LEN MASEKO

UNITY has become the key issue as both the trade unions and employers in the metal industry mop up in the aftermath of a two-week wage strike which set back the bosses about R70 million in production losses

The strike, which involved about 31 000 workers at its peak and resulted in losses of about R3,5 million a day in the sector, was called off last Thursday after a historic settlement between employers and the National Union of Metalworkers of South Africa (Numsa)

The settlement, in the meantime, has sparked an internal dispute among four unions affiliated to the SA Council of the International Metalworkers' Federation (IMF)

The four are Numsa, Steel Engineering and Allied Workers' Union (Seawu), Electrical and Allied Workers' Trade Union of SA (Eawtusa) and Engineering and Allied Workers' Union (Eawu)

The dispute revolves around the "unilateral" agreement reached between Numsa and the employer body, the Steel and Engineering Industries' Federation of SA (Seifsa), which represents about 9 000 firms

It was the first time Numsa — now the largest union in the industry — had agreed to sign the main agreement for the metal industry

The four unions normally present joint demands, under the umbrella of the IMF, during annual negotiations at the industrial council

IMF local president and Eawtusa general secretary, Mr Tommy Oliphant, has questioned Numsa s decision to sign the agreement without three other IMF affiliates, and without any improvement on Seifsa's wage offer

Dividing

"Seifsa has succeeded in dividing the IMF unions How could Numsa decide to sign the agreement when they have said, in the past, that it (the agreement) perpetuated poverty," Mr Oliphant asked

The Eawtusa official said Numsa, in signing the agreement, had failed to take into cognisance a number of factors which included that the move would ' break solidarity among IMF unions" that lives had been lost and dozens of strikers dismissed during the strikes

It was not a good situation I am optimistic we will be able to resolve the problem today," IMF local secretary, Mr Brian Fredericks, said, referring to a special meeting between IMF affiliates scheduled to take place today

He said 99 percent of the strikers were Numsa members and "at the end of the day Seifsa negotiated with Numsa '

"I accept that Seifsa did divide the unions " Mr Fredericks said

Members of Eawu, Eawtusa and Seawu had not taken part in the strike because they had voted against industrial action during ballots

Numsa official Mr Peter Dantjie said "The strike involved Numsa members — that's why we signed the agreement

The matter, he said, would be resolved at today's meeting

The employers too have not come out unscathed in the aftermath of the metal industry's strike Seifsa s ability ' to hold its members ' received a major dent as some members — about 120 companies — negotiated settlements separately with Numsa at the height of the industrial action

Disturbing

Seifsa executive director Mr Brian Angus, said "This is obviously very disturbing when some members negotiate settlements on their own without informing us This thing happens every year and involves the same companies "

Meanwhile the three IMF unions have not yet signed the agreement with Seifsa as they still have to seek a mandate from their members on the matter

Seifsa and Numsa have agreed to proposals which include

- Implementation of the 17,4 percent wage offer (76 cents an hour for artisans and 41 cents an hour for labourers)
- Stop order facilities to unions which are party to the industrial council
- Acceptance of a three-year timetable to scrap wage anomalies
- The substitution of May 1 for Workers Day (first Monday in May) as a paid holiday and the substitution of June 16 for Founders Day or another holiday
- An industrial council procedure to be developed to investigate allegations of racial discrimination by appointing a panel of arbitrators and
- Seifsa has undertaken to make representations to member companies to support the South African Consultative Committee on Labour Affairs in its initiative regarding the Labour Relations Amendment Act

Before the agreement IMF unions demanded an average wage increase of 23 percent and a minimum hourly rate of R3 21

All in all the metal industry s strike had a significant lesson for the employers that they will have to take the IMF unions seriously in future negotiations

In the past Seifsa — in agreement with whites only Confederation of Metal and Building Unions — has proceeded with the gazetting of the main agreement without the IMF affiliates

Political comment in this issue by Aggrey Klaaste and Joe Thloloe Sub-editing headlines and posters by Sydney Matlhaku. All of 61 Commando Road, Industria West, Johannesburg

• Write to the Editor at PO Box 6663 Johannesburg 2000 Nom de plumes can be used but full names and addresses should be supplied or the letter will not be published

METAL INDUSTRY STRIKE

Welding agreement

The sheer impracticability of conducting labour relations in the vast metal industry sector without the annually negotiated Main Agreement in place wonderfully concentrated minds Both the employer body Seifsa and the striking unions represented by the SA chapter of the International Metalworkers' Federation (IMF) saw the need for one

Their "landmark" settlement to the 15-day wage strike, announced last Thursday, was pretty smartly hammered out following Manpower Minister Piet du Plessis' refusal to go along with Seifsa's request that he gazette the "partial agreement " This had been accepted by the mainly white, minority Council of Mining and Building Unions While this undoubtedly strengthened the IMF unions' hand and undercut Seifsa's stance, the unions too would have faced the impossible task of negotiating plant-level deals with, in all, some 9 000 companies which adhere to the Main Agreement's provisions

IMF unions' Fredericks . . . better placed for the future

It may be recalled that the metal unions were in the last two years snookered out of launching legal strike action when the minister at the final moment went ahead and gazetted the Main Agreement despite their refusal to sign, which the IMF hasn't in the past five years. This year's belated agreement is, therefore, "historic," in the words of IMF affiliate Numsa's Bernie Fanaroff.

The strike had in any event begun to fizzle out By last Tuesday, Seifsa said, 6 555 striking workers at 39 plants had returned to work, leaving 95 of the 3 500 member companies experiencing strike action involving about 10 650 workers Of course, the unions' figures differed At its peak, the unions say the strike involved 31 000 employees They also claim that more than 130 plants "broke ranks" with Seifsa's refusal to budge on the central demand — a 23% wage increase (60c/hour) for the lowest grades — and granted increases near or at that level Seifsa stood by its 17,4% (41c) offer to the end

This may be regarded as its face-saver The increase is to be backdated to July 1 (when the old agreement expired), but excluding the period of industrial action which began on August 3

For the party that appeared at one stage to be over a barrel in the dispute, the unions in fact came out of it with a nice clutch of improvements to their members' conditions of employment, despite losing the wage rise battle

Most important, Seifsa accepted "a five-year timetable to eliminate anomalies in the industry's wage curve starting in 1987 This means that the final special wage adjustment will be made at the 1991 annual negotiations. The size and extent of the wage anomalies have yet to be agreed between the parties "

The Main Agreement will now include provision for stop-order facilities for the payment of union dues It will also be amended to accommodate May 1 and June 16 as paid holidays where requested, on the basis of swapping them for, respectively, the first Monday in May, and Founders' Day (April 6).

An attendance bonus will be introduced amounting to a day's payment for 180 shifts in one cycle, and two days per 235 shifts The shifts will include authorised absences.

An industrial council procedure is to be developed which will aim to investigate and determine allegations of racial discrimination by appointing a panel of "facilitators" from the industry. Appeals against their decisions will be decided by a "panel of arbitrators" selected by the industrial council. This arrangement will be coupled to a formal procedure to resolve allegations of violence and intimidation at company level, or, failing that, by the facilitators and arbitrators

Seifsa undertook to "make representation" to those member companies which have dismissed or locked out legally striking employees This will be done on the basis of its guidelines on strikes and lockouts.

The employer body also undertook to support the current Saccola initiative on the Labour Relations Amendment Act, and to support any Saccola recommendations to amend it

Despite all this, the future of the union negotiating front, the IMF, seems rocky, since, towards the end of the dispute, Seifsa effectively clinched the deal through talking with the main affiliate on strike, Numsa. A meeting of the IMF to address the issue takes place this Friday

Yet IMF secretary Brian Fredericks says the deal is "reasonable and leaves us better placed for future collective bargaining in the industry It has stabilised the relationship between Seifsa and the IMF on the industrial council This doesn't necessarily mean labour peace will stem from this factor, but we have a more equal standing and respect for each other's position, which augurs well for the future of collective bargaining "

The union has also learned that "strategic strike action" like this has many problems. Not all the IMF's four affiliates were able to muster support for the strike, nor, evidently, have an equal say in negotiations. ■

Lauded for Seifsa's May Day deal

MAY Day has been celebrated by trade unions for many years with official recognition, but not in SA.

Celebrations of this kind are viewed as subversive in SA This year, unions were denied permission to hold outdoor rallies They went indoors where meetings were watched by police who filmed the proceedings

The latest Steel and Engineering Industries Federation of SA (Seifsa) agreement with the National Union of Metalworkers (Numsa) is therefore significant.

PRECEDENT

It allows workers to take May Day and June 16 as paid public holidays This was decided as part of the settlement which ended a 15-day strike in the metal industry

Numsa spokesman Bernie Farnaroff says it is an important breakthrough for unions and could set a precedent

"To the best of our knowledge it is the first such industry-wide agreement. Seifsa has always been a trendsetter and we hope to see more companies going this way," he says

Seifsa does not see the granting of May 1 as a holiday as conflicting with Government policy

A spokesman says "It merely formed part of the employer response to trade union demands of three or four years, and was a deal struck during negotiation"

Companies may decide whether they wish to give their workers May Day as a paid holiday The State calls it Workers Day, which President Botha last year promulgated as the first Friday in May.

The Government's reason for choosing the first Friday is that the holiday will not interrupt the working week. It argues that it will guarantee a long weekend every year instead of awkward midweek holidays

Most unions have rejected the proposal Many thousands of black workers congregated and protested peacefully on May 1 against the Labour Relations Amendment Bill, the banning of organisations and the state of emergency

Trade unions affiliated to SA's two biggest labour federations, the Congress of SA Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu), ignored Workers Day

For them, May Day is more a political than a labour issue

28/8/88 S Times 189

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Restructuring boosts D&H

Star 13/10/88

By Ann Crotty

Malbak subsidiary Darling & Hodgson is reaping the benefit of the restructuring of the past few years

For the 12 months to August, it has reported earnings of 60,7c a share, which is at the top end of most analysts' expectations

It is paying a dividend of 18c

Comparison with the previous period is only useful in so far as it reveals the extent of the changes that have been effected

Earnings of R39,4 million are up 243 percent, compared with the annualised R11,5 million of the previous eight-month period

The dividend payment is 260 percent up on the previous 5c

A key indicator of the enhanced prospects for D&H is the improvement in operating margins from 7,3 percent in the eight months to August 1987 to around 19 percent in the review period

This suggests the cleaning-up operations have left D&H with tighter run and more profitable interests

As MD Richard Bruyns says, the group is now based primarily in manufacturing, rather than in the low-margin, high-risk contracting activities that previously dominated its portfolio

The results for the eight months to August 1987 include those of Group Five for the six months to June when D&H sold its 76 percent stake

It appears that all divisions contributed to the improved performance

The latest figures include the results of Rocla and Solid Manufacturing, acquired with effect from September 1987

The directors say the strong performance from these acquisitions justified the restructuring

D&H's 42,2 percent stake in Blue Circle made a substantial contribution to group earnings

The improvement in earnings per share is all the more impressive considering the doubling in the weighted average of shares in issue

A major benefit of the massive increase in shares in financial 1987 has been a strong turnaround in the gearing situation

In financial 1986, the group was carrying borrowings of R67,6 million At end-financial 1988 it was sitting with R1,2 million cash which, as Mr Bruyns says, puts D&H in a strong position for acquisitions and organic growth

14/10/88

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METAL INDUSTRIES

Steeling for change

The giant Steel and Engineering Industries Federation (Seifsa) is preparing to shed its emphasis on industrial relations and join other employer bodies in pressing for economic and socio-political change

Richard Savage, who retired this week as Seifsa president, says the federation is no longer sure it can afford industrial relations, particularly annual wage negotiations, to dominate its affairs He says the overall interests of metal industries employers have gone beyond that and Seifsa is reviewing its role

"I foresee that Seifsa will need to broaden its scope of activities and become more involved with issues such as decentralisation, regional development, encouragement of exports, tax reform, the Group Areas Act and regional services councils," he told representatives attending the organisation's annual meeting.

"These issues have a direct impact on Seifsa members and the federation could play a more active role by encouraging positive changes which would benefit both themselves and the community at large "

Seifsa already shares the views of other employer bodies like Assocom and the FCI on a range of business issues But these bodies would undoubtedly welcome the added muscle Seifsa's voice would give to the business lobby in its negotiations with government.

Whether government would feel the same way about having one more business terrier harrying it over group areas and other sensitive issues is another matter.

It is already feeling the heat over Seifsa's campaign for integrated technical and vocational training for industry apprentices and technicians

So far, though, Savage says the Department of National Education has insisted technical training remain an "own affair," and that to allow all race groups to train together would "conflict with the provisions of the Constitution "

It's not a view shared by the Houses of Representatives and Delegates, which have cleared the way for people of other races to enter institutions falling under their educational departments

Savage says the problem is particularly worrying because of the continuing decline in metal industry apprentice numbers "The anticipated grave shortage of artisans is likely to prove a major constraint on economic growth in the metal industry in years ahead," he notes. ■

FM

Strong performance by Malbak's management

Star 14/10/88 (189)

By Ann Crotty

Malbak's first full year results, since last year's R607 million deal which saw it become Gencor's industrial arm, reflect an excellent performance that appears to be in line with management's own expectations From earnings of 104,3c a dividend of 25c has been declared

Comparison with financial 1987's actual figures are of little use given the massive changes that have taken place But comparison with the pro forma figures that were provided in the 1987 annual report (which assumed that the R607 million deal had been in effect for financial 1987) demonstrate the success that mangement has had in bedding down this major group

Turnover is up 47 percent to R5,2 billion (R3,5 billion pro forma) and operating income surged 58 percent to R500 million (R316 million) as margins improved significantly from 8,8 percent to 9,5 percent.

Interest paid was up to R83 million compared with financial 1987's actual interest bill of R35 million Earnings were up 56 percent to R180 million from the pro forma figure of R115 million This is equivalent to 104,3c on a weighted average number of shares in issue and is 46 percent ahead of the previous year's pro forma earnings of 71,3c On a fully converted basis the earnings per share figures are 96,1c and 65,9c respectively

Even before moving into the Malbak camp, many of the companies that were acquired in last year's deal were showing strong signs of recovery from troubles that had dogged them in earlier years But the fact that operating margins have improved reflects the Malbak management team's success in sweating even more from the assets

Executive chairman Grant Thomas notes "It has been a busy year for management as we bedded down the new acquisitions Further improvements in productivity, expense control and operating margins improved earnings substantially and we are confident that continued real growth will be achieved in the year ahead" The only disappointing areas were engineering and workwear

Additional evidence of the improved performance is seen in the increase in operating income as a percentage of total funds employed which is up from a pro forma 1987 figure of 23,4 percent to 27,4 percent

Although the actual interest bill has surged, the enlarged group has gearing of only 34 percent and has increased interest cover from 4,6 to 6 times

Dividend cover has been raised from 3,3 times to 4,2 times which management regards is prudent in view of inflation trends It also ensures that the group is able comfortably to fund any future acquisitions

Malhold, holding 58,3 percent of Malbak, earned 288,2c a share from which it is paying a dividend of 70c

Seifsa and unions seek meeting with minister

(189) B/day 8/11/88.

ALAN FINE

SEIFSA and some trade unions, which are parties to the metal industrial council, are seeking an urgent meeting with Manpower Minister Pietie du Plessis after being notified that he is unwilling to gazette, in its present form, the wage settlement reached in August after a three-week strike

It is anticipated Du Plessis will refuse to gazette any reference to May 1 and June 16 as public holidays — which, subject to the wishes of employees in a ballot, was a feature of the strike settlement

Manpower deputy director-general Joel Fourie said the minister had previously indicated he was not prepared to make secondary legislation, through the council system, which was contrary to government policy

Furthermore, Du Plessis has said he was unwilling to extend a provision, which backdates wage increases to July 1, to employers not members of Seifsa His grounds are that "retrospective law is bad law".

Some 5 500 of 9 000 metal-sector firms are not affiliated to Seifsa and, therefore, not parties to the council. They employ about one-quarter of the 330 000-strong workforce. The entire agreement is usually extended to cover the whole industry

Fourie confirmed a meeting to discuss the issue was being arranged

Confederation of Metal and Building Unions (CMBU) director Ben Nicholson said the minister's intervention, particularly on the pay issue, could threaten the existence of the industrial council "It gives non-party employers a competitive edge and will encourage others to withdraw," he said

He said the National Union of Metalworkers of SA (Numsa) strike had delayed finalisation of the agreement, but added the CMBU had agreed in June to the wage increases in the agreement All employers, therefore, knew long ago what would be required of them

Seifsa director Brian Angus said the parties wished to meet the minister to explain the difficulties the back pay issue caused for both

He said Du Plessis' attitude to public holidays was "unfortunate", as the objective was to include it in the agreement However, if this was not possible, Seifsa would examine alternative ways of giving effect to the accord

A Numsa spokesman said the union would comment later on the matter.

NAMPAK

The reasons why

■ After tidying up, bottom-line growth should continue to outstrip inflation

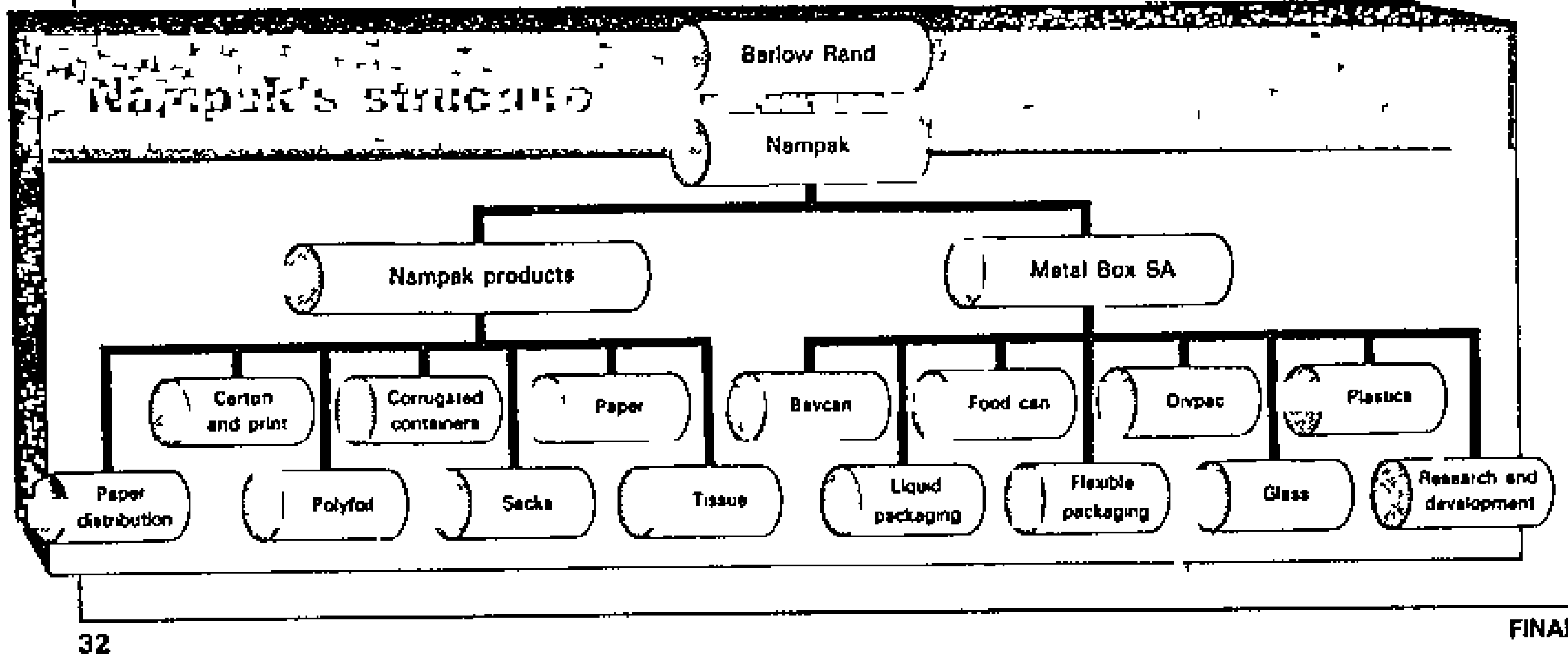
The merging of Nampak and Metal Box two months ago created one of the world's largest and most diversified packaging groups But, size apart what does Nampak hope to gain by its purchase of the shares it did not already own in Metal Box?

Metal Box had long been a Nampak subsidiary — it held 54% before the deal — so there were already firm links between the two companies, which together represented Barlow Rand's interests in the R3,6bn a year packaging industry

Nampak, for years the dominant player in the industry, now towers above its rivals when measured by size Preliminary figures for the year to end-September show that Nampak produced operating profit of R310,9m (R242,2m) on turnover of R2 526m (R2 066,9) In the year to end-June, Anglovaal's Consol made operating profit of R96,3m (R62,4m) from turnover of R636,9m (R503,7m), and in the year to end-August Malbak's Kohler produced operating profit of R59,7m (R34,2m) from turnover of R774m (R545m)

Unlike many other large acquisitions, management does not explain this one on the strength of opportunities for internal rationalisation What there was to be achieved in this area has largely been done in the few months since the deal took effect

As MD Don McCartan puts it, the old Nampak and Metal Box were complementary, the former involved in secondary packaging and printing and related products, and the latter in primary packaging products Thus, in the new structure the primary packaging operations held in Metal Box have essentially been placed alongside Nampak products That does not mean there hasn't been plenty of tidying up The number of companies in the enlarged group will be slashed from 121 to only 13 (excluding the foreign interests), and management expects synergies over time Advantages are seen in the wider spread of activities "A problem in the packaging industry worldwide is the frequent change from one type of product to another as technologies develop," says McCartan "By broadening the group we have extended the net and can take the opportunities this creates "



Chairman David Brown contends that, product ranges aside, part of the motivation lay in the relative strengths of the groups Metal Box had become known for its skills in technology and manufacturing, while Nampak was considered more market-orientated "Lack of flexibility was a weakness of the individual groups," he says "We have a combination that is going to do Nampak a lot of good over the next 10 years "

McCartan adds that Nampak had not been greatly inclined towards research and development "We were inclined to get a new idea and then run with it Metal Box tended to want to prove it first "

With the restructuring in place, management will be focusing on volumes and trading margins Nampak wants to maintain its record of generating annual earnings growth ahead of GDP plus the CPI, and there appears to be scope for better returns in the Metal Box operations One hurdle for Metal Box in recent years has been its R100m investment in glass manufacture Two years ago this was a lossmaker, but it broke even in 1987 and is now contributing to group profits

MD McCartan . extending the opportunities net

As it was, in the 1988 year, the enlarged Nampak's turnover rose by 22%, its operating margin climbed from 11,7% to 12,3%, and EPS rose by 37% It reported EPS of 358c, which included an estimated 5c relating to the acquisition With the deal effective only for the last two months of the financial year, more effects will come this year one analyst estimates it will add about 30c to Nampak's 1989 EPS

The breakdown in the table shows that in the 1988 year primary packaging accounted for 39,2% of operating profit and 43% of turnover, secondary packaging and printing produced 42,3% of profit and 36% of turnover, and paper and related products generated 18,5% of profit and 21% of turnover

Buoyant markets have helped boost margins, as have efforts to improve productivity However, pressures on margins include the need to import certain raw materials Iscor has apparently reached the upper limits of its tinplate capacity, and local producers of polyethylene are running into similar constraints Imports mean higher costs for Nampak, not all passed on to customers

SEGMENTAL PERFORMANCE

	1985	1986	1987	1988
Turnover (Rm)				
Primary packaging	716 0	830 7	989 7	1 176 1
Secondary packaging and printing	649 8	656 3	795 0	967 4
Paper and related products	279 3	383 1	438 4	572 7
Intra-group	(110 4)	(136 0)	(156 2)	(189 9)
Total	**1 434,7**	**1 734,1**	**2 066,9**	**2 526,3**
Operating profit (Rm)				
Primary packaging	54 2	58 8	92 3	121 8
— % of turnover	7 6	7 1	9 3	10 4
Secondary packaging and printing	57 3	86 0	104 2	131 6
— % of turnover	10 4	13 1	13 1	13 6
Paper and related products	30 5	36 9	45 7	57 6
— % of turnover	10 9	9 6	10 4	10 1
Total	**142,0**	**181,7**	**242,2**	**310,9**

Most of the divisions enjoyed strong real growth this year, particularly those supplying consumer markets Brown says that October has been "a magnificent month " Given the expected boom Christmas season, the group should see a solid first half "But for the second half we are guessing — we are worried about it," he adds McCartan comments "It's not in business's hands to plan for the future anymore

Export turnover rose by about 56% last year, but its value, which has not been quantified remains less than 10% of group sales

Longer term, it s hoped that growth will be fuelled by the mushrooming informal sector and by the group's investment programme Capex for 1989 is budgeted at R200m, of which about 50% is for replacement and modernisation

This includes two major projects — a new beverage can line in Durban to provide additional capacity, and a new corrugated carton facility at Mariannhill near Durban, which involves the relocation of the Jacobs plant and should also result in larger capacity owing to a more efficient layout The capital programme includes moves into new areas which are not part of the core businesses, but these plans are being reassessed

Brown points out the group has established various grassroots businesses in recent years — the glass division was the first major competitor to Consol in decades He adds that 100% ownership of Metal Box has improved financial flexibility and this should enable more efficient funding of capital projects Metal Box is seen as the better cash generator, and might have ended the year with liquidity that could have been used better elsewhere

Following the merger, Nampak s ratio of gross borrowings to liabilities has increased from the year-ago 0,18 to 0,38 Despite next year's capex, financial director Dave McFadden says gearing is expected to remain stable and may decline

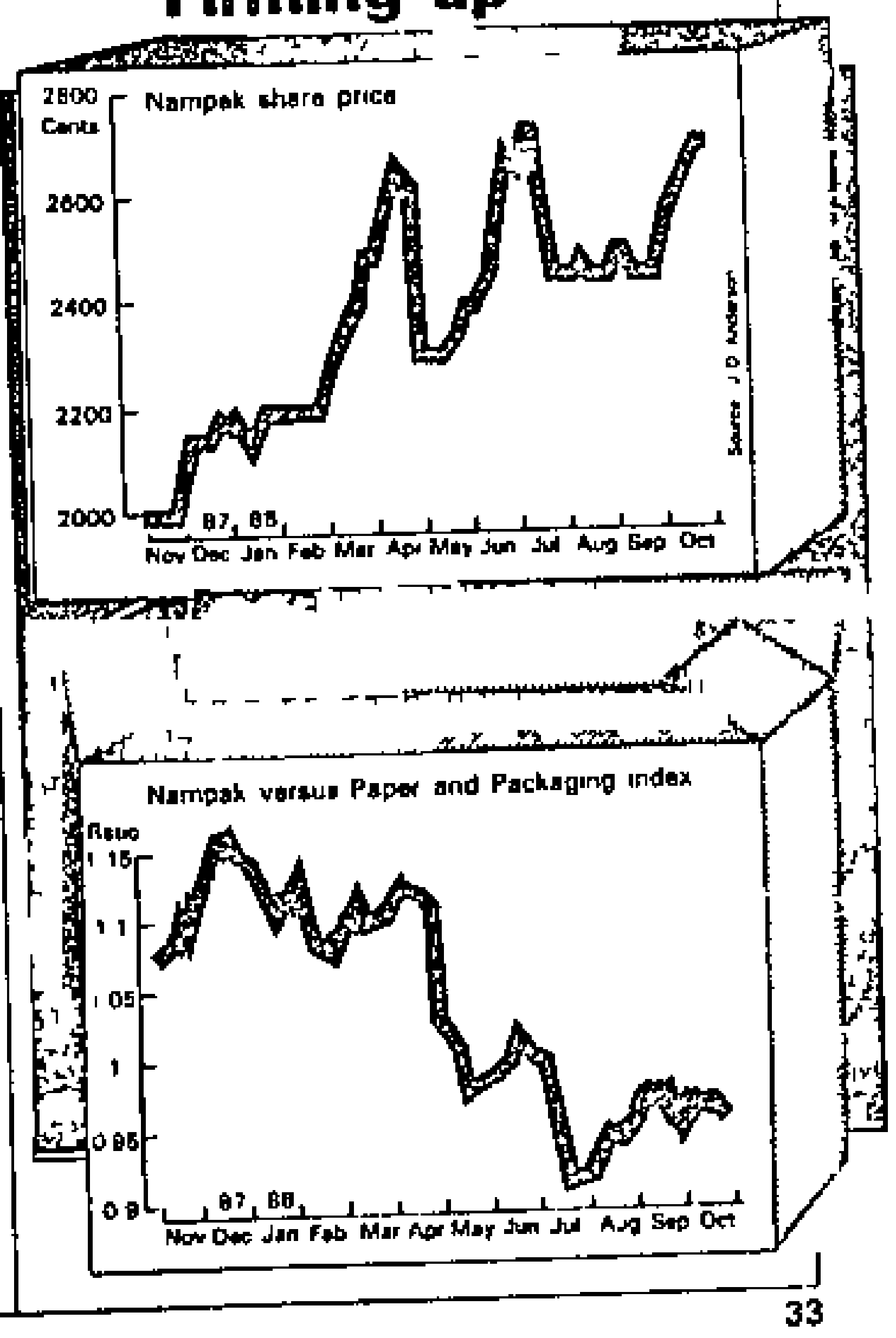
Spending is likely to remain high more capital projects are expected, and will become more expensive These could include geographic expansion of existing businesses, such as glass production in the Cape, capacity expansions, or new products "Few realise how diverse we are, ' says McCartan, but there are a lot of opportunities in these areas" As the biggest player in the sector, the group needs to continue bringing to the market about two out of three of the industry s new products

This year has seen rationalisation at various plants, aimed at improved efficiencies and curbing costs In Metal Box, for example, canning factories at Paarl and Cape Town have been rationalised, and in the liquid packaging and flexible businesses there have been closures and relocations More such moves were made seven to eight years ago, and the benefits helped Nampak to cope with the stodgy markets of the mid-Eighties But management is not anticipating much more of this

With the economy showing signs of turning downwards the group is viewing 1989 as a year for consolidation However management remains confident that bottom line growth will continue to outpace inflation One of Nampak's strengths is that its sales should remain relatively stable in an economic downturn with about 50% of turnover derived from packaging for food and drink, and soaps and detergents the next biggest component Earnings growth of 22% 25% looks attainable, indicating EPS of about 445c and a prospective p e of 6,3 times

Andrew McNulty

Firming up



METAL PRODUCTS

1989

(No ~~Exports~~)

Cost of making white goods to rise 3%

B/Day 15/2/89 (189)

SYLVIA DU PLESSIS

THE cost of manufacturing white goods would rise by up to 3% after next month's steel price hike, SA Domestic Appliance Manufacturers (DAMSA) vice-chairman Ronnie Herrmann said yesterday

He said the mark-up to retailers could increase by as much as R30

Iscor announced last month that cold rolled steel — employed in the manufacture of white goods — would climb by 10,5%

"Sales through retailers have been affected by higher surcharges, the credit restrictions, petrol price increases and now the steel price increase," Herrmann said

"We hope after these setbacks stability will once again return to the white-goods industry"

These "setbacks" meant manufacturers had constantly to renegotiate prices with customers, and there was uncertainty regarding pricing among manufacturers because of all the changes

Herrmann said there was also a danger that manufacturers would cut down on certain non-strategic appliance parts to maintain present price levels

"These would include things like a shelf in a fridge or a rack in a stove," he said

More major losses push Steelmetals into the red

B/Day 21/2/89

189

LIZ ROUSE

ANGLOVAAL'S Steelmetals incurred more major losses after discontinuing the sale of construction equipment and the group sank into a loss in the six months to December

Borrowings soared to R20m from R8,7m, the debt equity ratio climbed to 120% and shareholders' funds were eroded to R16,3m (R20,9m) Net asset value declined to 511c a share from 658c a share a year ago

Steelmetals' bottom line loss amounted to R134 000 (4,2c a share) compared with a taxed profit of R467 000 in the six months to December 1987 (14,7c a share)

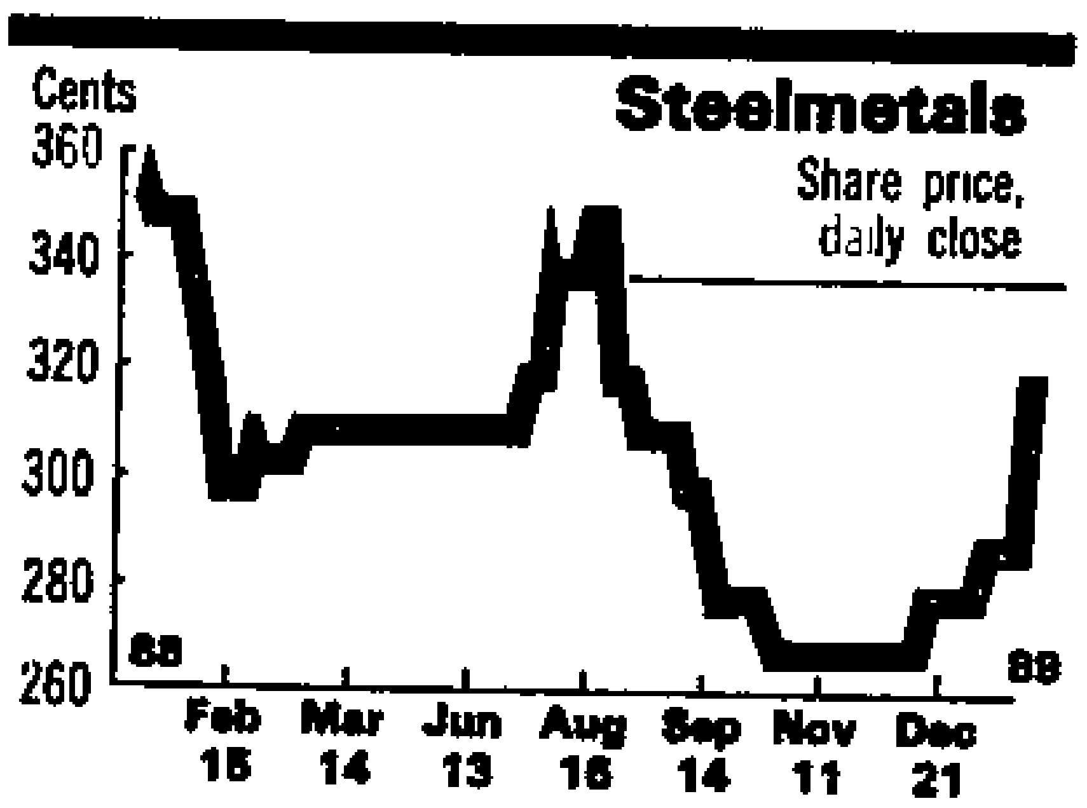
Tax

The losses arose mainly from the need to repossess certain equipment sold under the suspensive sale agreements This resulted in substantially increased borrowings and interest charges took a R1m bite out of profits (R603 000 interest paid in 1987 half-year)

As most other divisions had a satisfactory half-year, the decline in operating profit was limited to 6% at R2,1m (R2,2m) But the group's tax increased to R1,2m (R976 000), equivalent to a rate of 101,7% (55,2%) as a result of good performances in some divisions

Steelmetals directors say in the interim report that earnings continue to be affected by the adverse tax rate which reflects the increase in estimated tax losses in certain group companies

Due to more proposed rationalisations and the unknown extent of the liability applying to the recourse debtors of the construction equipment division, it is not possible to estimate earnings for the full year



Graphic FIONA KROCH Source JSE

Both the bearings division and King-Pac Materials performed well, while the machine tool and contracting divisions operated successfuly Although the contracting division expects to close several contracts in the current year, its order book has not increased as hoped for

Steelmetals increased its equity holding in King-Pac to 90%, while the latter — in a separate transaction — bought the minority interests in the subsidiary, King-Pac Materials, with effect from last June

The directors noted that if this transaction had been in effect for the whole of the previous financial year, Steelmetals' earnings would have been 3,2c higher at 22,3c a share

On a similar basis, if the additional percentage of King-Pac's equity had been bought at the beginning of the previous year, earnings would have been raised by another 4,4c a share to 26,7c

Distribution

Meanwhile, King-Pac has bought 100% of Glean Pack — an industrial cleaning materials distributor — and 52% of Pacforce, a company operating in the same field as King-Pac

The bearings division has enlarged its distribution network with the acquisition of Salton Bearing World

Steelmetals shares are trading at about 320c and seem overpriced on results and prospects The dividend was passed in 1987 The group has a history of trading on narrow margins and its turnover growth rate has been marginal — the past half-year's sales were up only 2,2%

In addition, it will have to progress faster to restore the tattered balance sheet

Steelmetals posts a consolidated loss of R134 000

Star 2/2/89

Steelmetals had a consolidated loss of R134 000 —or 4,2c a share — against the year-ago R467 000-profit, equivalent to 14,7c per share in the six months to December.

After the decision to discontinue construction equipment sales, further major losses arose because of the need to repossess certain equipment sold under suspensive sales agreements, the board says

These agreements had been discounted with recourse Their repurchase led to an increase in borrowings and a much higher interest charge of R1,940 million (R602 000)

(189).

Most other divisions had a satisfactory half-year Total turnover was slightly higher at R35,143 million (R34,368 million) The decline in operating profit was limited to 6 percent at R2, 110 million (R2,246 million)

Interest received declined and, after deducting interest paid, pre-tax profit was R1,134 million (R1,171 million)

Estimated tax losses of certain group companies caused the effective tax rate to jump to 101,7 percent (55,2 percent), resulting in a taxed loss of R19 000

Minority interests absorbed R115 000 (R324 000), leaving a bottom-line loss of R134 000 (R467 000 profit) Both the bearings division and King-Pac Materials performed well The machine tool and contracting divisions operated successfully Although the latter expects to close several contracts in the current half-year, its order book has not increased as was hoped for — Sapa

COMPANIES

BDay 22/2/89

(189)

Afcables retains cash to fund diversification

TANIA LEVY

AFRICAN Cables' heightened activity boosted earnings 21,7% in the six months to December to 20,2c (16,6c) a share

However, the cable manufacturer has decided to increase its dividend cover in order to retain more cash to fund diversification

On this basis, an 11c (10c) interim dividend has been declared This is covered 1,84 times compared with the 1,5 times cover of the past two years

Enlarged sales volumes produced a 31% increase in turnover to R64,9m (R49,6m).

Slightly reduced margins and a minimal increase in tax reduced this to a 21,7% increase in attributable profits to R4,8m (R3,9m)

MD Peter Muller says the group has already diversified into supplying thermal insulation for water pipes in the mining industry Other areas of diversification are currently under consideration.

The balance sheet remains strong although capital expenditure has reduced cash and short term funds to R17m (R22m).

Muller says some R4m capital was used to purchase plant from Europe, which added about R3m in fixed assets

He predicts an even better performance for the second half of the financial year when major clients such as municipalities place orders before their year-ends in June.

PROPERTY/Edited by Terry Meyer

Costing concrete against steel

BDay 1/3/89

189

VAL PIENAAR

OLD MUTUAL Properties may shortly be in a strong position to end the long controversy over which form of construction — of concrete or steel frame — is financially the best option for developers in the current economic climate

Shortly before 1066 Kerk Street comes on stream, the company will be starting work on another, similar, full block development across the road to house its local branch operation

But while 1066 has been constructed over a period of 24-months using a conventional concrete frame, the very similar Old Mutual Building will be built on fast track using a steel frame and is scheduled for completion only 15-months after construction started.

The two projects are very similar in size Old Mutual Building comprises 19-storeys, with a lettable floor area of 24 695m², while 1066 is 20-storeys with a lettable office area of 24 875m², plus 850m² retail space at ground level

Parking is provided at 1066 for 330 vehicles, and at Old Mutual Building for 292 vehicles, at a ratio of slightly over one bay per 100m²

"A major disadvantage to concrete-based construction in the CBD, where buildings tend to be high-rise, is the slowness of construction The market can turn right around in the time that elapses between deciding to build and starting a letting programme

"This problem doesn't arise to the same extent in the suburbs, where buildings are usually smaller and take less time to complete," comments regional property manager (Witwatersrand) Ian Watt

On the other hand, Watt points out, the far greater cost of steel construction introduces an element or risk that cannot be justified unless a building is fully let well ahead of completion

This was one of the factors that made the construction of the Old Mutual Building in steel feasible, since it is to be fully taken up by Old Mutual

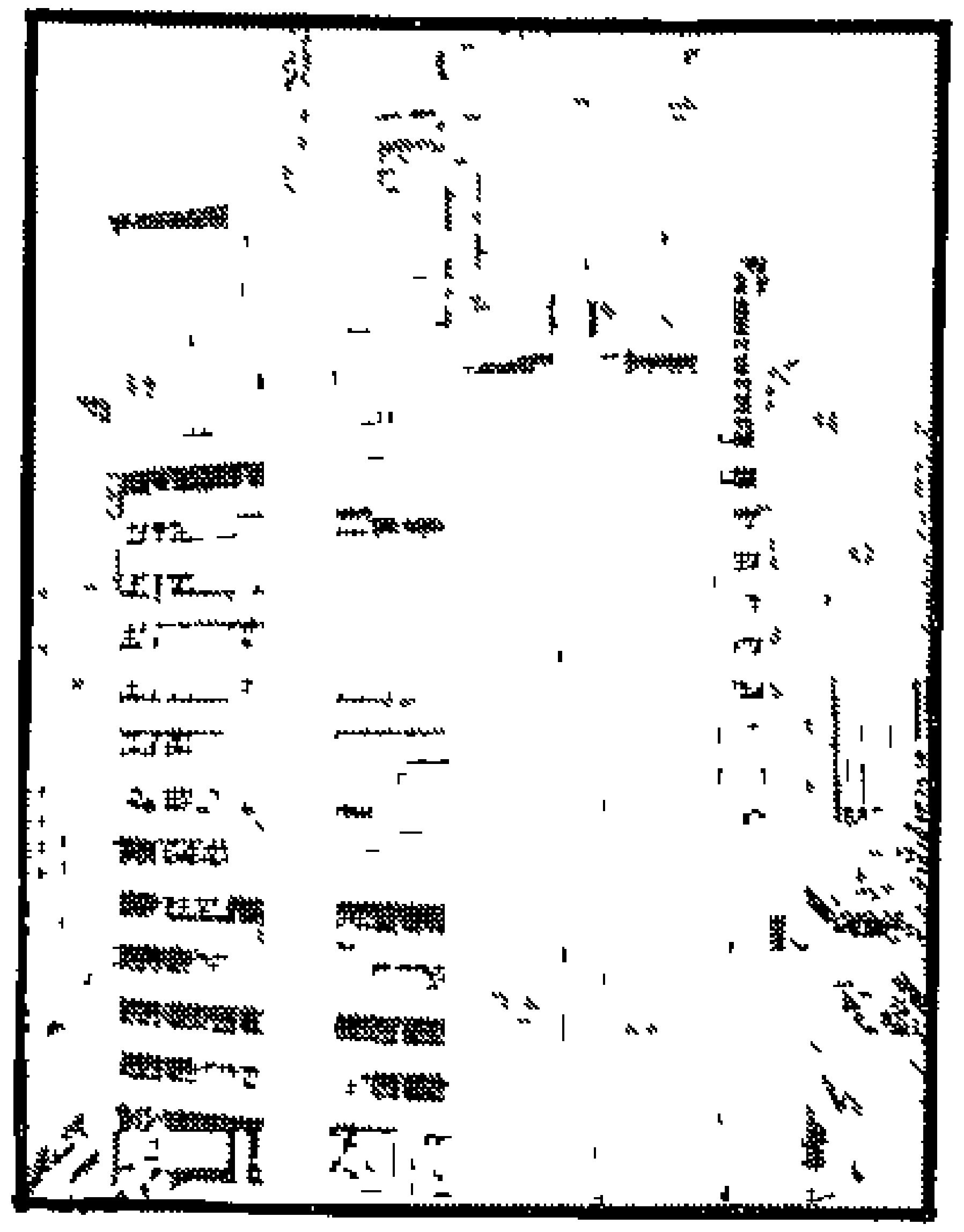
A striking characteristic of both projects is their low-tech design, chosen because the developers believe it to be more "user friendly" than the hi-tech common to most major modern developments Minimal deep space ensures that most people in the building have ready access to windows, which are of clear glass and, in many cases, can be opened

"When we made the commitment to develop in the CBD, we attempted to analyse what it is that attracts people to work in the suburbs," adds Watt

"We found that a desire to escape what is perceived as a sterile, isolated working environment was a major factor People don't like to be cut off from the outside world, dependent on artificial lighting and unaware even of what the weather is like"

In addition, there is no central air-conditioning system, and tenants will specify where they want modular air-conditioning units installed This will both enable individuals to set the air temperature in their offices to suit their personal comfort levels and also dramatically reduce running costs

Watt tends to discount the importance of a high parking to floor area ratio in attracting people to the suburbs "Bus transport into the CBD is far better than it is for the suburbs, where relatively low echelon workers have a need for cars"



☐ GOING UP . 1066 and all that

Extremely low tax rate saves Metkor

189

Bottom Line

Star 3/4/89

MICHAEL MENOF

Once again Metkor has produced a boring, unimaginative annual report

The five-year trend between 1984 and 1988 shows management lacks flair Sales of R1,54 billion in 1984 produced pre-tax income of R84,57 million compared with sales of R2,42 billion in 1988 producing R109,3 million

Ordinary shareholders' interest of R313 million in 1984 has plodded along to only R370 million five years later Working capital has remained virtually constant.

Only the extremely low effective tax rate of 21 percent in 1988 and 19,3 percent in 1987 made the bottom line look respectable This low rate will continue until the enormous tax losses (1987 R120 million, 1988 R76 million) are fully utilised

With hefty borrowings up 22 percent in 1988 and with spiralling interest rates, finance charges, which continue to plague the income statement, look set to rise

The most disappointing aspect was the chairman's dreary review offering no statistics or comments on the progress of each major subsidiary.

Furnishing the head office address and location of manufacturing cities was irrelevant What were the major problems and bottom line contribution from the main activities? Poor industrial relations in 1988 adversely affected certain of the group's operations

Sales increased to R2,42 billion (1987 R1,97 billion) producing net income before finance charges of R144,62 million (1987 R107,04 million)

Deducting significant finance charges R35,34 million (1987· R25,2 million) and extremely low taxes R23 million (1987 R15,83 million), after tax profits were R86,27 million (1987: R66 million)

After outside shareholders' share of income R55,86 million (1987 R42,44 million) and crediting the R5,56 million (1987 R5,24 million) net income of associated companies, the bottom line totalled R35,97 million (1987· R28,81 million).

An extraordinary net credit of R3,05 million made the "net income attributable to ordinary shareholders R39,02 million" (1987. R28,41 million) look good. but consider . a mere 1,6 percent of sales (1987 1,44 percent)

Earnings per share were 33,1c (1987· 26,5c) with dividends upped to 12,5c (1987: 10c)

The overall improvement stems from improved activity in the motor industry and action taken to reduce the group's involvement in heavy engineering, says the new chairman Mr F P Kotze

Acquisitions during the year included the aluminium business acquired from PG Glass Holdings which, together with the aluminium extension business of the Aluminium Extrusion Company, were merged with the contracting and aluminium division of Wispeco

Surplus properties in the Newtown area of Johannesburg fetched R7 million

Subsidiary Dorbyl is proceeding as a 60 percent participant in a R120 million joint venture with Iscor to upgrade the seamless tube facility of TOSA

None of the above has a material effect on the net asset value or group earnings in the short term

Modest improvement

The three-week strike over wages in the metal industry adversely affected certain of the group's operations Results and comparisons from major divisions within the group were once again omitted, leaving shareholders no way of determining how subsidiaries are performing

The balance sheet featured only a modest improvement Helped by the significant outside shareholders' interest of R443,66 million (1987 R427,05 million) — more than 50 percent — total shareholders interest rose to R813,6 million (1987 R758,95 million) at end September 1988 Total debt increased to R278,76 million (1987· R228,8 million)

Rather disturbing was the investment in associated companies of R62,8 million (1987 R42,1 million) having a valuation of only R47,5 million (1987 R40,56 million) — a material difference of R15,3 million which certainly warranted comment

Despite a lower growth rate and increase in interest rates, a further earnings improvement is forecast for 1989

The results of companies manufacturing capital goods that are being scaled down in relation to demand, will be more favourable.

With a net asset value R3,41 (1987 R3,06) compared with the current JSE price of R3,00, shareholders are showing disenchantment

Metkor's psychology makes it the leading candidate to buy Iscor/Vecor and leave other more progressive groups such as Altech's Powertech and Aberdare to steal the heavy engineering limelight

Without the massive tax losses the bottom line would look pitiful

M & R Foundries in major Cosworth deal

Cape Times 17/4/87

189

Own Correspondent

PORT ELIZABETH — Agreement has been reached between British engine manufacturer Cosworth and Murray and Roberts to produce aluminium alloy cylinder heads at Ferroform in Port Elizabeth

This was confirmed at the weekend by Murray and Roberts Foundries group managing director Gordon Scott. He said the proposed production of the cylinder heads under licence to Cosworth would involve a R30m investment

The local content of the cylinder heads would be about 85%

Cosworth is famous for its Formula One racing engines Its other clients include Jaguar, Mercedes-Benz, Ford, Opel, Rolls-Royce and Maserati

Mr Scott said it was proposed that initially an R11m pilot plant would be established at the Stanford Road foundry It was expected to go into production in July next year with a run of 40 000 cylinder heads a year for cars and light commercial vehicles

"This represents 15% of the needs of the South African motor manufacturing industry Once phase two has been completed in 2½ years, the plant will be able to supply the industry's total needs into the 21st century The agreement with Cosworth also provides for exports."

"The production of cylinder heads in Port Elizabeth will be a major import substition programme "

Mr Scott said the process which used special zircon sand-casting and heat treatment techniques was ideally suited to the relatively low volumes of vehicle production in South Africa

He said the agreement with Cosworth had been clinched in the face of stiff competition from other South African companies.

rn Namibia were put on

o fighters An obstacle to

189.

Cosworth teams up with M&R in aluminium casting project

Star 19/8/87

By Stan Kennedy

Port Elizabeth is to be the site of a proposed R30 million aluminium casting operation involving a major South African industrial concern and an international force in high-performance engines

An agreement was signed this week by M&R Foundries and Cosworth Engineering, England, which will pave the way for the investment and the creation of 200 jobs. A third party in the agreement is International Meehanite Metal Company.

The foundry will have sole manufacturing rights for the production of high-quality aluminimum cylinder heads in southern Africa using the Cosworth process Cosworth is renowned as manufacturers of Formula One racing engines.

The first phase of the programme will be the setting up of an initial manufacturing line, costing R11 million, which will be commissioned in July next year, and which will produce 40 000 cylinder heads a year or 15 percent of local industry's requirements

A further R19 million will go into the main production line within the next two-and-a-half years The third phase will be a plant for the manufacture of engine blocks but there is no definite timing for this at present

The facility will have the capacity to provide South Africa's total requirements for cylinder heads into the next century and make massive savings in foreign exchange, says Mr Gordon Scott, group managing director, M&R Foundries

Engine blocks

"We will initially concentrate on manufacturing Cosworth-process cylinder heads and later move into other components Eventually, we plan to produce aluminium engine blocks, which is a natural extension of our operations"

He says the quality of the components manufactured using the process could be gauged from the Cosworth's Formula One racing engines and manufacturers using Cosworth components These include Jaguar, Mercedes Benz, Ford, Opel, Rolls Royce and Maserati

The process is such a success that car manufacturers say it is the ideal production method for aluminium heads

M&R Foundries started its search in the international market for a process that would meet local requirements It had to be capable of providing consistently high-quality castings to all specifications and to be compatible with South Africa's low-volume production by offering competitive capital investments in plant and tooling in relation to production costs

It also had to be a technology which was in line with the pattern and toolmaking foundry capability available here

Local content of the plant will be 80 to 85 percent while the parts will contain 98 percent Aluminium and the Zircon sand will come from Richards Bay

Staff from Port Elizabeth will be trained at Cosworth's research and development centre in Worcester, England, and experts from there will come to Port Elizabeth to assist in the start-up

COMPANIES

Clyde Industrial's earnings drop 31% after labour unrest

189 B/Day 2/5/83

EDWARD WEST

CLYDE Industrial Corporation's earnings dropped 31% after labour unrest and tight competition in new markets eroded the benefits from a 44% increase in turnover.

The steel-product manufacturing company's earnings dropped to 8,5c a share from 12,3c, preliminary results for the year to February show.

While turnover increased to R62m (R43,1m), income attributable to shareholders fell 50% to R1,46m (R2,93m)

The level of profitability dropped in the second quarter resulting in an 18% decrease in pre-interest and tax income of R3,34m (R4,07m) Taxed income dropped 49% to R1,46m from R2,93m.

The drop in profitabilty was due to labour unrest resulting in the dismissal of a major part of the workforce. With subsequent recruitment, difficulty was experienced in maintaining previous production levels.

The directors, who hold 69% of Clyde Industrial, reported aggressive pricing structures to pursue new markets led to a trimming of margins which added impetus to the drop in profitability

Interest charges increased to R833 000 from R462 000 as a result of an increase inthe rate of interest and the level of debt

The increase in debt arose from working capital requirements and capex expansion of R3,8m The directors thought it would be wise to increase the company's dividend cover from 2,5 times earnings to 3,3 times earnings

A dividend of 0,6c a share has been declared. Clyde Industrial traded at 38c a share on Friday.

Papers served on company

Cape Times 29/6/89 (189)

Staff Reporter

PAPERS have been served on Premier Wire and Steel Products following the dismissal of 143 workers over a June 16 stay-away controversy

The papers were served yesterday by Bernadt, Vukic and Potash, attorneys for the Electrical and Allied Trade Workers' Union of which the 143 are members

They were dismissed on June 15 this year and seek an Industrial Court order directing the company to reinstate them on the same terms and conditions as prevailed at the time of their dismissal

According to an affidavit filed by shop steward Mr Ivan Daniels, he and his colleagues had several meetings with the management regarding the issue of June 16 during that week

Initially, shop stewards had suggested that employees work either on October 10 or two Saturdays as an alternative to June 16

In addition, workers requested that they be paid on June 15 and not the following Monday, as this would cause them severe financial hardship

On June 13 management rejected their proposals and "was not prepared to enter into an agreement"

Mr Daniels said the entire work force reported for duty on Thursday, June 15, but found the company's front gates locked Wages were paid after 9am

Mono-Die in liquidation after ‘bad sale’

SUSAN RUSSELL

ALLEGATIONS that businessman Ivan Brownlees embarked on a scheme to strip assets from a company he acquired on behalf of JB Foundation SA of Luxembourg were made in papers supporting a winding up application in the Rand Supreme Court yesterday

Steel shaft manufacturers Mono-Die Engineers (Pty) Ltd was placed in liquidation yesterday after an application by Reichmans Ltd and two of the company's shareholders, Joseph Beno Annegarn and Joseph Mana Annegarn

Reichmans have a R1 985 759 claim against Mono-Die (189)

According to affidavits, Mono-Die's shareholders sold the company to JB, represented by Brownlees, for R5m last December BDay 12/7/87

Lewis Freidus, representing Reichmans, said in his affidavit since then Brownlees or his nominees had had physical control of the company which had not been paid for

He said action had begun to set the sale aside

Freidus said Mono-Die also owed Iscor R1,1m and R513 075 to Scaw Metals, one of its major raw material suppliers

Standard Bank has a R469 714 claim against the company

Freidus said the company had offered abnormally large discounts to customers

He said customers' money was not being deposited into Mono-Die's account

"It is clear that every attempt is being made by Brownlees and his associates to try and frustrate Reichmans' rights to collect Mono-Die's bank debts," he said

In an affidavit, Joseph Beno Annegarn said it became apparent during April this year that JB did not intend to pay any part of the purchase price for Mono-Die which had no ready cash to pay its debts

(189)

Supreme takes over Sam Steele for nearly R40m

B Day 19/7/89

CHARLOTTE MATHEWS

CASH-STRAPPED furniture company Sam Steele Holdings has been taken over by financial and industrial holding company Supreme Bond Trust in a deal worth about R40m

Supreme Bond Trust is the holding company of Supreme Industrial Holdings, previously Mewa Holdings

Sam Steele's main manufacturing division is Steel and Barnett, a veneered board, bedroom furniture and kitchen cabinet factory outside Johannesburg The retail division is the Protea Furnishers chain with 75 stores around the country

For the year to August 1988 Sam Steele posted an attributable profit of R2,3m against R1,4m for the previous year, but the total dividend for the year was 2c a share compared to 1987's 4c Gearing was 152%, the highest for five years

Supreme Bond Trust has acquired for R38m claims of R45m by banks against Sam Steele In addition, the 49% stake of Joe Berardo's Johannesburg Mining and Finance Corporation in Sam Steele has been bought for R1,47m, representing an offer of 20c a share This will give Supreme an 88% holding in Sam Steele.

Resume

An offer of 20c a share will also be made to the remaining shareholders, which, if taken up, would cost another R1,5m

Subject to shareholder approval, Sam Steele will issue to Supreme 50-million shares at 20c each, by capitalising R10m of the claims of R45m

Sam Steele shares were suspended at 35c last week and trading will resume today

Supreme financial director Roque Hafner said last night the existing board members of Sam Steele would remain and they would be joined by Supreme chairman Edward Rohbeck, Herman Erdmann and himself.

"In due course the main board will be reconstituted," he added.

"Supreme is always looking for acquisitions We saw the opportunity and having the available cash resources we decided to buy the company to turn it around as a viable venture We already have manufacturing interests and this acquisition will give us a retail interest."

Supreme Industrial Holdings has interests in stainless steel products through Mewa Manufacturing, and in cold rooms, refrigeration units and insulated panels through Insulated Structures

Sapa-Reuter

Cape Times 9/8/89

Workers strike

189

Labour Reporter

THIRTY-TWO workers at the Allcast Foundry in Parow Industria yesterday struck in support of higher wages

A worker said labourers, who earned R3,02 an hour, were demanding R4,50 and artisans, currently earning R6,59 an hour, demanded R7,20

B/Day 13/9/89

High interest bill hits Prestige at at halfway-mark

SYLVIA DU PLESSIS

PRESTIGE'S current financial year would be one of consolidation following moves to make the group trimmer and leaner, MD Angus Snowden said yesterday

The Unidev-controlled manufacturer and distributor of consumer durables has posted a sad set of results in the six months to June

While it has reported a 56% hike in operating profit to R1,4m (R927 000), a higher interest bill has whittled attributable profit to R519 000 from the previous six months' R543 000

No provision has been made for taxation as the trading company has an assessed loss

Earnings a share have been maintained at 1,8c, but net asset value per share has risen to 59,8c from 53,4c

[illegible]

189

Reorganisation

Snowden said finance costs were higher at R926 000 (R384 000), but the closure of the kitchen unit division, coupled with improved asset management, had reduced short term borrowings by 30%

Major reorganisation of the Krost operation, which manufactures galvanised products and pots and pans for the budget end of the market, had put Prestige's manufacturing and trading divisions on "a sound footing"

Management had implemented tight internal controls to cut costs and labour was being better utilised In addition, stock had been reduced, debtor turnaround time improved and the group was now "trimmer and leaner"

"And historically, Prestige's business is seasonal and turnover in the second half of the financial year represents a major portion of the annual turnover," Snowden said

He added that the group would relocate its Transvaal-based manufacturing operations from Heriotdale to Ekandustria in Kwandabele, a decentralisation area, in December

The move was expected to have a favourable effect on its 1990 performance

Star 13/9/89.

189

Prestige set to consolidate

Finance Staff

Prestige Group, manufacturer and distributor of consumer durables, has closed its loss-making kitchen unit division and is set to consolidate in the current year, says managing director Angus Snowden

Operating profit for the group was up 56 percent to R1,4 million (R927 000) for the six months to June

But this improvement was more than wiped out by the steep increase in interest payments

Net profit was R519 000 — slightly down on the previous six months

Earnings per share for the group remained at 1,8c

Mr Snowden says "Although finance costs were higher for this period, the closure of the kitchen unit division and improved asset management reduced the group's short-term borrowings by 30 percent"

Mr Snowden says major reorganisation of the Krost operation has put Prestige's manufacturing and trading divisions on a sound footing

"We are trading more profitably since closing down the Krost kitchen unit division in December and the growth in turnover is satisfactory, especially in the industrial division

"We have implemented tight internal controls to cut costs and labour is being better utilised We have reduced our stock, improved debtor turnaround time and the group is now trimmer and leaner

"And," says Mr Snowden "historically, Prestige's business is seasonal and turnover in the second half of the financial year represents a major portion of the annual turnover"

Mr Snowden says the group will relocate the Transvaal manufacturing operations from Heriotdale to Ekandustria in Kwandabele, a decentralisation area in December 1989

"This will allow the group to expand even further into the growing budget end of the consumer market and is expected to have a favourable effect on the performance in 1990"

Prestige's products cover a wide range of kitchen utensils and cookware — from microwave cookware and kitchen accessories to baking pans, kitchen gadgets and kitchen knives

Toco purchases extend strategic holdings

B Day 8/10/89

LIZ ROUSE

TOCO Holdings has increased its strategic holdings in Vitrex and Premier Chemical Industries through buying Pride Consultants' and Columbia Consultants' remaining indirect holdings in the two businesses

Toco has acquired from each of the vendors their 20% holdings in and loan accounts to East Rand Chemical Holdings for nearly R3,3m, to be settled by the issue of 1,84-million Toco shares at 89c

This brings Toco's holding in East Rand to 80% East Rand has a 40% interest in Alzac Holdings, which owns 100% of Vitrex and 60% of Premier (189)

Vitrex makes vitreous enamelled steel composite panels, while Premier is the dominant manufacturer in southern Africa of synthetic body fillers for the automotive refining market

Toco's holding in Vitrex goes up to 40% from 24% and that in Premier increases to 24% from 14,4%

Vitrex and Premier are expected to contribute meaningfully to Toco's earnings growth in the current year and in future years

Effluent for sea

189

S Times 29/10/89

MEGAPIPE has been awarded a major Mossgas pipeline installation contract

The main contractor for phase one of the pipeline is CBI Constructors SA Megapipe's installation expertise will be used to weld the HDPE pipeline

The pipeline will eventually extend from the refinery to a point 1,5km out at sea The sea section will be encased in a steel sleeve When completed, the pipeline, which will carry refinery effluent, will be 7km long

Megapipe, a division of Mega Plastics, pioneered the use of HDPE piping in South Africa

Cemenco gets R1,4-m Kriel contract

Mr Moore (left) and Mr Richard Garrett, MD of Cemenco Foundry, with an inlet dome valve for Kriel power station.

A R1,4 million contract covering the casting and machining of pressure vessels and parts for the pneumatic conveying system to handle fly ash at Kriel power Station has gone to Cemenco Foundry. Star 7|12|87

The contract, awarded by Simon Carves, is one of the biggest undertaken by Cemenco.

Mr David Moore, director, Simon Macawber, a division of Simon Carves, says: "Our local manufacturing programme has been running for four years and we now have the largest assembly plant outside our parent company in the UK

"The quality of the components must be equal to, or better than, that expected in the UK. Quality control is, therefore, an extremely important aspect in the casting and machining process"

Cemenco is casting the ash vessels from ductile iron, the valves and components from grey iron and the pipe bends from nihard.

MACHINERY + EQUIPMENT

1989

Valard buys crane firm for R2m

B/Day 5/1/89 (189)

MERVYN HARRIS

VALARD, which manufactures and sells industrial products, has continued on the acquisition trail with the announcement today that it has bought Tighman and Lasch from Landlock in a deal worth R2m

Lasch, the dominant player in the SA crane industry about 10 years ago, ran into difficulties in 1983 and many of its operations were closed The company has not performed well over the past two years, but Valard MD Stephen Connelly believes Lasch will soon be turned around under its new stewardship

Lasch should fit more easily into Valard, which has smaller business involved in mining and heavy industries, while Landlock has larger businesses in the automotive field

"We see the acquisition of Lasch as an opportunity and feel we can quickly get the company back into profitability

"Taking an 18-month view, Lasch should be earning a 25% return on total assets, which is in line with the rest of our group," Connelly said

The Lasch acquisition will have no effect on Valard's earnings for the financial year to March 1989

But, Connelly said, Valard was well on target to achieving its forecast of earnings of 11c a share for the year

The forecast was made in November last year when Delta Electrical Industries acquired a 20% stake in Valard

This was in exchange for the 50% interest in Ernest Lowe Hydrotube (ELH), as well as Delta's loan account in ELH, worth R6,97m based on Valard's then prevailing share price of 65c

The deal made ELH a wholly owned subsidiary of Valard

Valard shares closed unchanged yesterday at 75c

Valard on the acquisition trail

189

Star 5/11/89

Finance Staff

Valard, manufacturers of industrial products, has acquired Tighman and Lasch from Landlock for a purchase consideration of R2 million.

The Lasch acquisition will have no effect on Valard's earnings for the year to March.

Lasch, once a dominant player in the SA crane industry, ran into difficulties in 1983 and many of its operations were closed.

The company has not performed well over the past year, but Valard MD is quoted as saying it will soon be turned around under its new stewardship.

…ing will put cash in your

Sub-divided Bivec, Berzack shares listed

189

[illegible] B/Day 27/1/89

ZILLA EFRAT

SHARES in Berzack Brothers and its holding company Bivec have been split and the sub-divided shares will be listed today

Berzack subsidiaries make and distribute plastics and cable, sewing machines and machinery for the clothing and leather industries

Berzack shares will be sub-divided five-for-one, while Bivec will be split 20-for-one

The majority of shareholders have accepted a recent bonus share offer

In response to a bonus share offer made before the announcement of the share split, 90% of Bivec shareholders elected to receive five bonus shares for every 100 Bivec shares instead of the cash dividend of 43c a share

And 95% of Berzack shareholders accepted the offer of six bonus shares for every 100 Berzack shares rather than the dividend of 270c a share

Director Myron Berzack says the share split will make the shares more tradeable and enable more shares to come out on to the market

With the current trading prices, Bivec at 1 290c and Berzack at 7 625c a share, the shares are out of the average income person's grasp, says Berzack

This has retarded the natural growth of the share

189

Otis lifts profit 9%, resumes dividend payout

B/Day 27/1/89

LESLEY LAMBERT

US-CONTROLLED elevator company Otis has reverted to its policy of paying out the bulk of earnings in dividends, after a high tax bill forced it to pass dividends altogether during the previous financial year

Otis's taxed income for the year to December rose 9% to R8,03m, translating into earnings a share of 47,2c

A final dividend of 25c was declared, bringing the total dividend for the year to 42c The remaining 5,2c a share of earnings was reinvested

The company has recovered completely from the hammering its cash flow took when the Receiver of Revenue demanded payment of a R6,8m deferred tax liability in 1987

It earned R73 000 in interest on positive cash flows in the financial year to December 1988, compared to the previous year's interest charges of R94 000 on an R8,2m overdraft to fund the tax payment

MD Peter Bredenkamp attributed the 14% growth in turnover to increased demand for the modernisation of existing elevators and to a mild upturn in the installation of new elevators

Growth projections for the next three years would be based on expectations of further improvements in these core areas of the business, he said

The US parent company, which holds a majority stake of 51%, remained committed to the SA operation, said Bredenkamp "They will stay for as long as they're permitted to," he said

SUNDAY TIMES, Business Times,

by JULIE WALKER

Rock-bottom Racy racing out of the penny league

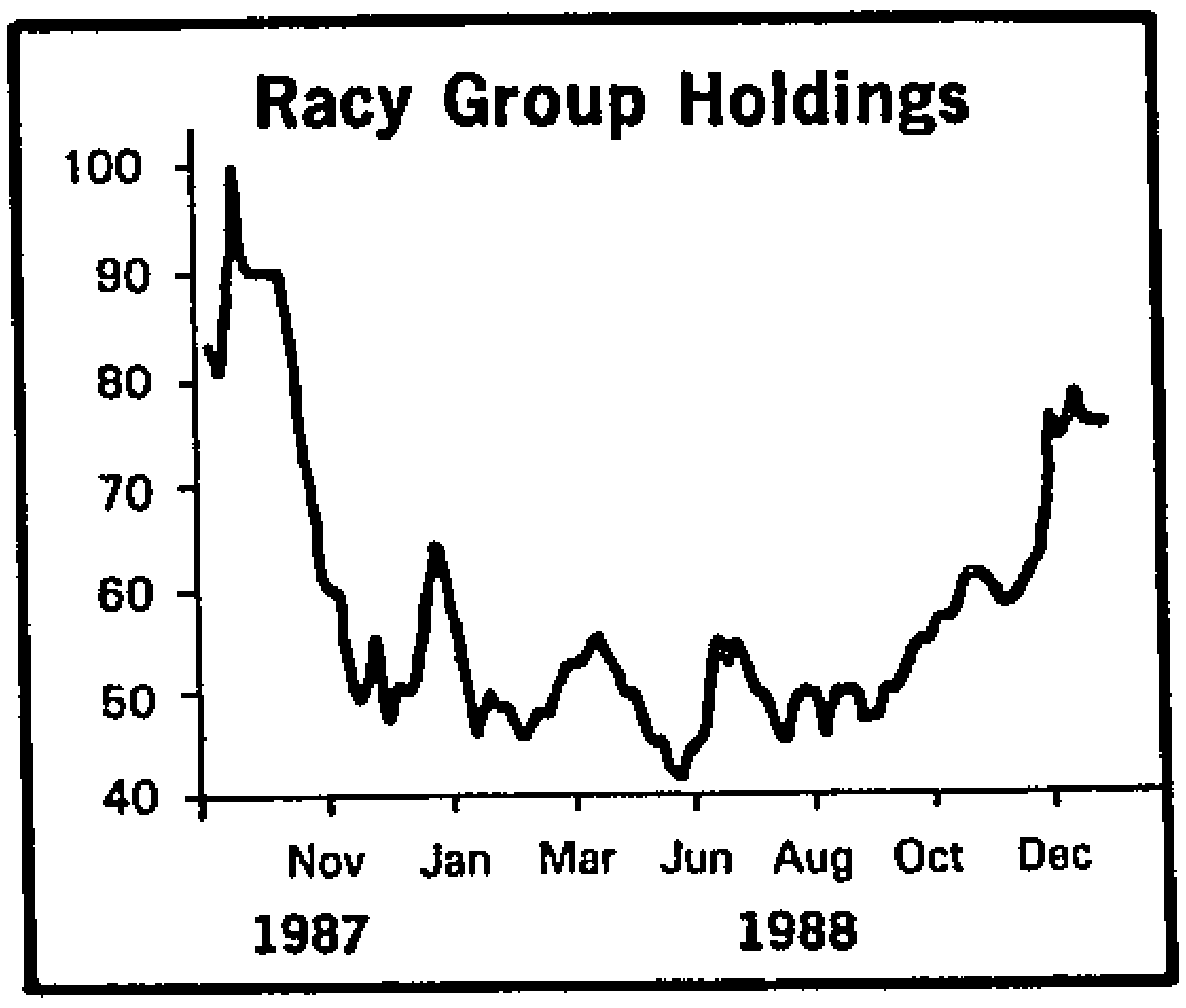
S/Times 12/2/89 189

RACY Group Holdings shares are among the penny stocks, but could be worth twice the current 80c

Racy comprises two major divisions — Hendlers Industrial Carriers and Diesel City Hendlers was started in 1971 by brothers Ralph and Cyril, who had only one truck between them Elder brother Elliot established a Durban branch in 1977

Racy became an indirect subsidiary of TIAC (Trade & Industries Acceptances) in 1981, and four years later the business of Diesel City was acquired

Racy was listed on the JSE in August 1987 when 7,2-million shares were offered at 75c Since then the share price has been as low as 42c



HAPPY

Managing director Allan Jacobson is more than happy with the business, saying "Everyone keeps saying the economy is slowing down, but we are increasing the capacity of our fleet because demand is so strong"

Hendlers carries for a variety of industries and has warehousing facilities in SA's three major centres No single customer accounts for more than 7% of turnover, so vulnerability to a particular field is limited

"We carry mostly finished goods, nothing messy," says Mr Jacobson He believes that deregulation of the transport industry will take a long time, but Hendlers will be ready to take advantage of the opportunities

The fleet comprises only a few different models to make maintenance more simple

For a newcomer to enter road transport even at Racy's modest size would cost R75-million Those companies already in the driving seats are also in the pound seats

REBUILDERS

Diesel City's workshops are equipped to rebuild, repair and install diesel engines for mining, industry and transport

Diesel City also imports parts for wholesaling, and has franchises for engine, mechanical and electrical parts and fuel-injection systems

"We are an accredited dealer for Atlantis Diesel Engines (ADE), which has a big future in SA for engines up to a certain size," says Mr Jacobson

Diesel City rebuilds an engine with a warranty that it is as good as new in terms of the hours of service at a saving of between 65% and 70% on the price of one out of the box Clients range from mines to Government departments to company fleets

"We can remake an engine in five to six days We have a range of engines which can be borrowed by the client in that downtime so that he does not lose money while his vehicle is off the road"

A large capital investment was made in the stock of engines for this purpose, but it has been worthwhile

Another innovative idea is the leasing or rental of an engine "We have reached an agreement with a bank to allow the lease or rental of an engine only A customer does not have to buy an engine outright or lease a new vehicle

"Buying an engine ties up capital which could be put to better use elsewhere in the business We will even put engines on standby in the event that a client might need one"

Racy turned over R20-million in the six months to September, and expects to top R40-million for the year to March Interim earnings were 8c a share Last year's earnings totalled 11,5c, and the share price of 80c is 5,8 times historic earnings

This year's earnings should be between 15c and 16c — a forward price-earnings ratio of only 5 times The average historic PE for the transport sector is 8,5 times

MAXIMUM

Racy's tax rate will be 37% compared with last year's 28% Next year the company will pay the maximum rate of tax, but Mr Jacobson does not expect the bottom line to be below this year's

The current dividend yield is 8,4% Dividend cover was increased to 2,5 times at the interim because borrowings had risen to fund three acquisitions costing R3,5-million

"We are 30% geared, and the figure will rise to 45% by March But we are looking five years ahead with our expansion We have bought the latest equipment and can move bigger loads while maintaining overheads"

The net asset value at the half-year was 72c — so buyers of shares at the current price are getting in at a rock-bottom price

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Huntcor oddlots on the way out

S/Times 12/2/89.

HOLDERS of fewer than 100 shares in Huntcor can now

Bonuskor's listing on the JSE was terminated in August last year when its mem-

sue of ordinary shares by Huntcor to its controlling shareholder

R3bn chase for 'tram' orders

S/Times 12/2/89

189

By Udo Rypstra

THREE large industrial groups and three private transport operators are vying to build and operate light-rail systems which could cost up to R3-billion for five cities

The light-rail systems will carry intra-city passengers in vehicles that look like trams They are designed to reduce traffic congestion

Tenders for the first electric system — in Port Elizabeth — are expected later this year The cost is estimated at R350-million, and is to be completed by about 1992

It will probably be a prototype for the others — in Pretoria, Cape Town, Durban and Johannesburg They will serve only certain parts — or corridors — of the cities

Main contenders for the supply of rolling stock are Metrail, a European-South African consortium, Siemens in collaboration with Union Carriage & Wagon and Duewag, and GEC with Dorbyl

The Government is looking at turnkey packages It wants the builders to operate and maintain the systems as well.

For this reason the three manufacturers are negotiating with the main private transport operators — Tramway Holdings, part of the Tollgate group, Putco and the South African Black Taxi Association (Sabta)

Finance

Rolling-stock suppliers hope a third of the funds needed for the projects will be supplied by the Department of Transport, which has set R125-million aside for the Port Elizabeth project

The Metrail consortium says it can assemble packages that range from design to operation by importing expertise from Europe But it would prefer an SA partner

Metrail, whose existence was announced a few weeks ago, consists of Swiss-controlled Industrial Machinery Supplies (IMS) as leader; Alsthom of France as designer, engineer and, if required, operations partner; project leader EMS, and Genrec for manufacture, erection and assembly Duros says it will organise finance both here and abroad

IMS's Mr Fix-It, Louis van Ass, who formulated his company's Mossgas tender proposals, has taken over as light-rail project leader He says Alsthom is one of Europe's leading experts in the design of light-rail systems

Tramways Holdings is involved in advanced studies on the Port Elizabeth and

● To Page 2

R3bn chase

● From Page 1

(189

Durban projects

Project leader Wessel Pienaar says "We are looking at all the metropolitan projects Light-rail systems have become a reality for South Africa What happens in PE will set the scene for the rest of the country"

The Port Elizabeth project will link the CBD with the northern suburbs

Pretoria also wants to relieve pressure on its CBD area and is looking at a system to be built in seven years

S/Times 12/2/89

Durban is considering a system linking the CBD with Inanda

Cape Town is looking at routes from the old power station site through the proposed docks redevelopment area and possibly to Green Point It would be a tourist attraction.

Johannesburg has the most complex requirements Mr Van Ass and other experts believe it has no option but to go underground

The first study into a mass-transit system was undertaken by the Johannesburg City Council in 1955 A total of R5-million has been set aside by the Department of Transport for another feasibility study to cover residential areas developed since 1955

'Drunk' foreman: 20 men fired

Cape Times 15/2/89 [illegible]/89

TWENTY workers at Atlantis Diesel Engines (ADE) were dismissed early this morning after they refused to work until a "drunk" foreman had undergone a breathalyser test

The dismissed employees, all members of the National Automobile and Allied Workers' Union, will have discussions with the company today

An ADE spokesman declined to comment

The Star
Finance

Deutz-MWM engines to supply power for Mossref

Star 16/2/89

189

Industrial Beat

STAN KENNEDY

The electricity supply to Mossref's off-shore platform at Mossel bay will be generated by Deutz-MWM engines, currently being manufactured in Mannheim, West Germany

The award of the R2 million contract came after close international co-operation with Klockner-Humboldt-Deutz (KHD) and Cape Town-based Deutz Dieselpower

The latter is a subsidiary of Hudaco Industries

KHD is an important shareholder in the local company, which has been building air-cooled diesel engines in South Africa for almost 20 years in terms of a government-approved scheme

The MWM division of KHD specialises in large water-cooled engines for stationary applications in gensets and standby power generation

It is also a prime-mover in the marine field

Many vessels operating off the South African coast are powered by their generators, whose founders include Messrs Otto and Carl Benz, early pioneers of diesel engines in Germany

The order is for three generating sets each rated at 1500 kW at 1 500 rpm and which will be coupled to Piller alternators

They are being built to the rules and under the supervision of the Classification Society of Lloyd's Register of Shipping

Delivery is expected early this year

Safety first

Driven by the big increase in crime and predictions of tougher economic conditions, the physical security industry is expected to keep abreast of its historical annual 10 percent growth this year, says Mr Peter Jephson, managing director, Austen Safes

He estimates that total turnover for 1988 was more than R50 million

Despite a greater awareness of security, his company received more than 30 calls over the Christmas holidays in the Transvaal

They related to break-ins, most of which involved the use of electric angle grinders and oxy-acetylene cutting equipment

He says that last year the industry was generally overtraded at the bottom end of the market, where these was a big demand for non-SABS wall and rifle safes

A greater understanding has developed between the industry and the insurance industry and there has been further recognition by the private sector for security, risk management and loss control

Austen, the third-biggest safe manufacturer in South Africa, launched new products and services last year

They included a high-tech deposit chute safe and a new range of medium-quality safes

It also set up a division to modify and refurbish automatic teller machines and adapted and installed more than 600 of them throughout the country

Fluid power

A report on a major investigation into the market for fluid power equipment has been published by LHA Management Consultants

It covers such matters as hydraulic power equipment, hydraulic accessories and pneumatic equipment

It has come up with information which shows that the market was worth R305 million in 1988

Fluid power equipment is used in many applications, resulting in there being a highly dispersed marketplace

However, five market segments accounted for the lion's share of the equipment — mining, basic metals and original manufacturers of farming, transport and mining equipment

LHA estimates that the market will increase by five percent this year, mainly due to a favourable growth rate in the mining sector

The report, entitled *"Market Prospects for Fluid Power Equipment in South Africa"* quantifies and structures the fluid power equipment market in great detail

It provides segmentations, regional markets and demand projections for all type of equipment and market segments

Engine protection

The Jet-Stop engine protection system used on diesel engines for measuring direct cylinder temperature is being offered as a bolt-on steel pipe kit for all ADE and Deutz engines

The system, produced by Power Protect (PP), Wadeville, has the advantage of being able to feel the direct temperature of the cylinder head and does not rely on heat being transferred through oil or water

It reacts immediately to an overheating situation and cannot be fooled by pressures or the coolant level

Says Mr Trevor Madley, PP managing director

"It is designed to provide management with an arm in the cab, protecting the rolling assets all the time

"A simple mechanical device constantly monitors the temperature of the engine and its oil pressure

"When either is out of limit, the driver gets an audio-visual warning that he is going to lose power

"The fuel supply is automatically shut down and the engine comes to a halt

"The system will not allow it to start again until the fault is rectified"

Additional features can monitor torque convertor temperatures, hydraulic system pressures and oil temperatures

More than 50 percent of the kit is sourced from locally produced components

Maxmech ready for next phase

BDay 17/2/89

(189)

LIZ ROUSE

TWO years after entering the DCM, Springs-based mechanical seal manufacturer Maxmech is ready for the next phase of its import replacement programme

Growth from stage one has been dramatic, with offices and representation in the major areas Regional service centres are also being formed and will model the successful centre based in Sasolburg

"Customers are asking us to broaden our range of SA-produced seals that are the equal of expensive imports," says MD Ivan Dettmann "We have the equipment and the experience of serving special applications Now we want to complement these strengths with the latest know-how "

The company flirted with the idea of importing further equipment from overseas before deciding to send operations director Andy Nash to Europe and the Far East He leaves SA in March for a year to probe the latest seal and material technology He will also represent the East Rand firm's growing export interests on the spot

Nash is a key member of the team that took Maxmech into boiler feed seals, special cartridge units and pioneered edge-welded bellows seals

"This injection of technology improves our marketing position and is particularly rewarding as we are 100% SA owned with products locally designed, developed, manufactured and serviced Now Nash must bring us the latest practical know-how to meet future needs," says Dettmann

Financial director Peter Frankle says Maxmech in engaged in major projects which will have a major impact on profits in the next financial year

ARGUS

J I Case in local buyout

By TREVOR WALKER
Business Staff

J I CASE, one of the world's largest manufacturers of agricultural and construction equipment has sold its investment in South Africa to the local management team

No figures have been released, but the funds were provided by Nedbank and Finansbank, a Nedbank subsidiary

As part of the deal, Finansbank will hold a minority interest in the new company called Construction Specialist Engineers (Pty)

CSE has five branches in the country based in Johannesburg, Cape Town, Durban and the Eastern Cape

J I Case sold off its agricultural business in this country to G North and Sons last December and the latest sale of its construction business has finalised the withdrawal of its investment in the South Africa

A spokesman for the company said the exclusive distribution agreement for Case construction equipment would remain with CSE and "we are well placed to continue the import, supply and service of Case equipment to the South African market"

Case had a turnover of around R180-million a year, split fifty fifty between its agricultural and construction equipment divisions

Case is owned by US multinational Tenneco Inc of Houston, Texas

Mr Barney Strydom, managing director of Case in South Africa, established the company some 18 years ago and he is confident that the buyout by the management team will lead to increased growth in this country

Klipton ups interim profit 31%

B/Day 9/2/89 (189)

ZILLA EFRAT

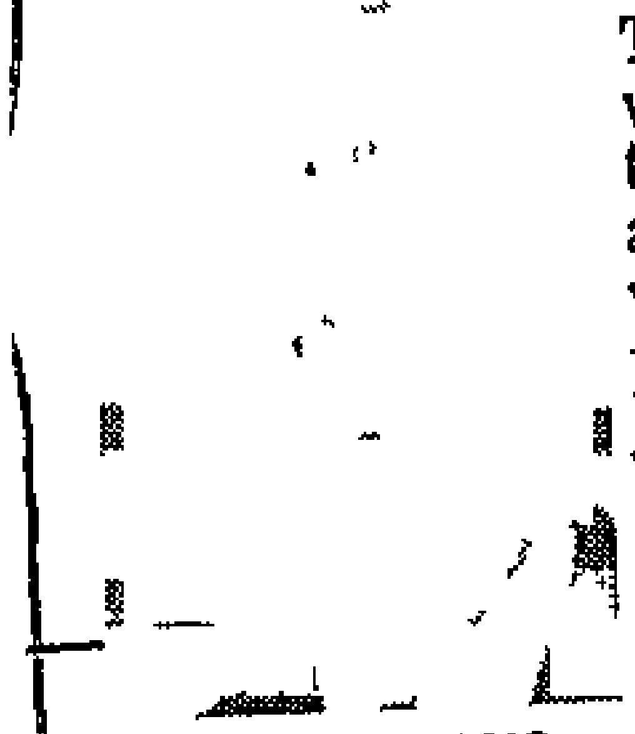
KLIPTON Holdings, the industrial product manufacturer and distributor, has achieved a 31% rise in attributable profits to R1,3m (R983 000) in the six months to December

No interim dividend has been declared as it is policy to pay dividends at the end of the financial year

Earnings rose by 20% to 20,4c (17c) a share

The number of shares in issue rose from 5,8-million in 1987 to 6,3-million

The tax rate increased to 43% (18%) and interest paid jumped 260% to R317 000 (R88 000) These increases were predicted in the annual report and were in line with budget expectations, says joint chairman Nigel Matthews



● MATTHEWS

Final instalment payments for acquisitions made in the previous year and high stock levels resulted in the group's gearing peaking in December

"Interest paid is covered more than eight times by the operating profit and it is anticipated that interest bearing debt will be significantly reduced by June 1989 At that stage gearing should be well within our medium-term objective of 50%," says Matthews

Turnover increased by 66% to R28m (R17m), while operating profit improved by 101% to R2,6m (R1,3m) because of increased internal efficiency

Matthews says all three operating divisions are already obtaining significant orders from the Mossel Bay project and a group sales office has aready been opened in Mossel Bay

B/Day 20/2/89

Elevator market on the way up

THE market for new elevators increased in 1988 and continued to be dominated by the smaller medium-rise elevators typical of low density building, Otis MD Peter Bredenkamp said in his annual report last week.

High-rise buildings were limited to city centres where little recent development had taken place — Sapa.

Prices of big trucks soaring

189

S/Times

Business Times Reporter

26/2/89

THE large rise in the price of heavy truck rigs in the past three years could have ominous implications for the road freight industry

All sectors of the industry are feeling the effects of inflation and small operators are likely to be squeezed out or absorbed by large companies

Jonathan Harrod, chairman of the Information Transfer Group (ITG), says the price of rigs has risen by 275% in the past three years from about R80 000 in 1986 to about R300 000

ITG specialises in market and business research

Mr Harrod says that in spite of a 20% increase in the number of trucks of more than five tons, the size of the freight industry has remained relatively unchanged

"Older rigs are being dropped at much the same rate that new ones are bought"

However, the small operator cannot afford to replace his fleet at high prices The 11% rise in the fuel price will hurt operators and the start of deregulation will increase competition

Soaring engine costs bring good times for SA's reconditioners

S Times 26/2/89

(189)

THE market for reconditioning truck and bus engines has soared to over R100-million a year — 20 percent up on last year

The main reason for this growth is that fleet owners are having to make their vehicles last longer in the face of continued cost increases for new trucks and the burgeoning demand for used vehicles which are now in short supply

The market is shared by over 50 reconditioners in the PWV area and close to double that nationally

Specialised

Of these, a few are subsidiaries of original equipment manufacturers

The rest of the market comprises specialist reconditioning companies and small backyard operators

According to Mr Rolt Schudel, managing director of Schudel Swiss Engineering, the specialists are gaining a substantial share of the market

Mr Schudel said "Specialist companies can match the quality of the original equipment manufacturers's subsidiaries at competitive costs

"My company does not rely on agents for parts, but goes directly to other companies that have specialised in genuine parts We shop around for the best prices"

Schudel Swiss also has a subsidiary company, SMO Trading, which imports parts, directly from the country of manufacture — thus cutting out the middleman

Mr Schudel said specialist reconditioners that concentrated only on truck and bus reconditioning kept overheads to a minimum

"In addition the specialists are independent and have no allegiance to overseas shareholders," he said

"Despite this, quality is just as good and we back up our work with an as-new 100 000-kilometre or one year warranty"

Mr Schudel warned against dealing with backyard reconditioners which had proliferated recently

"They may offer cut prices, but the fleet oerator needs to ask himself whether they will still be around to honour their warranties"

Guarantee

Mr Schudel believed that the local truck industry would follow established patterns in Europe where a truck was made to last for 20 years or more, with major reconditioning taking place every 500 000 to 750 000 kilometres

Such reconditioning involves main components such as engines, gearboxes and rear axles

"Reconditioning a truck from cab to chassis costs 45 to 55 percent of the price of a new truck — and the reconditioned truck has the same guarantee as the new one," Mr Schudel said

"South Africa can no longer afford to scrap a truck after only 500 000 kilometres and replace it with a new one I'm afraid such luxuries are over"

Hurry

To keep up with the growing demand for reconditioning, the company is well advanced in its long-term expansion programme Recently it installed two new machines at its Germiston premises

These are a Zanrosso Eko reboring machine which will be used to rebore and resleeve engine blocks of any size and a Zanrosso Esa 18 surface grinder which can grind cylinder heads and blocks

For companies needing engines in a hurry there is an engine service exchange scheme

Femcotec makes second acquisition

B/Day 17/3/89

189

[illegible]

TANIA LEVY

FEMCO Technology has made its second acquisition in less than a month after exceeding prospectus performance forecasts in the year to December

The acquisition of Ciskei-based foundry operation Multicast follows the recent purchase of Acjohn Plastic Engineering

CE James Greig says the sound results reflect the strong demand for the company's electric motors and automobile wiring harnesses

Attributable profits rose 10,2% to R8,8m from a *pro forma* R7,9m the previous financial year

This translates to earnings of 37,5c a share which exceeds the 35,2c forecast at the company's listing in June.

A final dividend of 10,4c has been declared which is also higher than forecast and reflects the stated cover policy of 2,2 times

During the year under review, Femco, the country's largest producer of small and medium-sized electric motors, boosted turnover 29,3% to R79,2m (R61,3m) The prospectus forecast a year-end turnover of R76,4m

However the company had to catch up a backlog of orders towards the end of the year resulting from union action as part of the national Steel and Engineering Industris Federation of SA (Seifsa) labour dispute

For the two years to December 1989, Femco is committed to a capex programme in excess of R12m, partly financed by a R9,7m facility from the IDC at favourable interest rates

Femco's share price rose to a recent peak of 305c from the issue price of 200c on solid buying support

Natbolts' results justify price tag

Diagonal Street

ANN CROTTY

Star 10/3/89

189

Natbolts' results for the 12 months to end-December should help to persuade the market that the price tag of R140 million put on the group in last year's deal with Hunts was extremely fair and reasonable

Despite a sharp rise in tax and finance charges, Natbolt has managed to report a 35 percent increase in attributable earnings to R19,2 million, equivalent to 323c (249c), for the 12 months to end-December

The earnings figure is below most analysts' expectations, chiefly because few analysts anticipated the massive 179 percent surge in finance charges to R15 million (R5,3 million).

Much of this increase can be attributed to a number of factors including the sharp rise in finance charges at 76,7 percent-held FS-Team and the acquisition of Huck and Femo for R30 million cash But as the Huck/Femo deal was only paid for in September, although it was effective from January 1988, it does look as though the group's growth has been costly in terms of interest payments.

Against this the balance sheet as at end-December shows gearing down from 90 percent to 59 percent This reflects both a reduction in interest-bearing debt, (helped by the proceeds from the sale of properties on a leaseback arrangement) and an increase in capital (not only from retained profit but more significantly from the R50 million extraordinary profit that resulted from the Elcentre deal)

At year-end interest-bearing debt was up 74 percent to R76,4 million

In view of the increase in interest rates and the fact that growth this year will involve some acquisitions, it is unlikely that there will be improvement during 1989 In addition the 3 million redeemable preference shares are due for redemption this year and changes on this front are bound to involve higher interest charges

On the acquisition front there is atleast one candidate This relates to FS-Team's speculated acquisition of V&R, which combined with Femo looks set to make FS-Team a major force as a distributor of non-discretionary automotive parts

The tax bill was up 159 percent to R3,7 million reflecting an increase in the tax rate from 6,4 percent to 12,2 percent As the group uses up its assessed losses this rate is set to continue rising although some shelter will be provided by investments and the group's export activities

The group's turnover increase of 80 percent includes the Huck/Femo turnover for the 12 months No figure is provided but in the 12 months to Decmeber 1987, Huck/Femo could have had combined turnover of around R63 million

Group operating margins were down from 10,5 percent to 9,88 percent which, management says, reflects a change in the turnover mix

While it may be tempting to assess the group's divisional contributions by looking at the attributable earnings level it is more appropriate to do so at the operating profit level

The former would suggest that FS-Team accounted for R14,6 million of attributable earnings, leaving all the other interests of Natbolt chipping in with a mere R4,6 million

The picture at the operating profit level is quite different. This shows FS-Team contributing R19 million which is 41 percent of the group turnover of R45,8 million

The R19,2 million attributable profit represents a 13,6 percent return for Hunts's R110 million purchase of 78 percent of the group which in real terms is not sparkling but looks good in term of the 12 percent preferred ordinaries used to fund the deal It is equivalent to a price/earnings rating of 7,3 times

NATBOLT SEES EARNINGS OF 435c a SHARE

TANIA LEVY (189)

NATBOLT Group has surpassed forecast earnings in the 18 months to December, achieving earnings of 453c a share B/Day 10/3/89

A final dividend of 50c a share has been declared, bringing the total payout to 150c, covered three times.

Since becoming an FSI company in 1984, Natbolt has broadened its activities beyond the manufacture and distribution of industrial fasteners to include products for the agricultural, automotive, building and other sectors

The company has changed its year end to December.

The unaudited figures for the year to December show that attributable profits rose 35% to R19,2m (R14,3m) after the tax rate increased to 12,2% (6,5%).

A 4% increase in the number of shares in issue limited the earnings increase to 30%.

On a fully diluted basis earnings rose 28% to 267c (208c) a share in the year to December and 375c in the 18 months

Turnover swelled 80% to R463,8m (R258,2m) in the year to December and equalled R619m for the 18-month reporting period.

Margins were lowered but operating profits increased 64% to R45,9m (R27,9m)

Because subsidiary FS-Team relinquished its electrical wholesaling and distribution business to Elcentre, Natbolt now holds an attributable 26,5% share in Elcentre, the largest electrical components and cables distributor in SA.

Shareholders are reminded of the cautionary announcement just issued by FS-Team

On a fully diluted basis, gearing at the end of December stood at 59%.

R50m capital gain boosts Natbolt

S/Time 12/3/89

189

Business Times Reporter

BUSINESS Times top company in 1988, Natbolt Group, has delivered the goods again with a 35% increase in profitability plus a capital profit of R50-million in the year to December

Because of a change in its yearend, the company reported for the 18 months to December, but it does provide one-year figures for comparison

In the 18 months, Natbolt turned over R619-million and made an operating profit of R60,7-million Finance charges were R17,6-million, leaving pre-tax profit at R43,1-million Thanks to assessed losses, the tax rate was only 10% Taxed profit after R11,6-million of minorities was R27-million

Earnings a share were 453c A final dividend of 50c has been declared, making a total of 150c for the 18 months The year-on-year figures show turnover up 80% and taxed profit 35% ahead

The sale of assets brought in extraordinary capital profits of R50-million

Chairman Terry Rolfe said the item arose from the sale of part of Elcentre plus some properties, which were leased back

Good deal

"Alan Schlesinger, for years a property expert at Sage, has done an extraordinarily good deal He sold the properties with the right to buy them back in 10 years for the same price The strategy is to realise Natbolt's vast under-used assets and put them to work in more profitable areas"

Mr Rolfe said depressed bolts now accounted for only a third of profits Bolts would return as a major profit source when gross domestic fixed investment got going again

Acquisitions Federal Mogul (Femo) and Huck and other subsidiaries General Diesel, OCE, EHC, Matus, FS Team and Natbolt's distribution outlets were going from strength to strength

Analysts have worked out that Elcentre, coming in with about R14-million, is the major contributor to Natbolt But Mr Rolfe reminds them that the Elcentre stake entailed large outlays by Natbolt for Elcentre, Keens and other parts of Elcentre All the debt and the interest costs for these acquisitions are in National Bolt itself

The 18 months of trading plus the dealing in assets had an impressive effect on Natbolt's balance sheet In the 18 months, shareholders' funds rose from from R97,5-million to R183,2-million Interest bearing debt has risen to R76,4-million (R44-million), so gearing is down from 90% to 59% and the current ratio has improved to 2,7 (1,9)

Natbolt has warned shareholders that the nature of FS Team is likely to change after negotiations Speculation is that Femo will be sold to FS Team, which will make further motor acquisitions to become a major in the replacement parts wholesaling business

Shuffling

The FS group has not stopped shuffling its assets, so it is becoming hard to establish the extent of organic growth In addition, many of the unlisted assets are not well known For the rating to attain management's high expectations, the group has a big communication job ahead

Natbolt is 7,1 times the 12-month earnings reported and yields 5,1%, which looks attractive given the record and prospects

S/Times 12/3/87

John Deere hangs on

189

Business Times Reporter

MORE than 89% of Deere & Company shareholders voted at a meeting to continue operating in South Africa according to chairman and chief executive Robert Hanson

It was said that a withdrawal would adversely affect the company's black and white employees who produce tractors in SA

There has thus been a strengthening of our commitment to SA where we feel we have a progressive role as an equal opportunity employer' says Bill Hubbard previously managing director of the SA company and now director of Deere & Company responsible for SA Latin America Australia and the Far East

Hunts beats most forecasts

189

Star 15/3/89

By Ann Crotty

First published results from Hunts, since the implementation of the restructuring last July, have beaten most analysts forecasts and are well ahead of management's own expectations

More significantly it looks as though the strong growth evident during financial 1988 will be sustained in 1989

Analysis of the figures is slightly complicated by the complex restructuring implemented last July, which brought to the Hunts stable 78 percent of Natbolts (or 62 percent on a diluted basis) and 100 percent of Burhose and Hygiena But whatever way you look as them, the figures are impressive

Earnings per share (on an undiluted basis) were up 60 percent to 197c (123c) and a final dividend of 33c has been declared bringing the total to 56c — 40 percent ahead of the previous year

The fully diluted earnings figure is also provided This reflects an increase of 22 percent to 150c a share

The figure of 150c is based on the assumption that Hunts owned Burhose, Hygiena and Natbolts for the full year and the preferred ordinary shares (used to finance the Natbolt purchase) and debentures (used to finance Burhose and Hygiena) are included in the share base for the full year The effect of this is to lift the share base from an undiluted 18,7 million to 32,3 million

Assuming "stable operating conditions" management is forecasting attributable earnings of at least R65 million for 1989 which on a fully diluted basis is equivalent to 203c a share and represents a hike of 35 percent on the 1988 figure

The group's income statement shows turnover has doubled to just over R1 billion (R546,8 million) with operating profit up 135 percent to R121 million (R51 million)

Finance charges took a massive R27,4 million (R4,4 million) of which about R8 million is attributable to the interest payment on the R100 million of debentures used to finance the Burhose and Hygiena acquisition

The tax rate was down to 30,7 (34,4) percent which left taxed profit showing a gain of 110 percent to R64,8 million (R30,8 million)

Outside shareholders and preference dividends took R27,9 million, leaving attributable earnings of R36,8 million (R19,9 million)

PDS income drops after restructuring

20/3/89 B Day (189)

CHARLOTTE MATHEWS

RECENT restructuring by DCM-listed PDS Holdings and the resultant need for higher stock levels led to an 11% drop in attributable income to R147 000 for the six months ended December against the previous interim of R166 000

Turnover rose 340% to R9,8m (R2,2m) but a substantial increase in interest charges to R124 000 from R3 000 in December 1987 eroded profits

Earnings a share fell to 1,5c on 9,6-million shares compared with 2,3c on 7,1-million shares in issue the previous year

The group's major subsidiary sells parts and services for large diesel engines and transmissions, but it has also diversified into vehicle retail, engine lubricants and generator sets

Latest

In June 1988 PDS acquired Grabur Truck and Car for R100 000, and in October acquired P & S Power Products, which was financed by the issue of 2,9-million PDS ordinary shares to P & S

In 1987 the group reported no interest-bearing debt compared with R2m in the latest results

"Some 30% of interest-bearing debt is related to our decision to import generator sets before the import surcharge exemption expired in January 1989," said MD Brian Graham

"As a result of this decision we will enjoy a competitive advantage in the market

"In addition, by acquiring Grabur Truck and Car, the group has inevitably borne the higher stock levels that apply to the vehicle retail business and thus gearing has increased

"The full benefits of the restructuring will begin flowing through to shareholders in late 1989."

Graham predicts that final results for 1989 should be close to those of 1988, based on experience of the industry and performance for January and February

Berzack's net income spurts to R11,5-m

Star 31/1/89

(189)

Berzack Brothers (Holdings) has followed its record 1988 results with a bumper six months to December 31 which saw a 64,3 percent increase in net attributable income to R11,5 million

Operating income for the diversified group which completed a 20-for-one share split earlier this year, rose 54,3 percent to R21,7 million before finance costs of R1,9 million This was only R11 million short of the R32,7 million operating income for the full year to June 30, 1988

The group, which has been following a more liberal dividend policy since 1986, has rewarded shareholders with a 6,5c interim payout, 100 percent better than the equivalent at last year's halfway mark

The dividend declaration follows a six-month period which saw Berzack Brothers lift after tax income by 63,1 percent to R11,9 million Earnings a share were 44,9c

Director Myron Berzack expects performance in the second half to be not less than in the first six months

He says there was a full order book in the first three months of 1989 for the group whose subsidiaries make underground cable and plastic products for the mining, construction and agricultural markets and supply industrial and domestic sewing machines

Berzack's parent, Berzack-Illman Investment Corporation Ltd (Bivec), which split its shares five for one earlier this year, has declared an interim dividend of 4,5c, a 73 percent increase on the 1988 halfway figure

Bivec which has a 50 percent interest in Berzack, reported net attributable income of R5,8 million, a 63,1 percent increase This was achieved from operating income of R21,9 million, 53,7 percent better than last year's R14,2 million

After tax income rose 62,6 percent to R12 million Earnings a share were 31,5c

Berzack attributable profit up 64,3%

Cape Times 3/4/89

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Financial Staff

BERZACK Brothers (Holdings) which achieved record results in 1988 lifted net attributable income for the six months to December 31 by 64,3% to R11,5m

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Director Myron Berzack expects performance in the second half to be not less successful than in the first six months of the financial year

He says there was a full order book in the first three months of 1989 for the group, whose subsidiaries make underground cable and plastic products for the mining, construction and agricultural markets and supply industrial and domestic sewing machines

The group continues to look at acquisition opportunities, he adds

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After tax income rose 62,6% to R12m Earnings a share were 31,5c

Fenner engineers a 43% EPS rise on strong margin growth

B/Day 4/4/89

189

BRENT MELVILLE

FENNER has increased earnings by 43% to 20,9c (14,6c) a share in the six months to end February

The British-controlled group, a major supplier of mechanical power transmissions, conveyor belting, centrifugal pumps, valves and process control equipment, offset higher interest and tax charges with strong margin growth

In spite of a leap in interest charges of 247% to R1m (R296 000), a 39% taxation hike to R3,6m (R2,6m), and recent acquisitions contributing to higher borrowings, the group posted a 43% rise in attributable profits to R3,1m (R2,2m)

A dividend of 5,5c (4,0c) was declared, raising dividend cover to 3,8 (3,7) times

The profit growth was largely due to improved margins of 10,5% (9,7%) on a 35% turnover increase to R79,8m (R59,2m), and a much-reduced preference dividend (the result of an earlier 2,1-million share redemption) down 71% to R34 000 (R119 000)

Chairman Robert Arthur says all group companies contributed towards the satisfactory growth rate with Trek Engineering exceeding expectations

The R500 000 acquisition of Plato Bearings last month "will strengthen our distribution network and make an immediate contribution to profits"

"Order books are healthy and current indications are that the present trading levels will be maintained over the second half of the year — traditionally the more profitable," says Arthur

At a current high of 200c, well above its July low of 125c, Fenner is trading at an, historical PE of 5,3 times, and a dividend yield of 6,3%, compared with sector averages of 5,1 and 5,0% respectively

Lazarus More of Soweto has been awarded a bursary by the Portland Cement Institute to study at the University of Cape Town for a BSc degree in civil engineering More, 23, worked for the PCI as a laboratory technician

Cape Times 6/4/89 (189) [illegible]

Fenner group lifts earnings 43%

By **BRUCE WILLAN**

THE Fenner Group is well set to surpass last year's growth performance with earnings per share 43% higher at 20,9c for the first half of the current financial year ended February 28, 1989

Turnover increased by 35% to R79,8m and operating income is 45% up on last year at R8,3m

The second half of the year, which is traditionally better than the first half, is expected to be good, the company says

Improved overall margins have contributed to the better performance with growth mainly being organic

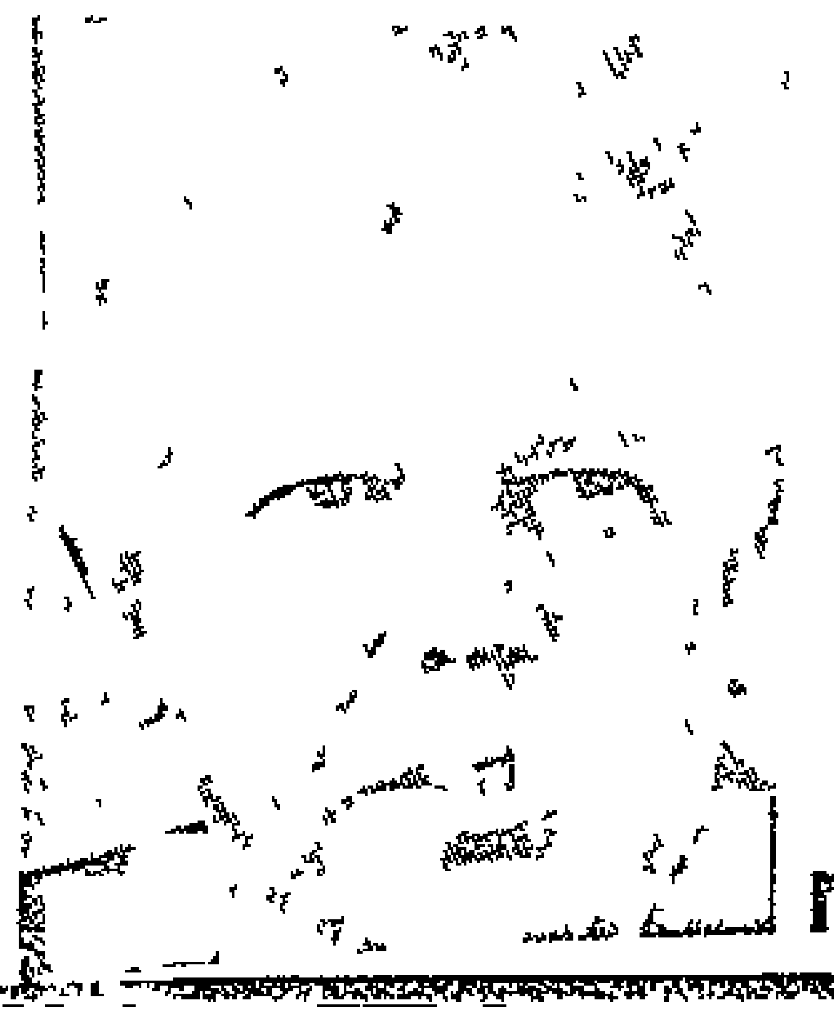
The recently acquired Trek Engineering also contributed to the successful half year but was one of the main factors causing an increase in borrowings

The higher level of borrowings was further increased with the redemption of the 2,1m preference shares

However, higher trading levels and the improved margins kept borrowings and the debt/equity ratio within an acceptable level

An interim dividend of 5,5c per share has been declared, which is 38% higher than the same period last year

Developments after the half year include the acquisition of Plato Bearings which will strengthen the distribution network and it is expected will contribute to profits almost immediately



KUALA LUMPUR — Upcoming trade negotiations in Geneva must succeed, or open multilateral trading could be severely damaged, according to Paul Leong, chairman of the General Agreement on Tariffs and Trade negotiating group on tropical products — Sapa

Steyn approves Hatz programme for SA

MDay 11/4/87

MARC HASENFUSS

189

ECONOMIC Affairs and Technology Minister Danie Steyn has approved West German Diesels (WGD) manufacturing programme for the Hatz range of stationary diesel engines in SA

WGD has already implemented its local content programme by placing orders for pistons, cast iron components, fuel pipes, fuel filters and aluminium castings with local manufactureres

A WGD spokesman said implementation of local content was necessary to enable Hatz to compete in the SA market, while still satisfying WGD customers of the long-term commitment by Hatz GMBH West Germany.

Metal Closures well-placed to meet challenge

ZILLA EFRAT 189

METAL Closures Group SA, plastic products, closures and packaging manufacturer, is well-placed to meet the challenges of the expected decline in personal spending caused by government anti-inflation measures BDay 12/4/89

In his annual review, chairman Keeve Steyn says "Our group remains dedicated to quality and service, and with enhanced facilities now available, is well-placed to meet the challenge"

In the year ended December, the group's attributable earnings increased 34,6% to R9,5m (R7m), or 367c (272,7c) a share, despite pressures on margins from increased production costs and limited ability to pass these on

LASHER JUST DIGS IN

(C84)

BRENT MELVILLE

SA'S major hand-tool manufacturer, Lasher Tools, has weathered several takeover bids and is to remain within the Metkor stable, says executive director Errol Wood

B Day 25/4/84

A relieved Wood, while admitting that the company had undergone severe turbulence as a result of the bids, said that Lasher was getting back on its feet

Marketing executive Malcolm Pitman said there were numerous offers from major engineering and retail groups

Lasher lost nine key senior staff members as a result of the relocation of two of its factories to Ladysmith and Vereeniging

However, Pitman said product lines had been rationalised, while the emphasis on more local manufacture has allowed Lasher to effectively compete with imported tools.

(189) B/Day 27.8/84

Plastall to move to main board

BRENT MELVILLE

DCM-LISTED Plastall is poised for a move onto the main board on the strength of an earnings jump of 300% to 7,6c (1,9c) a share for the six months to end-March

The Danech subsidiary, which manufactures and distributes polyethylene bags and sheeting, conveyer idler rollers, furniture components and office seating, has reported a rise in taxed earnings of 84% to R1,1m (R615 000) on turnover of R22,8m (R19m)

Operating margins increased to 5,1% from its low base of 1,5% for the same period last year with pre-tax profit quadrupling to R1,2m (R320 000m)

No interim dividend has been declared

Plastall chairman Bob Wenteler attributes the results to major rationalising steps especially in respect of the PPC and Germiston packaging divisions

Wenteler anticipates improved results for the second half of the year and outlines healthy order books, the continued implementation of stringent financial controls, and an ongoing focus on improved asset management as auguring well for future profitability

On a current share price of 60c, slightly down off its high of 70c two weeks ago, Plastall is trading on a historic price/earnings ratio of 4,4, well below the DCM average of 9,5

FSI reorganises asset structure

189

Star 2/5/89

By Ann Crotty

In what appears to be an attempt to maximise the synergies existing between the original W&A assets and the original FSI assets, FSI management is reviewing Natbolts, FS-Team and Tarrys "with the objective of enhancing earnings growth of all three companies and of Hunts in both the short and the long term".

After last year's reorganisation of the enlarged FSI group, mangement is now doing the obvious re-organising the assets so that similar operational units are bedded down together to ensure optimum performance.

In the absence of this sort of streamlining activity, the enlarged FSI (after the W&A acquistion and the reorganisation) would have been left in a sub-optimal state

The exercise will see the establishment of three arms of activity within the Natbolt group and will involve the acquistion of Tarrys and Spectrum by Natbolts

The three areas of activity are manufacturing — primarily through National Bolts and Universal Clips, distribution of automotive products through V&R, Femo and Tarrys, distribution of industrial products through Spectrum, Tarrys and FS-Team

There will be no change in the grouping of manufacturing activities, which will remain within National Bolts (100 percent owned by Natbolts)

Operations in the other areas will need to be rearranged so that no one company is involved in the distribution of both automotive and industrial products

Assuming Tarrys is used to house automotive distribution activities, it would acquire V&R and Femo and hold onto its own automotive interests.

Assuming that Spectrum is used to house the industrial distribution activities, it would acquire Tarrys' tools and, possibly some of FS—Team's operations

If this is the sort of structure management has in mind, it will be left sitting with a listing it doesn't really need

It is likely that management would prefer to see a stronger performance from manufacturing before getting a separate listing for it.

Tarry, which has a listing in London, will house the automotive interests Spectrum will house industrial interests

So FS—Team, which after the restructuring will only have a 35 percent stake in Elcentre, will not need a listing

This means the minority shareholders who hold 8,5 million shares with a current market value of around 380c will have to be paid out, either in cash or paper Payment in cash would put a fairly heavy burden on Natbolt

The difficult part of the exercise will be pricing the various transactions in the fairest manner A further announcement is expected in mid-June

B/Day 2/5/87.

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Hunts to acquire Spectrum and V & R Engine Spares

LESLEY LAMBERT

FSI company Hunts and its subsidiaries are to acquire control of Spectrum Industrial and V & R Engine Spares

This is part of an overall plan to streamline the group's operations

FSI, in a series of interlinked announcements, has disclosed plans for a strategic review of Hunts and three of its subsidiaries — FS-Team, Natbolt and Tarrys — to enhance earnings growth in the short and long term

While complementary activities of FS-Team and Tarrys are being injected into Spectrum Industrial, with Hunts assuming control of the group, an effective 70% stake has been acquired for R36m cash in the V & R Engine Spares group

The operational reorganisation follows last year's successful corporate restructuring of the overall FSI group in which Hunts was transformed into a major manufacturing and distribution group

Last week the group issued a cautionary statement warning an announcement regarding the operational restructuring was imminent

One of the major developments so far is the passing of control in Spectrum to Hunts as a result of the acquisition

The enlarged Spectrum will become a focused distribution company serving key sectors of the southern African economy — mining, the motor trade, construction, general industry and the DIY market, according to the announcement

V & R has been acquired by FSI Corporate Services on behalf of FSI and its subsidiaries

The group operates 13 outlets across SA, distributing engine spares and motor parts It is complementary to Femo Auto Parts which was acquired by the Hunts group in 1988 and is currently owned by Natbolt Femo operates six distribution outlets throughout southern Africa handling engine spares and non-discretionary automotive components

V & R will be developed in partnership with its executive management teams, which hold the balance of the shares in each operating unit within the group

Further details of both transactions, including the effects on Hunts's earnings and net asset value, and other companies within the group, will be announced simultaneously with the outcome of the Hunts streamlining

FSI said the transactions were in accordance with the group's philosophy of "developing a leadership position in all markets in which it participates, in partnership with entrepreneurial management teams who have a significant portion of their personal wealth invested in the businesses"

Worthwhile Klipton

Star 3/5/89

Diagonal Street

LYNNE PEACH

Klipton, listed in September 1987, is 30 percent-owned by the Matthews brothers, who are also joint chairmen of the group.

They acquired the ailing business six years ago and proceeded to mould and shape it into the holding company it is today.

Over the past few years Klipton has become more diversified, serving a broader spread of industries.

The traditional mining market accounts for less than 25 percent of group turnover, compared with 60 percent previously.

Nigel Matthews says this percentage may decline a bit further, but that the mines will always remain important customers.

Reduced dependence

The group has also managed to reduce its dependence on imports. Three years ago 70 percent of Klipton's turnover was related to imports and Mr Matthews says this is now down to 35 to 40 percent.

Klipton specialises in the manufacture and distribution of industrial products to mining and other primary industries

It has three major divisions: Guardwell (protective equipment and clothing), Harvey & Russell (instrumentation and valves) and Sapco (pneumatic, welding and lifting equipment)

Mr Matthews says that having spent the past year digesting earlier acquisitions, the group is now ready to look around for other opportunities

Ideally, he would like to acquire a relatively large company (involved in the distribution of industrial products) to create a fourth division for the group.

As far as major growth areas are concerned, Mr Matthews earmarks the Sapco division, in particular.

He says the lifting equipment business is expected to show strong growth Another division set to perform well is Guardwell

Mr Matthews says that there is increasing awareness of the need to provide people with a safer working environment

Klipton plans to continue putting a lot of effort into expanding its export business.

Mr Matthews says that exports currently account for a negligible percentage of group sales, but that good progress is expected to be made in the long term.

The group, in the six months to December 1988, achieved sales growth of 66 percent and an operating profit increase of 101 percent.

After a higher interest bill, effective tax rate, and weighted number of shares in issue, earnings growth was limited to 20 percent — from 17c to 20,4c

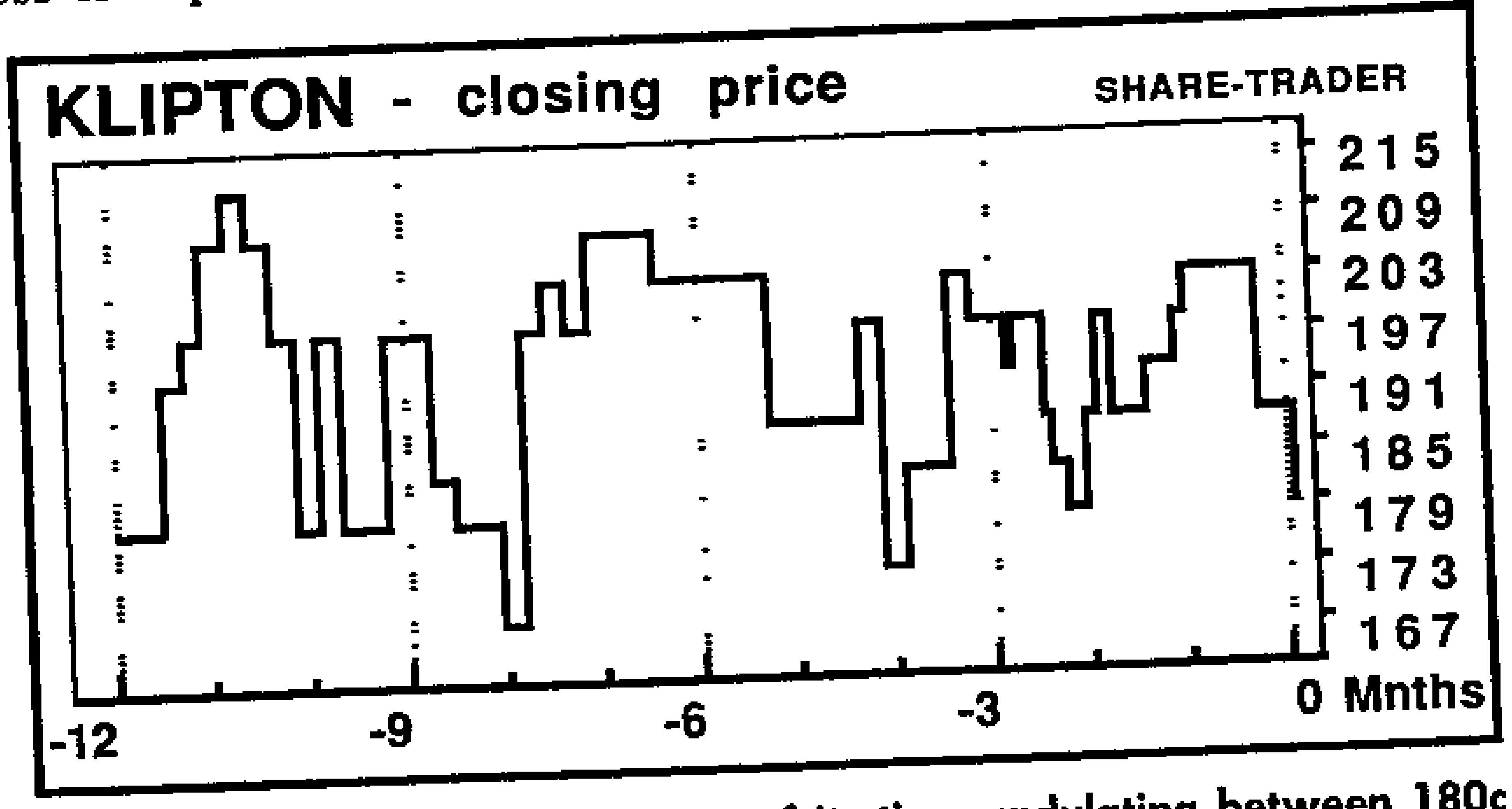
Klipton, priced at 180c, is trading on a P/E ratio of 4,4 and provides a dividend yield of 6,7 percent

Dividend yield

Despite the fact that the effective tax rate is expected to soar above 40 percent, it is believed that earnings for the year to June 1989 could approach 45c a share, with the dividend closing in on 15c.

This places the share on a forward P/E ratio of four and a prospective dividend yield of more than eight percent

In the light of this, and the fact that Mr Matthews is confident that good growth will be achieved in the following year, the share appears undervalued and worth accumulating.



Klipton's share price has spent most of its time undulating between 180c and 205c. Before a trend can be established, it will have to break out of these barriers. In the meantime, with the share price being at the lower support level, the outlook is more positive than negative. There is, however, unlikely to be any significant price advance until the stockmarket as a whole settles down.

Tractor tyre blackmarket

B/Day 5/5/89

189

GERALD REILLY

PRETORIA — Tractor tyres are being blackmarketed, according to the Transvaal Agricultural Union (TAU)

The TAU has warned farmers, angered by the critical shortage of tractor tyres, against the possibility of being exploited

The TAU general council claims no acceptable reason has been given by manufacturers for the shortage

TAU GM Johan Hartman said it was possible that tyre manufacturers found it more profitable to export than to market locally

Co-operatives had long waiting lists for tractor and trailers tyres

A spokesman for the SA Tyre Manufacturers' Conference (SATMC) said in spite of enormous production, there was a shortage of tractor tyres

He stressed that this was not because of exports, which were minimal.

The problem was a demand which fluctuated steeply depending on conditions in the farming industry and farmers' cash flows

Because of a good season demand was now strong, but during the recent drought years, demand dropped sharply, the spokesman said

Demand was also affected by recent floods, which immobilised tractors

The spokesman said "It's not possible suddenly to pluck tractor tyres off the shelf or turn on the tap to meet an extraordinary demand at a moments' notice"

Discussions between the SATMC, Nampo and the SA Agricultural Union would would be held in Port Elizabeth next week in an effort to alleviate the problem ter to March, 1989

terms of tributing agreements and dividends on Nigel shares

Valard lifts turnover

189

By Ann Crotty

Star 5/8/89

Valard has reported a 54 percent increase in turnover to R78,8 million (R51,2 million) for the 12 months to end-March and a 55 percent advance in operating income to R10,3 million (R6,6 million)

Earnings improvement

Attributable income was up 50 percent to R5,1 million (R3,4 million) The improvement in earnings per share was restrained to 31 percent because of the increased number of shares in issue.

The weighted average number of shares in issue was up 2,7 million to 45,6 million with earnings per share of 11,3c (8,6c)

At the beginning of calendar 1989 Valard issued 10,7 million shares to Delta Electrical in exchange for its 49,9 percent stake in Ernest Lowe Hydrotube.

According to the directors "5,4 million were issued ex dividend to compensate for the holding not covering the full six months earnings on which the final dividend is based"

Valard lifts turnover

Star 5/5/89

By Ann Crotty

Valard has reported a 54 percent increase in turnover to R78,8 million (R51,2 million) for the 12 months to end-March and a 55 percent advance in operating income to R10,3 million (R6,6 million).

Earnings improvement

Attributable income was up 50 percent to R5,1 million (R3,4 million). The improvement in earnings per share was restrained to 31 percent because of the increased number of shares in issue.

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VALARD PROFITS JUMP IN SPITE OF TAXMAN'S BITE

BRENT MELVILLE (189)

INDUSTRIAL equipment manufacturer and distributor Valard has achieved a 50% rise in attributable profits to R5,2m for the year to March.

Earnings rose by 31% — to 11,3c (8,6c) a share — in line with forecasts made by MD Stephen Connelly in November. A final dividend of 2,62c was declared to bring the total for the 12 months to 4,46c — covered 2,5 times

This is in spite of a 97% rise in its tax rate to R3,3m (R1,7m) and a 74% jump in interest payments to R1,4m

The group expects strong growth this year in spite of high interest rates and the low gold price

Connelly says it is constantly seeking acquisitions

BDay 5/5/89

He adds earnings were not affected by the R2m acquisition of mining and heavy industry concern Tighman & Lasch in January

The group also issued 10 725 000 shares, or 20%, to Delta Electrical Industries in return for a controlling interest in Earnest Lowe Hydrotube in November. As a result 5 362 500 shares were issued ex-dividend to compensate for the holding not covering the full six months' earnings on which the final dividend is based

Valard has made at least one acquisition annually in the past six years On the current share price of 68c, Valard yields 6,6% on dividend and is on a PE ratio of 6,0

R100m facelift for Samcor

189 BDay 9/5/89

Own Correspondent

PORT ELIZABETH — The Samcor engine plant here is to undergo a R100m facelift and expansion in the next five years, as part of a R1bn investment programme in SA, Samcor's director of engine and component manufacturing Rod Church announced yesterday

The 25-year-old plant became more important to Samcor with the advent of Phase 6 of the Local Content Programme, under which exports can be used to offset imports, Church said

Phase 6 places more emphasis on value rather than mass, he said

"Engines make up a significant part of a vehicle's value, thus giving Samcor a major advantage in the new local content programme"

Church said the company's ability to machine other components would also add to the value of its local content

While he did not detail how the R1bn would be spent, Church said the machining of the CVH engine (used in the smaller cars produced by the company) was an example of Samcor's programme

"We have a number of further developments in the pipeline," he added

Referring to foreign exchange savings through a combination of local content and imports, Church said the engine plant gave Samcor an advantage over its competitors

"We have been exporting both engines

● To Page 2 ⇨

Samcor plant to get R100m facelift

(189) BDay 9/5/89

⇦ ● From Page 1

and components for a number of years and are making a concerted effort to continuously increase this aspect of our business.

"We are confident of our ability to do so because the level of technology employed in this plant is the highest in the local motor industry and we produce the quality which makes us competitive in world markets"

Church said there was "great potential" for expanding Samcor's business in the local market.

"We already produce components for some of our competitors and other companies outside the motor industry. We are at present evaluating a number of new inquiries for the supply of components to local companies."

He said the plant planned to produce around 45 000 engines this year.

CAPE TIMES 12/5/89 (189)

Healthy profits for Afrox

JOHANNESBURG — Afrox has reported a healthy increase in after-tax profits of 28% at R35,3m (R27,5m) on an inflation adjusted basis for the six months to March

Profit attributable to shareholders was R25,9m, a 29% increase on 1988's first half figure of R20m

Earnings per share were 86,73c (67c) The interim dividend is 40c (30c)

Earnings were inflation adjusted and for the half year they were charged with additional depreciation of R9m (R6,9m) The depreciation charge is 31% above that of last year's, reflecting the company's real inflation rate

Chairman and MD Peter Joubert says this policy has the effect of reducing earnings per share "In a capital intensive business like ours, it is the only practical thing to do considering the high inflation SA experiences"

The interest bill was higher at R6m (R1,5m) and the company expects this to increase in the second half of the year

Net borrowings were R180,857m (R37,717m while borrowings as a percentage of capital were 27% (7,7%)

Joubert said Afrox was currently in the middle of a major expansionary phase covering most of its business areas

He said traditionally Afrox's second half results are better than the first half and results for the second half are expected to show a similar trend — Sapa

Afrox comfortably on target

Star 12/5/84.

(189)

By Ann Crotty

At the half-way stage Afrox is looking well on the way to sustaining its strong five-year profit record with earnings up 29 percent to 86,73c (67c) a share for the six months to end-March.

The sterling performance from this gas, hospital and engineering group indicate significant resilience to any slow down there may be in the economy

In the absence of any sudden and major downturn the full year earnings target of 170c seems easily achieveable. MD Peter Joubert points out that Afrox's results are traditionally higher in the second half.

During the review period turnover rose 29 percent to R346 million (R268 million) and operating profit was up 34 percent to R72,8 million (R54,5 million)

Interest payments were up sharply from R1,5 million to R6 million. This reflects the massive increase in net borrowings from R36,7 million to R180,8 million and the hike in gearing from 7,7 percent to 27 percent.

Expansion

The higher level of borrowings in turn reflect the major expansion programme in which the group is currently involved.

According to Mr Joubert. "The major part of the expansion has been earmarked for the capital intensive gases business where Afrox is expanding plant capacity, purchasing new gas cylinders and improving distribution and service facilities"

Taxed profit was up 28 percent to R35,3 million (R27,5 million) from which R9 million was deducted as additional depreciation "to reflect the current cost of assets" This left attributable profit showing a gain of 29 percent to R25,9 million

Mr Joubert stated that all of the group's businesses showed an improvement in profits and this trend is expected to be maintained "The gases and welding businesses account for the major part of total profits and the improved results in these business areas are mainly a result of growing existing markets, devloping new applications and paying detailed attention to the control of costs and efficiencies"

B/Day 12/5/89

Healthy effort from all Afrox divisions

189

ZILLA EFRAT

AFRICAN Oxygen (Afrox) has produced a healthy 29% increase in inflation adjusted earnings for the six months to March with all divisions performing well

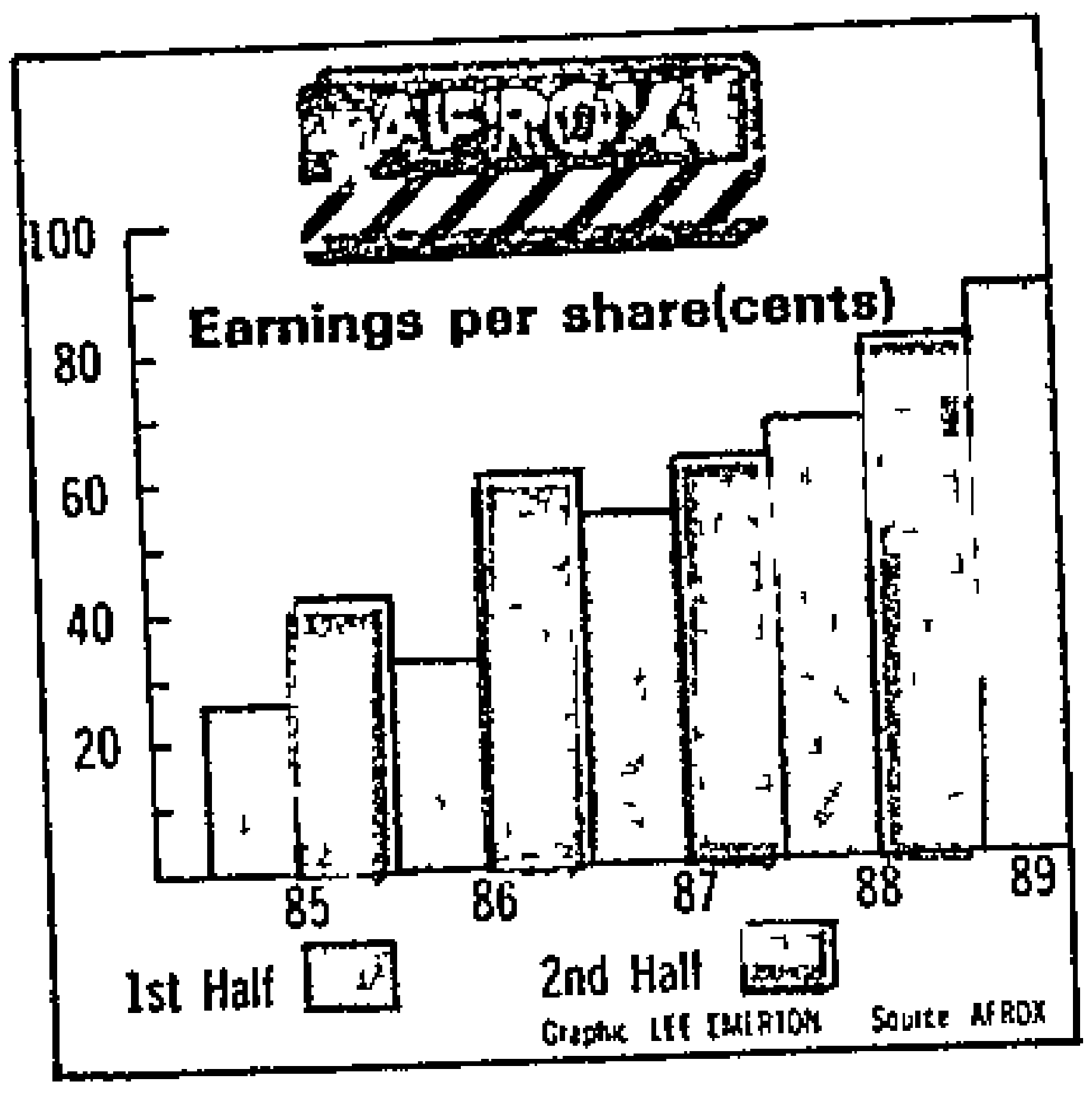
Afrox, involved in gases, welding, health care and high technology engineering, has declared a dividend of 40c (30c) a share, up 33% and covered 2,17 times

Attributable profits increased to R26m (R20m) Earnings rose to 86,73c (67c), or 116,9c (90,03c) a share on an historic accounting basis

Afrox has accounted for inflation by charging earnings with additional depreciation of R9m (R6,9m), up 31%

Chairman and MD Peter Joubert says this policy reduces earnings a share but is practical in a capital intensive industry because of the high inflation rate

The policy ensures that expenditure can be funded with less stress on borrowings when business is in an expansionary phase Earnings are stated in real terms, reflecting the true replacement costs of assets and the possibility of paying dividends out of capital is eliminated



Graphic LEE EMERTON Source AFROX

Turnover increased 29% to R346m (R268,5m) Operating profits rose 34% to R72,9m (R54,5m) as a result of improved performances in all divisions, cost containment and operating efficiencies

The interest bill soared 305% to R6m (R1,5m), with interest cover falling to 12 (37) and more increases expected in the second half The rise is due to the expansion of the gas business's infrastructure, funding a new hospital and the purchase of medical equipment for the health-care division

Net borrowings jumped to R180,9m (R36,7m) and net borrowings, as a percentage of capital, rose to 27% (7,7%)

Taxed profits rose 28% to R35m (R27,5m) on a slight decline in the tax rate

Joubert says Afrox is actively developing the health-care side and recently opened its tenth hospital

The results of the gases and welding businesses, the major contributor to total profits, improved because of increased market share, new applications development and controlled costs and efficiencies

SABS code for Astas

(189)

AS Transmissions & Steerings (Astas) has been awarded the SA Bureau of Standards (SABS) code 0157 for quality management systems

Astas, the largest manufacturer of transmissions, axles and steering systems in SA, is one of the first component makers to be awarded the code S Times 14/5/87.

It is recognised by the German Society for the Certification of Quality Systems and is accepted by the Internal Standards Association

Twice yearly inspections at Astas will be carried out by the SABS to ensure that it maintains requirements

An agreement will be signed between the SABS and the German society to provide exporters and importers with a means of establishing the capability of manufacturers to meet requirements where a doctor-patient relation- of patients to their beds

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Govt turnabout on medical equipment deal

B/Day 13/12 89.

189

Import surcharges back

DIANNA GAMES

GOVERNMENT has re-introduced an import surcharge on most items of medical equipment, which had the 20% surcharge removed at the end of March after representations to government by the medical equipment industry.

The items, which include several items of dental equipment, massage and X-ray apparatus, radiography and electro diagnostic equipment, infra red and ultra violet apparatus, have now had a 15% surcharge re-imposed on them

The surcharge has been backdated to August 15

Several importers of such equipment are already making arrangements to go back to government on the issue

Leonard Swanson of Rand Medical Supplies, who initiated the original protest to government on the old surcharges, said the move had put them back to where they were before

"Hospitals are already short of millions of rands and the cost of medical services is already very high This is certainly not going to help," he said

Barney Hurwitz, chairman of SA's largest private hospital group, Clinic Holdings, said they were very disturbed at the re-imposition of the surcharges as they would have an inflationary effect on health costs

He said with the already high health costs, the extra 15% would reduce investment in medical equipment by many bodies, including provincial hospitals "As a result of this, the standard of medicine must drop," he said

One supplier, who did not wish to be named, said the real problem lay in the 20% surcharge on surgical disposables which could add up to R30m on health bills in one year

The market was primarily import-oriented but the very small local production market did not need the protection of a surcharge as the exchange rate meant local products had a guaranteed market

In his company alone out of 140 products, only 10 were locally made

"If this is a mistake, it is an abysmal one If it's not, the whole Board of Trade and Industry should resign," he said

Comment from the board on the reimposition was not forthcoming at the time of going to press

ARBAN INTERIM EARNINGS INCREASE 77%

ZILLA EFRAT

MINING supply company Arban Group Holdings has achieved a 77% rise in earnings a share for the six months to March after a poor performance for the year to September 1988

(184)

Arban produced earnings of 2,3c (1,3c) a share, but will not declare an interim dividend in line with its policy to declare one dividend at the end of the financial year

Earnings rose to 3,2c a share after an extraordinary item of R136 000 from the proceeds of the sale of Specialised Bearings Applications from discontinued operations

Turnover increased 9% to R13m (R12m) Although no figures have been provided, directors say operating profits rose 57%

Taxed profits after outside shareholders' interests increased 83% to R376 000 (R205 000)

Directors say operations which had not performed adequately have improved as a result of restructuring The group is now performing ahead of budget

Arban has changed its financial year end to December and the next reporting period will be for nine months

W/L News
20/5/87

ADE sales soar

(188)

Business Staff

ATLANTIS Diesel Engines reports a huge increase in the sales of replacement parts and forecasts sales of R200-million next year.

The company has about 120 000 ADE-powered vehicles on the road and is looking for replacement sales of R260-million next year.

But marketing director Mr Wally Rautenbach says he does not expect the fall in economic activity following the government's latest credit curbs will be as severe as that experienced in 1984 and 1985.

ADE expects to sell 9 500 heavy commercial vehicles next year, 5 700 medium trucks and 6 700 agricultural units.

ADE began production in 1981 and replacement part turnover was R2,5-million.

He said ADE had greatly increased its market penetration in the industrial engine market

Higher tax rate puts fat in the fire for Macadams

B Day 30/5/87 [illegible] (184)

BRUCE ANDERSON

MACADAMS, SA's largest manufacturer of catering and baking equipment, reported a 13% drop in earnings a share to 5,3c (6c) for the year to February after a higher tax rate increased tax paid by 157% to R448 000 (R174 000)

Turnover increased by 35% to R41,9m (R31m) and pre-tax profit rose 12% to R1,2m (R1m)

Directors

However, the increase in the tax rate — from 16% to 37% — left attributable income 13% down at R811 000 (R919 000)

A final dividend of 0,5c a share was declared to bring the total dividend to 1,7c a share — down from 2,4c a share last year

The directors noted that the increased cover was in line with that adopted at the half-way stage and was intended to conserve funds for future growth

Commenting on the results, Macadams MD Raimund Pouliart said margins were adversely effected in the short term by a rationalisation programme implemented during the second half of the year.

"To reduce overheads and improve margins, certain of our manufacturing facilities are being consolidated

"A number of measures have already been completed, most particularly in the Cape where our production facilities have now been relocated to our own R3m factory and head office complex at Blackheath"

With further steps in the rationalisation programme still to be taken in Johannesburg and Durban, Pouliart said the combined measures were expected to result in increased profitability during the second six months of the current financial year

Levels

As far as sales were concerned, Pouliart pointed out that these had reached record levels and had exceeded the forecast of R40m for the year

"Demand from both the export and local markets is most satisfactory and the company should continue on its growth path well into the foreseeable future"

Tollgate revamps Drivetech, Gants

189

Finance Staff

Tollgate Holdings (TGH) is rationalising activities in its listed subsidiaries, Gants and Drivetech

In terms of the proposals, Gants will sell its agricultural machinery division to Drivetech

Drivetech, in turn, will sell Multimech, its automotive engineering and bus body building division, to TGH's mass transport company, Tramway Holdings.

The price paid for Multimech is R16,75 million in cash

Star 11/8/89

This will leave Drivetech a cash-rich shell into which Gants' agricultural machinery division, Chmarnic, trading as North's Intermec, will be injected for R8 million in cash.

The effective dates of both acquisitions is July 1 1989

Minorities in Drivetech will receive a standby cash offer of 75c a share, for all or part of their shares This represents a premium of about 20c on the ruling price

No Drivetech dividend will be paid for the six months to June 30 1989.

The next dividend will be paid for the six months to December 31 1989

Gants has warranted a minimum pre-tax and pre-interest profit of R6 million for Chmarnic for the period

The cash and short-term investments of R20,35 million remaining in Drivetech after the acquisition will be used, in part, to reduce the interest-bearing debt of Chmarnic, clearing the way for an improved bottom line.

The newlook Drivetech will supplement the strong agency base it inherits from Chmarnic and the branch network will be expanded

Gants will benefit particularly from its sharpened business focus on canning and food processing and the elimination of the conflict of interest between the food and agricultural divisions

Tractor sales rise by 17%

189

SALES of tractors in May rose to 425 units, or 17,4% more than the 362 sold in April

S/Times 18/6/89

May sales were also better than the figure of 368 last year, says the SA Agricultural Machinery Association

The harvesting of the maize crop has been delayed by rain and as a result sal[illegible] are considered good

Sales for the year to date are 2 229, 97 more than in the first five months of last year

Barlows makes some earthmoving changes

BDay 11/7/89

BARLOWS Tractor Company, supplier of earthmoving equipment and the Caterpillar dealer for southern Africa, has adopted a new corporate identity and has rationalised the names of its trading companies, the company announced yesterday

Under the dominant banner of "Barlows Cat", the company's 24 branches and depots nationwide will trade as Barlows Equipment Company, supplying the range of Cat machines, while Barlows Engine Company will provide specialised engine sales and support services in the main centres

Used Equipment Sales will be channelled through Barlows Used Equipment and the company's R100m local manufacturing facility on the East Rand will now trade as Barlows Equipment Manufacturing Co SA

MD Tony Phillips said the name rationalisation was intended to describe the various companies' activities more accurately and to link the corporate name more powerfully with the Cat trademark, in line with Caterpillar dealers worldwide — Sapa

(189)

ADE [illegible]

ONE of the problems truck manufacturers had to solve, before they could really start implementing the value-based phase VI local content programme, was how to calculate the local content of ADE engines.

It was on average 80% when the programme was announced, but was deemed to be 100% by the authorities shortly afterwards.

Now, in a bid to come closer to its 100% tag, ADE has launched a multi-million-rand local procurement programme designed to cut its import bill by 60%

In the first year of operation, says director of supply Piet Greyling, ADE is looking at a 20% cut in its R150m import bill. (189)

He points out that ADE reached a weighted average of 80% by mass since 1981 "and, in fact, local content by mass of ADE V engines has reached 70% since the range was launched in 1984."

ADE realised quite some time ago that a value-based local content programme would be introduced and started investigating the switch to local suppliers in about March this year

To date it has identified suppliers of some 1 000 of the more or less 3 800 items it imports.

"This represents about 60% of our import bill," says Greyling, adding that ADE hopes to introduce locally-made "economically viable versions of the 30 of these components, which represents 8% of our import bill

"Many of the imported components we need cannot be made locally because of very low volume requirements — in some cases as little as 60 a year — and, in some cases, the enormous investments local producers would have to make to supply our needs"

He says ADE is prepared to assist manufacturers in several ways It will, for example, provide tooling but retain ownership of it, give technical assistance, consider a flexible pricing approach "and, where appropriate, pay up to the equivalent import price"

BDay 5/11/87

Scottish firm lands licence for off-road trucks

189

EDWARD WEST

SCOTTISH based Terrex Equipment has concluded a license agreement with Blackwood Hodge SA for the local manufacture of off-highway trucks for the mining and construction industries.

Terrex MD Arthur Rowe said local manufacture would enable the company to price trucks competitively, increase market share and produce products specifically tailored for local market needs.

Initially the local manufacturing programme would effect Terrex's rigid dumptrucks, articulated dumptrucks and eventually large loaders.

Buckets

The programme will include bodies, buckets and cabs and various other components which prove economical.

Trucks were initially fully imported from Terrex Blackwood Hodge Financial director Dave Holt said most of the local components for the trucks would initially be supplied from various SA manufacturers.

Terrex trucks have been available in SA for forty years and is currently sold and serviced by international Blackwood Hodge's SA operation.

Trucks & transport

B|Day 5|7|89

Standards slip as skills shortage starts to bite

STANDARDS are beginning to slip in the engine rebuilding industry, because of a a shortage of skilled artisans, says Rolf Schudel, MD of heavy-duty engine rebuilders Schudel Swiss Engineering.

The problem is that bright young artisans do not regard the reconditioning business as glamorous, so they are no longer attracted to it.

(189)

They would far rather, says Schudel, join an original equipment manufacturer where, if they do well on the shop floor, they can be promoted to sales or administration, "and are lost to the trade".

The answer, he believes, is a mixture of training, creating attractive career paths and making the workshop as attractive and as interesting as possible.

He has been following his own advice for some years now and claims it has paid dividends. "My youngsters can see the opportunities for themselves. Some that left returned, even after I encouraged them to work elsewhere for a year," he says.

He advises his competitors to do the same to enable the industry to return to the high standards it should and once did enjoy.

Judging by the work brought to him to sort out — after it has been signed off in other shops — there is, says Schudel, more than adequate evidence that standards are slipping in certain rebuilding workshops.

He regards the present situation as "something of a paradox". In the last few years the industry in SA has grown to one worth R120m a year and one of the most advanced reconditioning industries in the world.

The reason why the local industry grew at the rate it did was it paid operators to rebuild, recondition and remanufacture their existing vehicles, because of the high price of new trucks and buses.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	%a change	Div share (c)	% change
Manserv	26 4	+142	4 6	+143	22 3	+29	8 0	N/A
Gomma	34 7	0	−2 9	N/A	−18 5	N/A	—	—
Blocktech*	4 7	+114	1 5	+45	5 9	+7	—	—
INTERIMS								
Afex ($)	7 3	+5	0 9	−37	6 28	−67	—	—
Conafex ($)	10 3	+7	1 9	−23	7,0	−48	—	—

* 18 months annualised

Tecfin first to take the venture plunge

S/Times 9/7/89 (1891)

By Julie Walker

TECFIN Investments is the first company to test the waters of the JSE's new Venture Capital Market.

The sector has been established to help fledgling companies to get on their feet Tecfin is already up and running

The group comprises three wholly owned arms — Fastening Systems, Tayson Engineering and Take Home Products Each vendor sold 100% of the business to Tecfin and took stakes in the holding company instead of selling off only part of the equity

PETER ALEXANDER

PETER BIRD

Spread

This gives them a wider spread of investment The three, housed together in Germiston, employ a total of 25

Fastening Systems makes specialist fasteners and has patented an expanding anchor It also has a franchise with Du Pont to make a chemical anchor which takes about 30 seconds to set A plant will be built out of the proceeds of the rights offer

The manufacturing division turns, presses and assembles components to order, and the consumer division distributes goods for the do-it-yourself market

Bored with life as an auditing partner at one of SA's top firms, chairman Peter Alexander sought to get the adrenalin running He believes that as SA's conglomerates gobble up competitors there will always be opportunities for small operators to fill niches

Also on the board are accountant Peter Bird, Franz Fabry and Darryl Moodie

Tecfin is to raise R600 000 through the issue of 2,4-million shares at 25c There will be 14,48-million shares in issue, and the offer is underwritten by sponsoring broker Lowenthal & Co

The group made a profit of R190 000 in the year to February 1989, and aims to boost earnings from 1,9c a share for the seven months to February 1990 to 11,5c by 1992

Friendly to ozone

CG SMITH Sugar is investing R12,5-million in a plant to make ozone-friendly aerosol propellant dimethyl ether

The Natal Cane plant is designed to manufacture 5 000 tons a year, which should meet market demand for DME in the next 10 years

Natal Cane went ahead with the project after an ethanol buyer asked the company to consider making the odourless clear gas

"A feasibility study showed we should begin production as soon as possible," says Natal Cane general manager Michael Buchanan

Natbolt sets sights on car parts

B/Day 11/7/89

LIZ ROUSE

189

NATBOLT the manufacturing and industrial distribution group, has set a specific goal of increasing automotive component manufacture, says chairman Terry Rolfe

Natbolt will continue to expand its activities to obtain maximum reciprocal benefit by offering factories the opportunity to manufacture new products and distribution businesses new sources of supply, says Rolfe in his annual review

The past 18 months were marked by successful expansion in carefully selected activities which reduced dependence on traditional nuts and bolts operations

Natbolt subsidiary Hi-Tensile Bolt was merged with General Diesel Services to create GDS Hi-Tensile, a specialised mining supply and service group

Acquisition of Huck SA has accelerated penetration of the high-technology fastening-systems market and acquisition of its subsidiary, Femo, has catapulted the group into the growing market for non-discretionary automotive replacement parts

The merger of the group's principal wholesaling activities with those of Elcentre resulted in Natbolt's 83% subsidiary FS-Team holding an attributable 34,6% of the enlarged Elcentre at December 1988

Further rationalisation of the stationary power systems market was achieved through bringing together the stationary battery interest of Conpower and newly acquired Alkaline Batteries and Static Power

The group's interests in equipment distribution were extended through the acquisition of the HSC Hire Services Group

The result was an increase in turnover of 80% to R463m, an operating profit rise of 64% to R45m and an earnings growth of 30% to 323c a share Net asset value shot up 104% to R17,63 a share Gearing was reduced to 0,59 1 from 0,90 1

CI restructures in attempt to regain market leadership

B/Day 20/7/89 **BRENT MELVILLE** 189

IN AN attempt to regain its position as SA's top manufacturer and supplier of industrial instrumentation, Control Instruments (CI) has started a massive restructuring campaign

Following hard on the heels of CI's R2,6m purchase of Cape-based Ferris Instruments from Plastall, comes the purchase of the instrumentation division of Harvey & Russell (H&R) from holding company Klipton for R1,5m cash

CI instrumentation division manager Cliff le Sueur says the group wants to regain its status as market leader "Although we dropped out of this sector for a number of years, we now have an enhanced sales programme, an expanded customer base and modernised production facilities" CI has spent more than R3m upgrading plant and machinery at the Ferris factory

Scope limited

And it has disposed of its most painful dependant — Alumet Circuit Technologies — for R3,8m effective May 1

The sale of Alumet was based on CIG management's feeling that the scope for further profit growth within the over-capitalised and fragmented printed-circuit-board market was severely limited

"Having taken a hard look at the trading conditions within this sector, it was decided that this area of CI's operation could no longer be considered as strategically important for the group," says Le Sueur

"Most other PCB manufacturers have a captive market to rely on, by inter-trading within their holding company subsidiaries, but Alumet had no regular workflow," he says Since its listing two years ago, Alumet has taken a hefty bite out of group margins

While Le Sueur's optimism of a strengthening in the instrumentation field may be well founded, it is doubtful that the group will make its forecast of 11,8c a share for the year after earnings a share of 2,3c (3,7c) in its interim results

Chubb puts in another year's strong growth

B/Day 27/7/89.

(189)

BRENT MELVILLE

A SATISFIED labour force and a heightened awareness of the need for security within SA have enabled British-controlled Chubb Holdings to continue its accelerating growth pattern for the fifth year in succession

The healthy results posted by the security group for the year to March elevated its average annual compound turnover rate for the past five years to 17,5%, operating profit to 32,5% and dividends to 27,5%

Last year, operating profit leapt by a hefty 44% to R15,6m (R10,8m) on a turnover improvement of 23% to R121,6m (R98,6m) — and the turnover figure per employee increased 13,8% to R63 643 (R55 902) with earnings per employee jumping 38% to R4 134 (R2 994)

And in his annual review chairman Dirk Ackerman says he expects to continue improving on this financial performance He warns, however, of bleak prospects within the SA economy in light of government action to dampen credit demand

"The rate of inflation within the country, as well as the continued depreciation of the rand versus foreign currencies, will adversely impact profit margins in the year ahead," he warns

But last year Chubb improved margins to 12,8% (10,9%), attributed by Ackerman to excellent performances from its Physical and Fire Security Divisions

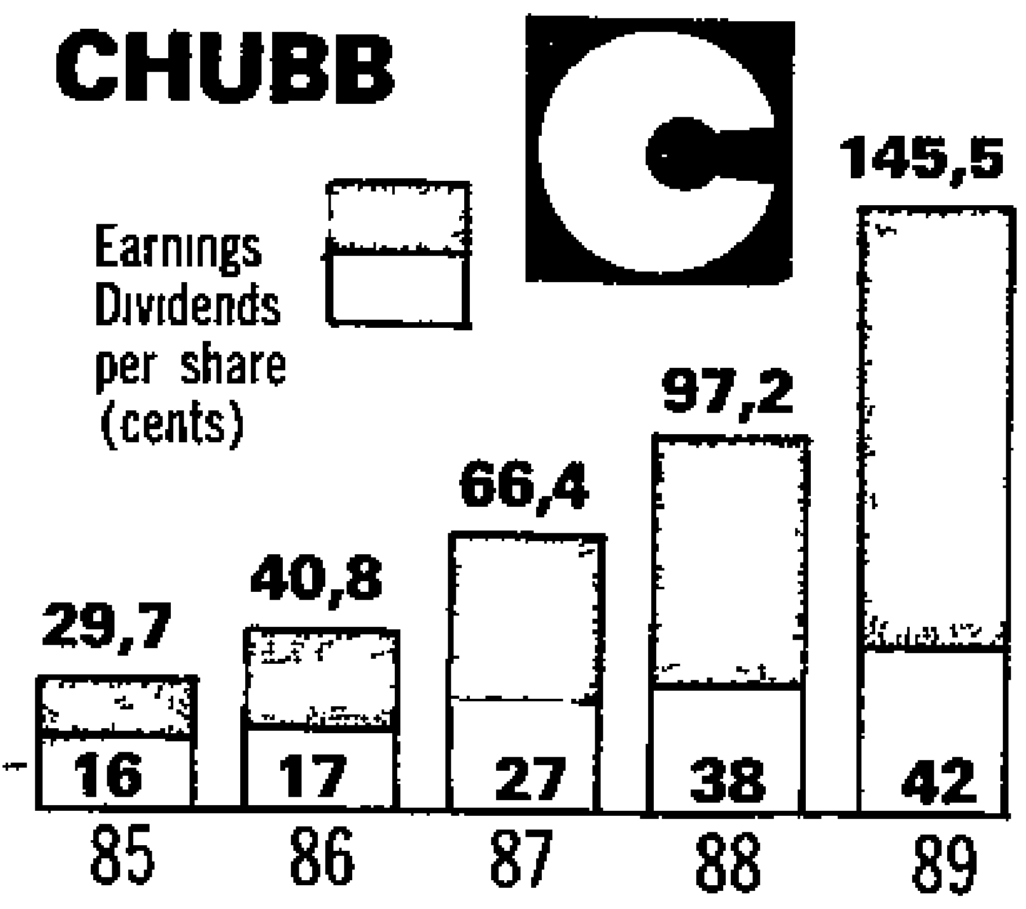
Turnover for the physical security division jumped 28% on a margin of 12,3% (8,4%) and the fire division (unaffected by labour disruptions which hampered its performance last year) increased turnover by 22,7% and operating profit by an impressive 37,5%

The improvements were affected by acquisitions, says Ackerman Chubb made several acquisitions last year related to its fire division and bought property for expansion of its electronics security division

The small dividend declaration of 42c (38c) increased cover to 3,5 (2,6) times in anticipation of future acquisitions and reduced borrowings, which last year pushed interest up 65% to R1,3m (R778 000)

Gearing also rose to 46,9% (42,6%) and cash on hand fell to R5,8m (R7,1m) — reflecting an increase in inventory to R21,9m (R15,8m) The higher stock levels were a result of the overstocking of zinc as a hedge against its increasing costs

With its share at a 12-month high of R11,70, and on a p e ratio of eight and a dividend yield of 3,7% — as against sector averages of 7,2 and 5,2% respectively — Chubb appears a secure investment



Graphic. LEE EMERTON Source CHUBB

Company briefs

Star
28/7/89

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Smith Mining

Smith Mining Equipment achieved marginal bottom-line growth in the six months to June due to consolidation and rationalisation after the acquisition of Hotline Equipment and Specialised Drilling Equipment

Turnover rose 25 percent from R17,7 million to R22,1 million Trading profit rose a lower 17 percent from R3,2 million to R3,7 million After net interest paid of R119 000, compared with a net interest receipt of R124 000 in the first half of 1988, attributable profit rose 11 percent to R2,3 million

Earnings per share, after a higher number of shares in issue, grew 4,5 percent from 8,8c to 9,2c The group does not declare an interim dividend

Workers at Samcor stage 'illegal strike'

Sow (189) 1/8/89

By Mckeed Kotlolo,
Pretoria Bureau

About 3 000 Samcor employees near Mamelodi, Pretoria, are on strike demanding more pay.

The strike started yesterday and was illegal, said Samcor's director of communications, Mr Reuben Els.

Sources at the plant said workers were angered by management's refusal to agree to a R2-an-hour increase. Management had offered 60c.

The striking workers are members of the National Union of Metalworkers of South Africa (Numsa).

Mr Els said the union had not informed management about the strike.

Spokesman for Nissan, Mr Sarel Liebenberg, and for BMW, Mr Seth Phalatsi, denied any work stoppages at their plants despite reports that production was halted after workers heard of the Samcor strike.

ST Times 6/8/89

FS-Team etcetera

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FS-TEAM will be delisted in the latest reshuffle of assets at FS-Etcetera

After "streamlining" of the group, Natbolt will comprise four broad divisions

The manufacturing arm makes components for the automotive, engineering, mining and other industry It also makes and distributes industrial fasteners These businesses are currently owned by Natbolt

Equipment, tools and hardware now includes the industrial division of EW Tarry, being Tarry M&G, WHID Power Distributors and 37% of Curnow M&G It incorporates FS-Team's tools distribution and hiring services Currently 100% owned by Natbolt, a listing will be sought for the division

DEDICATED

Automotive interests will be housed in EWT, which becomes a subsidiary of Natbolt It will be a dedicated distributor of new and used vehicles and parts

EWT already owns the 14-branch Delta dealer Williams Hunt, and will house Femo and V&R

Electrical and electronic interests include 35% of cable and electrical supplier Elcentre, 100% of FS-Consumer and between 70% and 100% of Conpower

FS-Team minorities will receive 19 Natbolts for every 100 shares FS-Team was unchanged at 380c as was Natbolt at R22 But 19 Natbolt shares are worth R418 compared with R380 for 100 FS-Team

Argus 11/8/89

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ADE petrol engines 'would save millions'

By JOHN YELD, Staff Reporter

ATLANTIC Diesel Engines could produce a significant proportion of petrol engines for the domestic motor industry in a move which would save the country millions of rands — but as yet there has been no interest from vehicle manufacturers.

Public affairs manager, Mr Mike Eaton, said today that ADE had the necessary capacity and technology to produce petrol engines with a power range "from a Volkswagen to a Lamborghini", but that the company was not actively planning any such move at this stage

"All of us would love this to happen, but our mission is to produce diesel engines Unless the (motor) industry came to us, we would not be proactive," he said

ADE already manufactures many components for both the motor industry and other parties such as the mining industry

Significant capital investment would be required if a decision to produce petrol engines was taken, but as the number required to make this financially viable would be too much for any single manufacturer, some form of co-operation would be required

Sapa reports that ADE has been given the specific responsibility by the Board of Trade and Industries of developing an export programme that will generate R100-million a year from exports by 1997

Managing director Mr Helmut Beckurts also said that the phase VI local content programme is aimed at significantly reducing the motor industry's annual import bill of R6-billion

ADE supply director Mr Pieter Greyling said "Of the 1 000 line items representing 60 percent or our current R150-million import bill which we have already identified for local sourcing, we hope to introduce the first 30 in 1990 These 30 currently account for eight percent of our import bill"

He said the cost of developing the 1 000 line items for local manufacture will be R120-million, of which 29 percent will be needed for local manufacturing, 13 percent for local manufacturing already under development and 30 percent, or R70-million, for manufacture of high complexity components, mainly in assembly and test areas.

Job opportunities

He said the large investment will be offset partially in new job opportunities that will be created and the long term savings in foreign exchange

ADE said that as well as providing assistence to manufacturers in their import replacement efforts by providing tooling, it also was embarking on a programme to assist exporters by providing engines for export vehicles at a discount to manufacturers

● There has been a cool response from motor manufacturers to Atlantis Diesel manufacturing a petrol engine

Mr Ronnie Kruger, public relations director for Volkswagen in Uitenhage, said VW had its own engine plant

"We make our own engines," he said "We are very positive about our engines which are a definite marketing advantage"

"But that does not mean we would not be interested in engine components, like fuel injection systems for instance, if they were reasonably priced"

A spokesman for Delta said the idea had been discussed before and dropped because it was not economically viable "We can still import engines far more cheaply than ADE could make them at this stage.

"We would certainly be interested in engine components If there was sufficient demand so that the engines could be produced at reasonable cost, then we obviously would be interested

"But at the moment it is still cheaper to import engines, even with the surcharge"

DIAGONAL STREET by

Natbolt puts right a crazy complexity

S/ Times 13/8/89 (189)

THE good news is that having spoken to Alan Schlesinger of Natbolt, I am no longer confused about the company's structure, policy and direction.

So to all shareholders and would-be investors, hang in there Mr Schlesinger makes it all so easy The company's affairs are not nearly as complex as the announcements and sprawling diagrams would have it.

Natbolt's ultimate top company FSI Corporation bought control of the giant W&A in 1987 The next year's business concerned purely financial restructuring of the enlarged group's operations into logical holding companies

FASTENERS

Mr Schlesinger, managing director of Natbolt and chairman of its subsidiaries, says "For example, we had the crazy position where an SA company controlled a British company which in turn controlled another SA company There was additional tax on both sides"

After the completion of the corporate classification, there has been a streamlining of some of the underlying operating companies in the current year — "a logical realignment", says Mr Schlesinger

Natbolt now comprises four major operations The original business of nuts and bolts and industrial fasteners has three factories, four branches and other assets

Its branches were owned by FS-Team, which is to be delisted under the new arrangement. Members will receive 19 Natbolt shares for every 100 FS-Team

"FS-Team was established shortly before the takeover of W&A, and the rationale behind it had to be re-examined," says Mr Schlesinger "Two separate, listed competitive distributors in one group cause problems for management in the event of new lines becoming available or acquisition opportunities arising"

Natbolt's automotive interests will be held through EW Tarry, which in turn will hold 95% of Williams Hunt, 100% of Femo and 70% of V&R

Now there lies a contrast. Femo was bought from American Federal Mogul It is a thorough, professionally run distributor of external engine spares

On the other hand V&R, which is strong in engine spares, is 30% owned by entrepreneurial management with a flair for trading

Mr Schlesinger believes the two companies can learn from each other Williams Hunt distributes Delta-franchised spares as well as vehicles

The third division, comprising equipment, tools and hardware, is looking for a name — probably Tarry — and a home on the JSE It holds Tarry's industrial division, 37% of Curnow M&G, and will take on the industrial distribution companies to be bought from FS-Team

CHOICE

Lastly, the electrical and electronic interests are dominated by the 35% stake in independently managed Elcentre. The smaller FS Consumer and Conpower form part of the division

Mr Schlesinger says there are three distinct audiences to consider when restructuring a group — investors, staff and customers Investors are to be offered a choice of flavour under the new structure.

If they want broad interests, they should stay with Natbolt If they fancy the automotive business, they can look at EW Tarry The equipment division will also be listed

The group will place emphasis on the manufacture of automotive parts which will be sold by both it and outside distributors

"We will aim for reciprocal benefits," he says

The effects of the streamlining on earnings of the companies involved are calculated on a JSE formula which makes the figures at best hypothetical, says Mr Schlesinger

"The formula assumes that acquisitions were made at current prices and costs of finance, but calculates what effect last year's profits of the acquired company would have had on the buyer's last published results"

Nevertheless, Natbolt's notional earnings would have been 16% higher at 309,4c if the changes had been in place for the past year Net asset value would have been 5% up at 1 851c, and gearing down from 59% to 48%

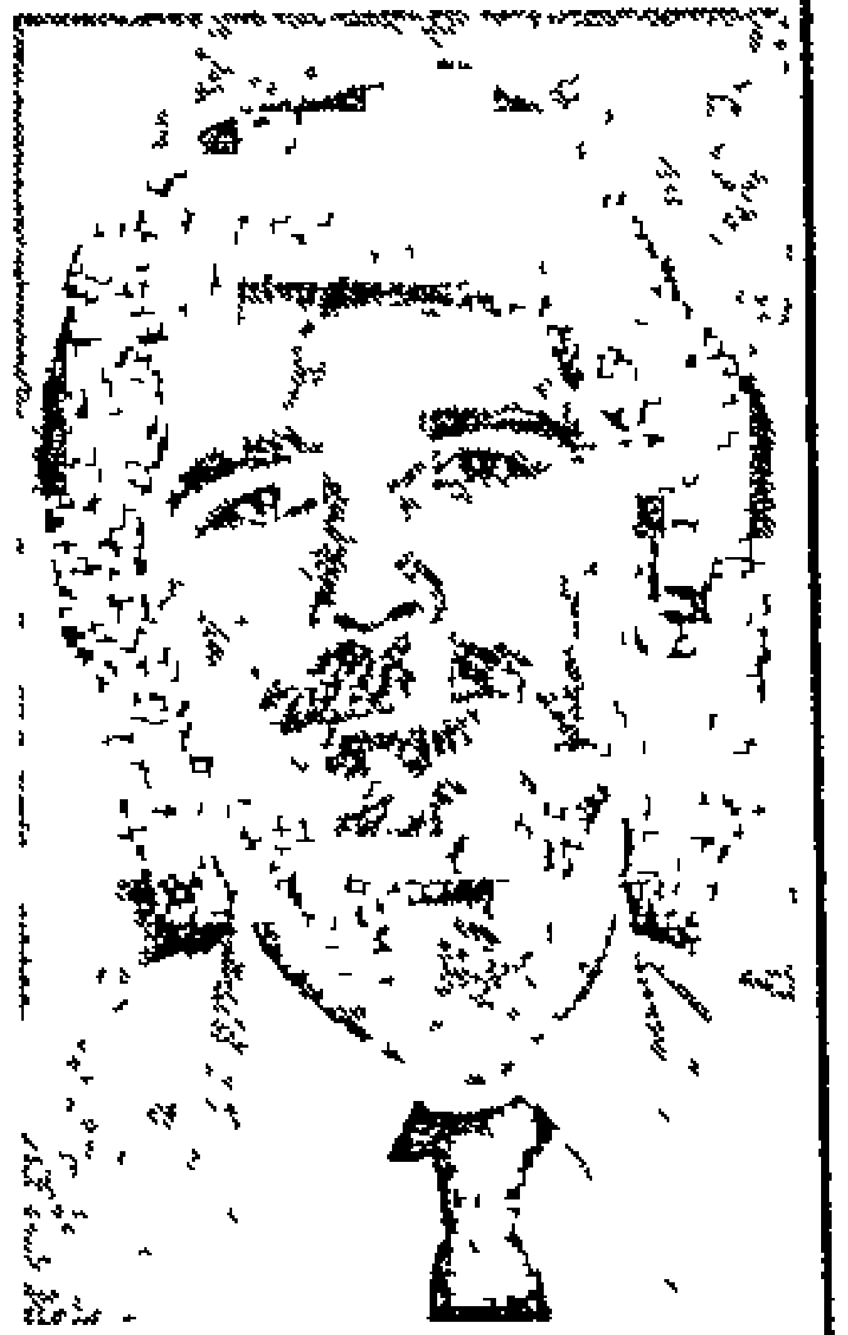
Although Mr Schlesinger says Natbolt's prospects are linked to SA's economy, he is positive about the future

There are still a few name changes pending EW Tarry's new name will reflect its leaning towards automotive activities, and even Natbolt — National Bolts until recently — could be renamed

It is no longer only into nuts and bolts Conservative (with a small c) by nature, I think the current name is fine But the group's management is certainly not averse to change

FSI's three-stage absorption of W&A — financial, operational and nominal — will be completed within two years of the takeover

I hope the digestion comes a little sooner



ALAN SCHLESINGER

No back-pay for union workers, court orders

Cpt Times 24/8/89

Labour Reporter

ATLANTIS Diesel Engines (ADE) has been interdicted by the Industrial Court from back-paying wages to any members of the National Union of Metalworkers of SA (Numsa) because they resigned from the union after August 11.

The order, granted on Monday, followed allegations by Numsa that at least 350 members had been misled by ADE into resigning from the union to qualify for a wage increase.

Numsa, which has about 1 100 members at ADE, has been formally in dispute with the firm over wages since late July.

Presiding officer Mr J P van Niekerk ordered ADE to pay Numsa's costs.

Mr Paul Pretorius, instructed by Ms Amanda Armstrong of Cheadle, Thomspon and Haysom, appeared for Numsa. ADE was represented by Mr F P S Erasmus of Erasmus and Steyn.

S/ Times 3/9/87

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Greg Till—the Bearing Man

By David Carte

IT doesn't seem to help if your stock in trade is indispensible and you have a large market share and a good record

If the product is unseen and a bit technical, chances are it will not be appreciated on the JSE

Bearing Man seems to be a case in point Listed in 1984, the bearings, seals and power transmission company suffered a R3,7-million forex loss in 1985

Bearing Man was in good company in losing on its foreign borrowing in 1985 It has not put a foot wrong since but has still not been forgiven The share trades at 4,7 times last year's earnings

Holiday

Sales in 1985 were R9,1-million This year the company is aiming for R90-million and more Operating income rose from R1,6-million in 1985 to R9,1-million last year Last year the tax holiday from the forex loss ended abruptly and earnings suffered, falling to 80c from 131c a share

Managing director Greg Till is a bit disillusioned about the listing today — though the consolation is that if the company can keep producing good results, it will eventually be properly rated Mr Till estimates that Bearing Man is No 3 in bearings in SA after SKF and Hudaco He believes FAG of West Germany is No 4, Drivetech No 5, Anglovaal's NSK Bearings No 6 and RHP of the UK seventh

Duties

Bearing Man also sells seals and power transmission equipment

Bearings are a lucrative product in which to deal Non-engineers may need reminding that there is not a machine that would function without bearings They are the lifeblood of engineering — and they wear out

The fallen rand has raised up the cost of replacing machinery Owners are obliged to make machines last longer Instead of scrapping them, they fit new bearings

Bearings are high-tech products High quality is vital Some bearings last five times longer than others and that is important for machine owners trying to keep down costs

Most bearings are imported, although SKF manufactures at Uitenhage and Timkin at Benoni To protect SA manufacturers, there are import duties of 30%, not to mention the universal 15% surcharge

Because of the high-tech nature of the business, it is something of a closed shop It is not easy to get the top franchises Success breeds success in acquiring them

Mr Till believes he has the best names in the game — IKO, Nachi, Rollway, Gamet, Timken, Steyr, Torrington, Fafnir, SKF and Michell

Variety

Bearings come in a large variety of shapes and sizes Bearing Man carries 20 000 types of bearing in 30 000 stock items in 25 branches in all the main centres

The average order from Bearing Man's 25 000 regular customers is small — less than R50 Most of the company's activities are retail But — particularly on the Reef, where there is a proliferation of small bearing dealers — it also does wholesale business

Mr Till and his fellow directors have 40% of Bearing Man, Farm-Ag 23%, and the chairman Reg Sherrill 15% The public holds 22% Not surprisingly, trading in the shares is thin, but this could be remedied by acquisitions Mr Till sees huge growth potential, particularly in power transmission

Blood

Investors can get an exposure to bearings through Hudaco but they actually buy into other businesses as well Bearing Man does little else

Mr Till is friendly with bearings — he has been handling them for 15 years

"There is a difference between a company that is run by professional managers and one that is run by the people who own it and who have bearings, if not in their blood, in their every joint

"We run a tight ship There are only three men and a secretary on the operations side in head office We visit branches often and are on first name terms with all staff members

"We put in a R3-million computer system with more than 100 terminals to help control stock and debtors"

Many senior staff members have shares There is a share option scheme open to all, as well as profit participation Staff turnover is low

Mr Till says a small acquisition and fairly heavy capital spending in the branches have increased gearing slightly from last year's 80% But he is comfortable with cash flow

Dividend cover has fallen from more than six to four and could go to roughly three this year

One analyst forecasts taxed profit of R6,9-million or earnings a share of 140c in the current year That means the share, at 380c, yields prospectively 12,3% and the forward PE is only 2,7 Seems cheap

Alleviating surcharges

BDay 12/9/89

STRONG expertise and sophisticated facilities are making it possible for Koppel Elga to manufacture a number of machine tools that have never before been locally made

In so doing, Koppel Elga has done much to alleviate the intense cost pressure placed on business by the weak rand, import surcharges and customs duties.

A recent FCI study concluded that SA pays almost 100% more than its major trading partners for capital equipment

Sales director Graham Wood says "Much of this premium on imported equipment can be alleviated by looking to local sources, especially in the case of heavy duty specialist machine tools"

Koppel Elga has in recent years engineered a large number of machine tools that have been firsts for SA and probably for the entire continent.

All the larger projects are custom designed and built, usually using totally in-house expertise.

Koppel Elga's abilities are particularly important to the motor and components manufacturing industry, where a number of significant projects have been completed

Among these are a 250t hydraulic polyurethane press for Pilkington Shatterprufe, representing a significant leap forward in the local production of components The press was totally locally designed and manufactured according to customer specifications

Pilkington divisional GM polyurethane Peter Dickason said "It will enable us to employ more automated bumper manufacturing processes.

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Rubber press

"The possibility also exists for the manufacture of car body panels in the future, something which is being done overseas at present."

The local press cost came in 40% under the cost of an imported equivalent

Another machine tool totally locally designed and built was supplied to Mewa This 1 500t press is now being used for the manufacture of stainless steel sink bowls and a wide range of steel kitchenware

The rubber moulding capacity in the rubber press shop at Envirotech was recently increased by a significant investment in a large rubber moulding press supplied by Koppel Elga

Production director Bob Kenmuir said that cost and delivery times were the major reasons for looking to a local supplier

The four-column hydraulic press delivers 1 500t of force and is big enough to accommodate the largest moulded rubber components produced by Envirotech for its range of slurry pumps

In addition to its range of local machinery, Koppel Elga also manufactures a wide range of other equipment under licence

It recently introduced a new 250t computerised, numerically controlled (CNC) press brake, the first of this size to be manufactured in SA

Manufactured under licence to Beyeler Machines of Switzerland, it has a wide application for the sheet-metal industry, including the manufacture of computer cabinets, white goods, car bodies and chasses.

One of these machines has already been sold to Jacksons Metals, part of the Van Reenen & Nichols group

Investor faith in Toco management

BRENT MELVILLE

INVESTORS have shown strong faith in new management-controlled industrial holding group Toco Holdings — pushing its share price up by 26% to a high of 63c since the July buyout

The buyout — initiated and financed by 20 of Toco's operating executives — involved the purchase of 32,9-million shares, or 53%, from Columbia Consultants The purchase, which involved a cash consideration of R16m, brought management's stake to 62%

In addition, a 50c a share offer was made to minorities who were entitled to the 5c dividend, whether they accepted the offer or not And 91,5% of these shareholders elected to remain invested in the group


● GOODMAN

Toco, through its four divisions conducts business in the fields of lifting equipment (contribution to operating income 40%) special steel distribution (25%) and industial gaskets and automotive refinishing (35%)

Its results for the year to March brought the group's six-year compound bottom-line profit growth to an average of 49% a year Operating profit — at R10,6m — exceeded R10m for the first time and put the six year average compound growth rate at 36%

The growth, when viewed against its previous rapid pace, is not that impressive Operating profits leaped by 91% for the 1986/87 financial year and a further 102% in 1987/88 However, MD Adriaan Goodman says in his annual report the fact that earnings a share rose by only 11% reflected Toco's internal structuring and streamlining

On the export front, the group has placed infrastructure and expects to expand in the future as market niches are discovered and exploited, says Goodman Newly acquired vitreous enamel panelling manufacturer Vitrex is expected to lead the group in this direction

Toco acquired its 24% interest in Vitrex and 14,4% of Premier Chemicals via the acquisition of a 60% stake in East Rand Chemicals

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Predictions

On the balance sheet, gearing jumped to 35% (23,3%) which directors consider well within their ceiling of 60%

Looking to the future, chairman Paul Todd has predicted turnover will top R100m and operating profit accelerate back up by 40% to R13,7m (R9,8m) Todd expects earnings and dividends a share to increase at a rate higher than the rate of inflation and has predicted 16c and 6c respectively

Across the divisions, the greatest growth potential is expected from Vitrex, Premier, Versatile Gaskets and Toco 86 At its current share price Toco shows a dividend yield of 7,9% and a p e of 4,9 times — as against sector averages of 4,5% and 8,5 respectively the balance of the current financial year," they said

in profits fo
company's

Barlows saves SA R100m

BDay 14/9/89

TERRY WILKINS

(189)

BARLOWS Equipment Manufacturing saved SA more than R100m in import replacement during the past year, spent almost R2m on research and development and is now spending R1.5m on computer aided design.

This was announced at the company's Spring Show of equipment at its Boksburg premises this week.

Barlows has been manufacturing earthmoving equipment under licence to multinational plant giant Caterpillar Inc since 1964, marketing it through the dealer network of Barlows Equipment.

It has the benefit of the latest technology through Caterpillar's worldwide network, manufacturing locally if economically viable and using a local content of 60% on wheel-loaders and 70% on motor-graders.

Testing on the prototype of a locally-designed 2m³ load-haul-dump machine is almost completed.

Autoquip group doubles income

Cape Times 18/9/89 (189)

Financial Staff

AUTOQUIP group has doubled operating income in the year to end June 1989

Income was up 101% to R5,2m on a turnover increase of 60% to R35,5m

Earnings per share increased from 10,5c to 15,7c a share and the group has declared a total dividend of 6,5c covered 2,4 times (1988 annualised 4,5c)

The substantial growth, which has been achieved entirely organically, is largely attributable to increased market share in all divisions

Comments CE Bruce Coquelle "It is pleasing to note that the results achieved by the group are ahead of fairly optimistic forecasts

"In the period under review, the considerable emphasis placed on the sourcing of products together with rigorous financial controls has resulted in an overall increase in margins

"A centralised administrative infrastructure combined with an upgraded computer system linking all operations has also increased efficiency and produced cost savings "

A number of new developments have taken place within the the group, with the Techniquip division, utilising the existing Durban-based Group infrastructure, expanding its operations into Natal

In addition a branch of the Autoquip division was opened in Vanderbijlpark and is positioned to take full advantage of the Vaal Triangle market

The latter part of the year also saw the establishment of Partco, a division of Partquip In line with the group policy of niche marketing, this division will concentrate on the sourcing and distribution of steering, suspension and rubber components and is expected to contribute to overall profitablity in the coming year

The group's foreign operation, started in April 1988, has also begun to make a contribution to profits with full account already taken of start up costs

A new Port Elizabeth branch is currently being established and will open in October

Accommodating all divisions, this branch, servicing the whole Eastern Cape area will ensure further market penetration in this area

Commenting on prospects for the industry as a whole, Coquelle refers to the effects of spiralling new vehicle prices resulting in an ageing vehicle population and the concommitant demand for replacement parts and accessories

It is estimated that the average vehicle age has increased from six years to between nine and 10 years, and will increase to between 15 and 20 years — in line with other third world economies

New vehicle prices have increased by some 25% in the past year and with no significant improvement in the exchange rate foreseen, it is anticipated that prices will continue to escalate

This augurs well for the parts and accessories after market

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Star 20/9/89

Diagonal Street

ANN CROTTY

FSI moves ahead

No surprises from FSI. The market had expected it to report an improvement in earnings of around 25-30 percent. It got 25 percent — taking earnings per share up to 64c (51c), and the dividend to 12c (10c) a share.

Feeling is that the interim results have been conservatively accounted and include a considerable amount of "fat" at most levels of this massive organisation.

All of the group's major components reported eps increases in the region of 25 percent: Natbolts up 20,6 percent; Hunts 25 percent; W&A 25 percent. And now FSI has reported a 25 percent eps improvement. Nicely symmetrical, and suggests that the improvement in FSI's other interests was in line with that achieved by the W&A subsidiaries.

These "other interests" are Form-Scaff and International Operations. (The 32 percent stake in Reichmans was acquired too late to feature in this interim period.)

Stripping out the W&A results from the FSI figures shows that turnover from "other interests" was R106 million and operating profit was R43,4 million suggesting operating margins of an amazing 38 percent. (Compared with just 12,4 percent at interim '88 when Natbolts was included in the "other interests".

At the attributable profit level this sort of exercise indicates that "other interests" accounted for about 50 percent of the group total. Market sources believe that the year-on-year improvement in "other interests" was considerably stronger than the 25 percent suggested. In particular the international side would have enjoyed the added boost from the weaker rand in the six months under review.

Getting back to group figures, one important consideration is that the 1989 figures are comparable with those of 1988. (Unlike W&A where comparision was affected by all the restructuring that the group has undertaken.) So investors can get some idea as to how the FSI executive team has coped with the much larger asset base under its control since the massive W&A acquisition in September 1987.

The conclusion must be — very well indeed.

Turnover is up 47 percent to R1,1 billion (R784,4 million) and as chief executive Jeff Liebesman points out the bulk of this increase represents organic growth. Operating profit was up 66 percent to R147,6 million (R88,8 million) reflecting an improvement in margins from 11,3 percent to 12,7 percent.

After allowing for finanace charges (R47,3 million) and tax (R24,3 million), the advance at taxed profit level was 71 percent to R75,9 million. Outside shareholders and preference dividends took a massive R44,7 million (R23,4 million) which meant that attributable profit was up 48 percent to R31,2 million (R21,1 million). Equivalent to a 25 percent increase on an enlarged share base.

Some analysts believe that there is still something of a credibility problem surrounding the group and that this has prevented the share from enjoying the sort of rating appropriate to a blue-chip, rand hedge investment. In the short-term it is difficult to see what more Mr Liebesman and his team can do to counter this. In the long-term, doing what they are so ably doing now, will resolve the situation.

Mr Liebesman has no doubts that the group will be able to sustain its strong performance and achieve its long-term target of 35 percent return on assets managed (ROAM). Considerable progress has already been made on this front — up from 14 percent on acquiring W&A, to 18 percent for financial 1988 and, now at around 20 percent.

He points out that all the subsidiaries see the 35 percent figure as their target and are implementing strategies to reach it.

Colfin sees brass in muck

189

29/10/89

COLFIN has bought family business Trolley & Bin for R1,1-million S/Times

The R4,5-million-a-year company makes steel refuse containers and supermarket trolleys The main business is bins, and the major customers are municipalities and waste disposal companies

Manhole covers, aluminium doors for trains, and steel poles for telephone booths are also made Trolley & Bin's pre-tax profit last year topped R1-million

With waste management becoming an important environmental issue, Colfin sees good growth potential for the company It will be managed by Brian Follett, who holds 40%

Tiger Wheels plans a further expansion

BDay 24/11/89

CHARLOTTE MATHEWS ([illegible])

TIGER Wheels plans a further expansion of its manufacturing capacity and improvements in efficiency in the current year to increase output for the replacement and export markets, chairman and CE Eddie Keizan says in the group's latest annual report.

In February the group, which makes and distributes aluminium alloy and steel road wheels, tyres for cars and bikes and distributes vehicle body parts, moved from the DCM to the main board of the JSE.

(189)

Results for the year to June showed a 49% improvement in turnover to R41,2m from R27,6m and an increase in earnings to 11,3c a share from 8,6c.

"Considering the tighter economic conditions prevailing and relatively high interest rates, the excellent financial condition of the group places it in a sound position for the coming period," Keizan said.

Manufacturing capacity at the Babelegi plant was increased and average monthly output was 50% higher by the end of the year.

During the year a foreign wholesale distribution business was established and this had become a major customer for aluminium wheels from the Babelegi factory.

"The foreign business is budgeting significant increases in sales and reasonable profitability after posting a net loss in its opening year," Keizan said.

Macadams disposes of subsidiary

BDay 30/11/89 SYLVIA DU PLESSIS 189

MANUFACTURER and supplier of bakery and catering equipment Macadams has disposed of subsidiary Aloe Catering Equipment's marketing operations to Crown Food division Vulcan Food Service Equipment

The announcement follows second-rate results for the six months to August, during which a substantial interest burden — 126% up at R1,1m (R503 000) — eroded attributable income 16% to R506 000 (R601 000)

Macadams MD Raimund Pouliart said yesterday the transaction, effective from January 1 next year, would considerably reduce interest-bearing debt.

"Apart from the higher costs of borrowing, much of the increase in interest paid during the first six months of the year was attributable to the costs of funding debtors and stock in the catering division," he said

The disposal would immediately reduce stock by about R4m, while debtors would also drop significantly

"These two factors alone will cut our interest-bearing debt by approximately one-third," he said.

Strength

The disposal, affecting sales, distribution and installation only, was in line with group policy of rationalising certain aspects of the business in a continuing drive to improve margins

"Further, the agreement with Vulcan also frees us to concentrate on our major strength — the manufacture and supply of equipment for the bakery industry"

Sales during the period under review grew 11% to R23,8m and operating profit 35% to R1,9m However, earnings declined to 3,3c (3,9c) a share, and interim dividends were passed in accordance with new group policy

Pouliart was confident Macadams' redefined focus would ensure a return to higher earnings "in the medium term"

"While this policy also manifested itself in the relatively small increase in turnover for the first six months, the benefits thereof can be seen in the much-improved margins," he said

"Accordingly, with the group continuing to enjoy strong demand for its products, I anticipate earnings of an acceptable level in the 1991 financial year"

BDay 5/12/89

COMPANIES

(189)

Toco due to revive interest

ANALYSIS: STEPHEN RICHTER

TOCO Holdings Ltd has traded in a fairly narrow range for the past 12 months signalling investor disinterest towards the group But its earnings performance and recent trading pattern on the JSE indicate that Toco could be poised to outperform the industrial index in 1990.

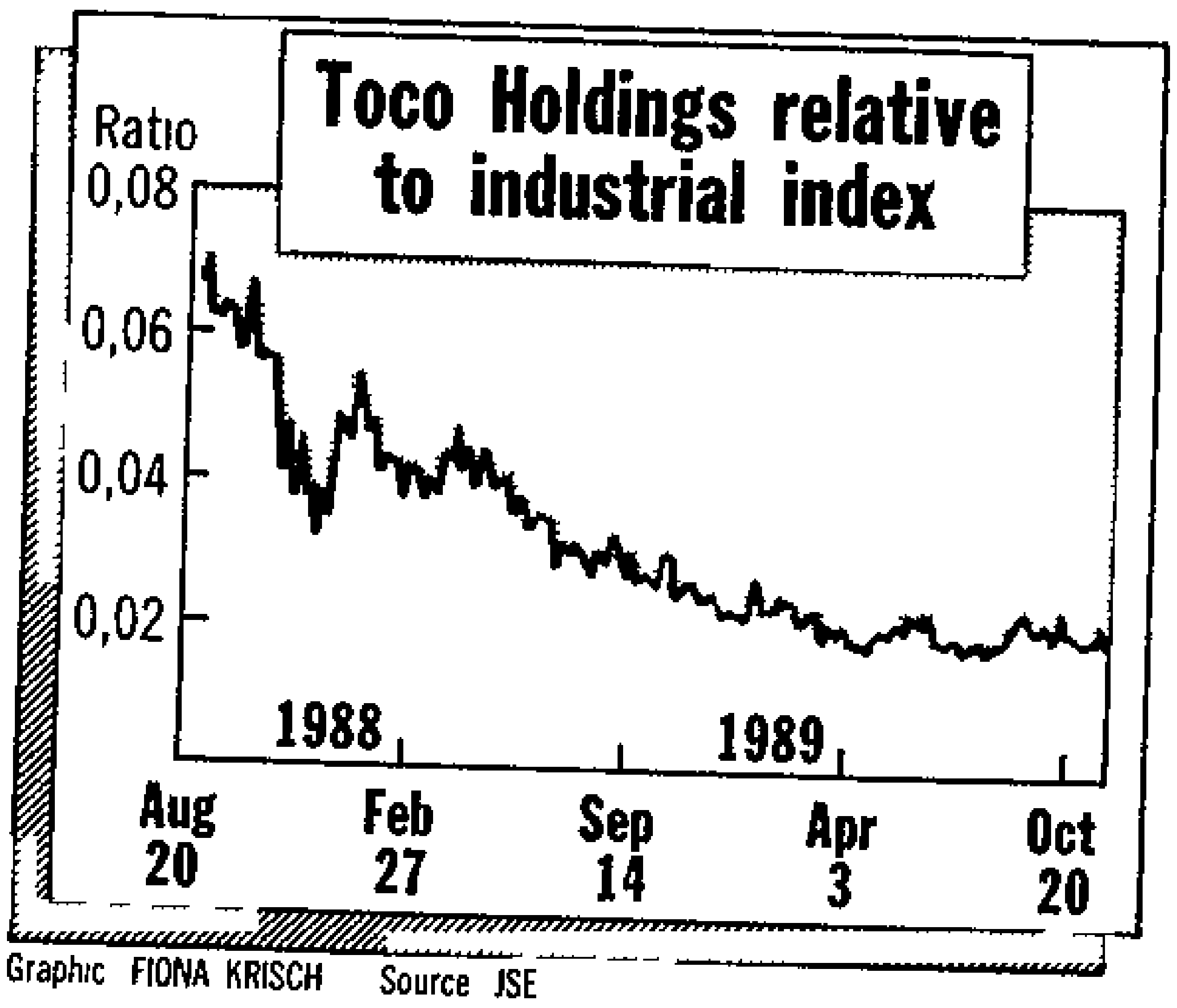
During the past 12 months, Toco's share price has bounced around between a low of 42c in March and a September peak of 64c Like most listed industrial companies which are not considered to be blue chip shares, Toco has failed to generate a sustained rally over this entire period As a result, its share price has a tendency to slip back to the 50c area, which is where the group is trading at the moment

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

Toco has a respectable management team judging by its earnings performance over the past few years Operating profit has risen at an annual compounded growth rate in excess of 30% during the past six years

A substantial portion of this growth occurred during financial 1987 and 1988 when operating profit advanced by 91% and 102% respectively. A spate of acquisitions as well as internal growth fuelled the sharp earnings rise during that period But the group has now entered a period where activities are being streamlined while fully absorbing the reorganisation costs, which helps explain the relatively small 8% operating profit rise during the latest year.

For the six months ended September the situation improved slightly as operating profit grew by 18% to R6,5m (R5,5m) Interim EPS increased by a similar percentage to 7,6c (6,3c)



Graphic FIONA KRISCH Source JSE

Although domestic economic activity has been slowing due to higher interest rates, Toco should begin to benefit from the stronger gold price Group MD Adrian Goodman confirms that a rising bullion price should have a positive impact on group performance due to the anticipated increased activity within the industrial and mining sectors

In the areas of contractual business, Toco's order books stand at a higher level than the previous year despite the economic slowdown Goodman explains that many of the group's divisions operate in the industrial consumer market supplying, on a daily demand basis, a wide range of products necessitating fairly high, well managed stock levels Consequently if a customer is caught without adequate supplies of one of these vital products, that could affect this customer's sales and profitability

The group declared no interim dividend and consequently, the final payment will cover the full financial year This payout could realistically reach 6c and would translate into a forward dividend yield of 12,5c based on a price of 48c

The fact that most investors are currently avoiding Toco shares is puzzling given the group's strong earnings growth potential and high dividend yield But it would appear that certain institutional investors are impressed with Toco's prospects

On November 21, shortly after announcing interim earnings, nearly 4,4-million Toco shares changed hands, and the price reached a high of 63c, or just short of the September peak It seems clear that certain institutional investors were involved, and suggests that once decent quantities of Toco scrip become available in future, they should be snapped up

The accompanying relative strength chart of Toco against the industrial index signals that a massive base has been forming since April This indicates that when investors begin to look favourably upon the second line industrial shares, Toco should be among the leaders

FINANCE

B/Day 7/12/89

189

Promising outlook did not help Fenner's shares

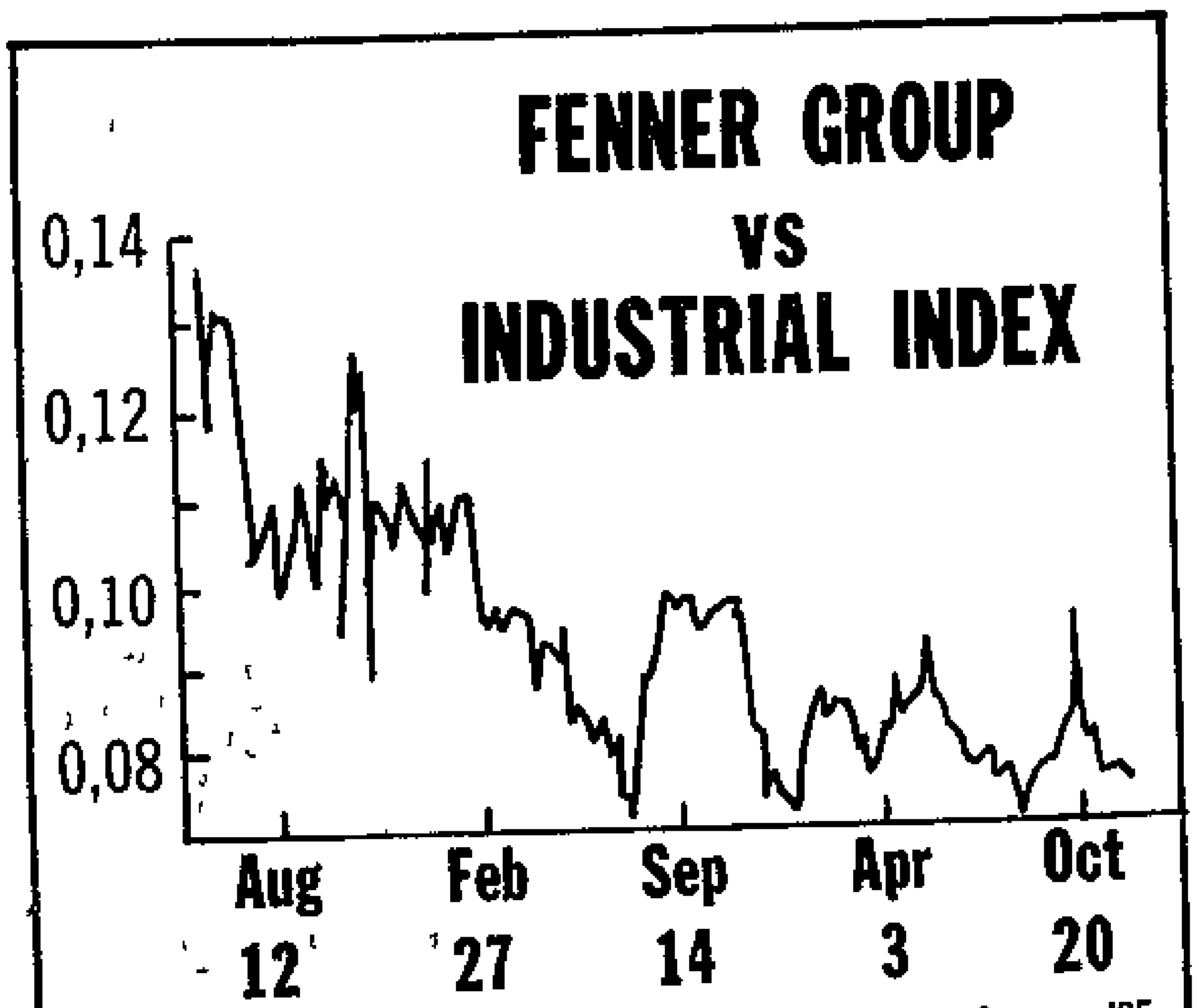
ANALYSIS by Stephen Richter

FENNER Group SA is producing profits well above levels earned in 1987, when it made its JSE debut But the share remains below its original offer price, despite the group's promising outlook

Fenner earned 50,7c during the 12-month period ended August, 1989, compared to EPS of 29,9c generated two years earlier The share, however, is below the original offer price of 210c, which was the level that prospective investors would have paid for these shares prior to its May 1987 listing

Fenner's parent company, Fenner Plc, was established in 1861, and has built a reputation as a leading supplier of mechanical power transmission components and solid-woven flame-resistant conveyor belting

Since its JSE listing, Fenner Group SA has continued to be involved in these areas But the latest annual report indicates that the group has made some strategic acquisitions which complement its core businesses and should help stabilise earnings growth during the coming years.



Graphic LEE EMERTON Source JSE

A primary example of this is illustrated in the group's core power transmission division, which manufactures and distributes a complete range of mechanical, electrical and electronic power transmission products throughout the country This product range was increased last financial year with the introduction of bearings through the purchase of Plato Bearings in Lydenburg.

The power transmission activity required castings, and the addition of Trek Engineering to the group in September 1988 satisfied this need Management enlarged Trek's involvement in the field of small made-to-order castings with extra equipment, and Trek's turnover was projected to rise 50% during financial 1990

While Trek contributed to Fenner's profits in the most recent financial year, recently acquired Trellex did not Trellex, acquired in September, 1989, manufactured and supplied rubber wear protection and dust sealing products, used in ore handling and extractive industries

Trek and Trellex's growth potential is very exciting, but prospects for the more established divisions must not be overlooked Control Specialists supplies control valves and ancillary products under licence to control valve manufacturer Fisher Control International

Control Specialists has received orders for control valves, level controllers and electro-pneumatic convertors for the Mosgas on-shore project and paper and sugar industries Production capacity was increased to accomodate the increased sales volumes, and financial 1990 has commenced with an excellent order book

Furmanite Africa, which specialises in on-site leak sealing without the necessity of plant shutdown, has added bolt-tightening equipment to its line This won a large contract from a major steel producer and generated interest in the refining industry

Within the Furmanite operation, local content value is about 83%, while Control Specialists' is about 75%

To indicate Fenner's financial strength, the group purchased Trek Engineering, redeemed R2m of preference shares and funded the increased volume of business without any serious impact on gearing

MD Tony Clegg indicates that Fenner has performed according to budget for the first two months of the current financial year

It would appear that the group can earn at least 60c for financial 1990, with a 20c dividend This would indicate a forward earnings and dividend yield of 30,8% and 10,3% respectively, based on a price of 195c

Fenner's good value is confirmed by its latest NAV of 217c a share The share is trading close to an historic bottom when compared to the JSE industrial index.

SATURDAY DECEMBER 9 1989

ADE breaks even, heads for JSE

W/t Argus 9/12/89 189

By DICK USHER
Business Staff

ATLANTIS Diesel Engines (ADE) has reached break-even point and sees itself able to start generating the kind of track record fitting its ultimate aim of a JSE listing

The company said yesterday ADE was placed under tremendous pressure during the prolonged recession of the mid-1980s but had reached break-even with a production of more than 20 000 engines a year

ADE's marketing and public affairs director, Mr Wally Rautenbach, said the relatively stable commercial vehicle and agricultural engine market expected in the next five years showed clearly that ADE had to take a wider view if it wanted to achieve significant growth and use capacity more fully

The phase VI local content regulations, which aimed at cutting the motor industry's R6 billion import bill, offered ADE and the industry as a whole major opportunities

Mr Rautenbach said the first lay in the need to balance imports with equivalent exports which would demand an increasing emphasis on a long-term view of the export market rather than the traditional view of using exports to dispose of excess capacity production.

Manufacturers would be able to achieve an import/export balance by specialising in the export of certain products such as cylinder blocks

But a long-term approach was essential as export specialisation made manufacturers vulnerable to product supercession

The second opportunity lay in import replacement and ADE had identified about 1 000 items, about 60 percent of its R150 million import bill, for local manufacture, said Mr Rautenbach

Local sourcing of some items would start in 1990, representing an eight percent savings on the import bill.

Ultimately ADE was looking for more than R100 million in additional forex savings by 1997

ADE had the capacity and know-how to exploit export markets The momentum of the export drive would be sustained by the continuing low value of the rand against currencies of foreign trading partners.

The export initiative had also been designed to complement ADE's import replacement programme

Local content of ADE engines presently averaged 55 percent by value.

A defined programme, requiring R120 million in additional investment, had been instituted to raise local content to 70 percent by mid-1992, rising to 87 percent in 1998 Additional capacity resulting from these investments would be used to exploit exports

The company had also installed two light diesel engines in one-ton pickups as part of a viability study for an import replacement light diesel engine.

First tests were scheduled for completion by March 1990 and would be followed by an in-depth viability study

The investigation is focussed on the one-ton diesel market with a top-side annual volume of 10 000 to 12 500 units.

Long-term growth could be achieved in this category through expansion into the industrial, marine and minibus taxi market.

The minibus taxi sector in particular would gain by using a small diesel engine which offered large fuel savings

- MACHINERY

AND

EQUIPMENT

EXPORTS

1989

INDUSTRY

CAPE TIMES 22/2/89

Trim-Rite to replace Weedeater in SA

[illegible]/189

Business Staff

THE famous name Weedeater is to disappear in South Africa and be replaced by Trim-Rite on a range of lawn trimmimg machines made by Nylon Line Cutters of Epping

The move follows the United States licensees ending permission to use the name

No reasons have been given for the non-renewal of the licence but the chairman, Mr John Gander, said the American manufacturer had been taken over by a Swedish company

However, a considerable amount of money will also be saved because the paymant of royalties will lapse, he said

The Cape-based company sells more than 120 000 machines a year and exports about one third

Export prospects are bright, says Mr Gander, who forecasts that Trim-Rite will double its exports earnings in the next two years to R18-million as exports are boosted to more than half of the entire production

The machines were designed to meet South African conditions and were given more powerful motors and other features — Mr Gander claims their performance is superior to the American models

They are sold in the United States New Zealand, Australia, several European countries including France, where importers markets them "under three unpronounceable names"

The company claims to have about 75 percent of the local market

Meter Systems manages to boost earnings 39%, dividends 33%

(18[illegible])

CHARLOTTE MATHEWS

B | Day 10|5|87

IN SPITE of a significant decline in operating margins to 13% from 20%, Meter Systems has managed to boost its earnings and dividends by 39% and 33% respectively for the year to February

The company, which makes fluid handling and combustion equipment, achieved a 79% rise in turnover to R9,6m (R5,4m) which compared with operating income of R1,2m, only 14% higher than the previous R1,1m

Nevertheless, earnings of 10,3c (7,4c) were declared and a dividend of 3c (2,25c) a share was paid

The two major factors contributing to increased earnings were a fall in the tax rate to 15% from 41% stemming from export incentives, investment in plant and machinery and an extraordinary item of R42 000

Chairman Graham Nel said the margins had declined for several reasons

"Overheads rose as planned reorganisation took place to anticipate an increase in business

"We undertook a fair amount of export promotion We also had exceptional expenditure on a major contract which has now been completed

"We took over Niel Passet, which had a large turnover but was not profitable, and we also acquired a 51% shareholding in the Hotwork group "

In March, Nel said, Woodrow had raised its holding in Meters to 64% "which will enable Meters to take advantage of the financial resources of the enlarged group to develop its existing business and to seek new opportunities and acquisitions"

He said he was confident Meters could increase sales and earnings by at least double the annual rate of inflation this year

"After the first two months of this financial year, the group's sales and unfulfilled orders are in excess of R5m, which is exceptional "

Natbolt still diversifying

Star 14/7/89

Diagonal Street

ANN CROTTY

The National Bolts annual report for 1988 spells out the major changes that have reduced its dependence on traditional nuts and bolts operations

The most significant developments include the acquisition of Huck and Femo and the exchange of FS-Team assets for Elcentre shares

An announcement in May this year indicates that the annual report for financial 1989 will again show significant changes as Natbolt continues to "diversify profit sources within clearly defined parameters".

The announcement referred to the regrouping of certain of the interests of Hunts (the Natbolt holding company) and to strategic acquisitions made by FSI on behalf of its subsidiaries

To date the strategic acquisitions seems to refer to V&R, which has been acquired by FSI for R36 million and is expected to end up in the Natbolt group within the next few months.

The move will bolster the groups' involvement in the distribution of automotive replacement parts

This is one of the four divisions that has resulted from the 1988 reorganisation.

The other three divisions are industrial fasteners and mining supplies (which includes manufacturing, assembly and distribution), electrical and electronic interests and distribution of equipment, tools and hardware

The report gives no indication of the absolute or relative importance of the divisions

At the National Bolts company, which last night succeeded in resolving its 10-day strike, signs of management's commitment to making greater inroads into the export market are indicated by the award to the Paul Smit plant of the BSI 5750 registration of the British Standards Institution

The pro forma income statement at the front of the report is more instructive than the actual income statement because the former covers the 12-month period to December, while the latter covers 18 months to December.

Comparative figures are given for the 12 months to December 1987. The major change between the two periods is that turnover shows an 80 percent surge from R258,2 million to R463,7 million

About R63 million of this increase is attributable to the Huck/Femo acquisition (effective from January 1988, but only paid for in September 1988) Stripping this out shows a 55 percent increase

If allowance is made for other structural changes, the year-on-year organic growth in turnover is probably about 45 percent.

Finance charges rose from R5,3 million to R15 million The charge is three times covered by the 12-month operating profit, compared with the five times for 1987.

The balance sheet shows long-term liabilities up from R21,9 million to R76 million The 1988 figure incorporates a swop of debt from short-term to long-term.

Thus, bank overdrafts and acceptance credits which were R20,5 million in 1987, were wiped out

Group growth is reflected in the fact that despite the large absolute increase in debt, gearing fell from 90 percent to 59 percent.

The prime financial target is expressed in terms of return on assets managed. The annual report does not state what the group achieved in 1988 and MD Alan Schlesinger says only that "there is a lot of scope for the figure to move towards the 30-40 percent area target"

BOB BINGHAM ... 200 jobs and a boost for South African industry Picture: Margot Williams

SA gets R100m train order from Taiwan

S/Times 3/9/89 (189) SA

By Robyn Chalmers

UNION Carriage & Wagon has secured a R100-million contract to supply electrical unit train sets to the Taiwan Railway Administration.

Union Carriage managing director Bob Bingham says the order will provide jobs for nearly 200 people for two years

About 130 SA companies will be involved in supplying materials, components and services for the train sets

This is the second project Taiwan and Union Carriage will work on The SA company completed its first contract for 11 three-car luxury inter-city trains in June 1987.

Mr Bingham says Union Carriage was forced to look abroad for business after SA Transport Services (Sats) cut rolling stock orders in the early 1980s

Union Carriage, a member company of Malbak's Standard Engineering, has been producing electrical train sets for more than 30 years

Mr Bingham says the company found a ready outlet in Taiwan, which has proved to be its best export market

The Taiwan Railway Administration issued a tender on September 23, 1988, for the current project Tenderers were given only two months to prepare design concepts

Against worldwide competition, Union Carriage secured the contract on March 15 this year Once the Taiwanese were satisfied with the technical considerations of the Union Carriage proposal, the deal was clinched on price

Delivery date for the 12 four-carriage sets, including spares, is set at March 1991

Mr Bingham says "Each set comprises two motor coaches, one power coach and one trailer They are designed for mass urban transport and will operate in and around Taipei, travelling a distance of about 110km a trip"

Each four-coach set can carry 750 passengers — 250 seated

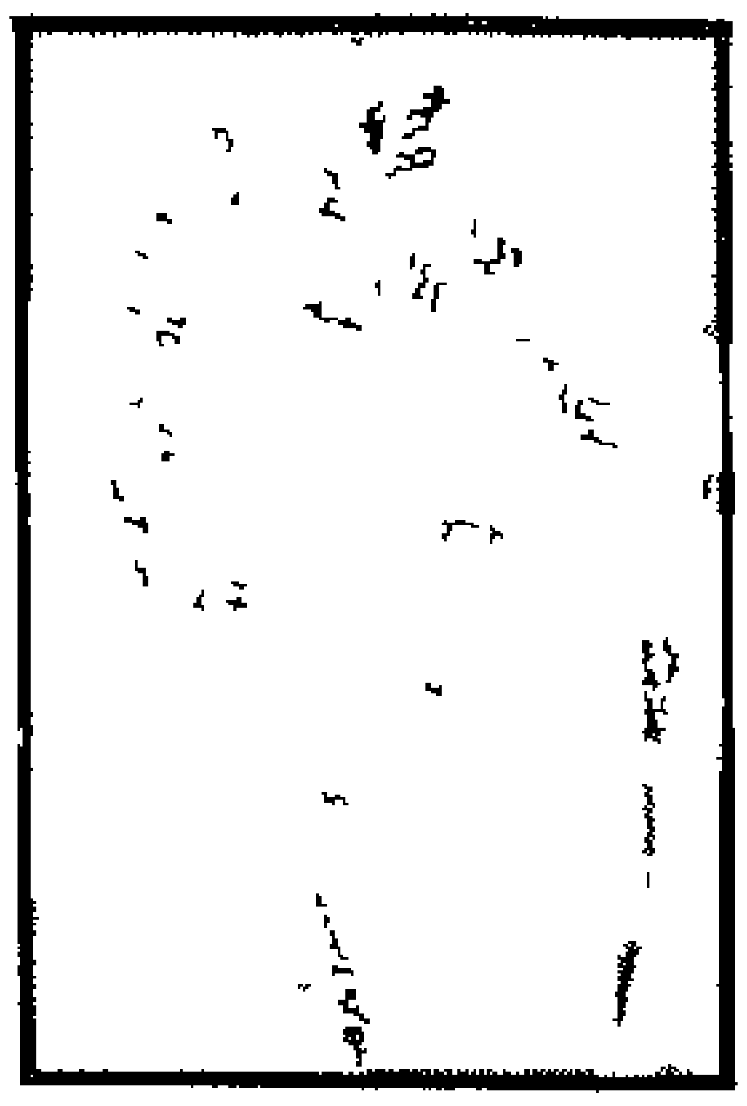
The vehicles are being built of corrosion-resistant steel The coaches are air-conditioned, and controlled by microprocessor systems

WALKER

The right stuff from Toco

189

S/Times 10/9/89



SINCE Toco's management increased its stake in the business from 9% to 62% after a buyout, the share price has climbed to a high of 62c.

Chairman Paul Todd says "Toco is about trading and stock We were not at ease with desk managers"

His son Michael is the fourth generation of the family to work in the business founded in 1901

Toco manufactures and distributes industrial products — which vague term encompasses a variety of divisions from lifting equipment, special steels and gaskets, to a sort of metal dry-cleaning shop where other people's products are finished

SCRUFFY

Touring Toco's premises reminded me of when I worked in a scruffy laboratory — the best results always came out of the least pristine environment

Toco is about steam and sacks and racks of stock, and about good margins

At the lifting division an order comes in and is ready for collection within a few minutes The computer system with a client base of 46 000 is smart enough for only a few staff members to co-ordinate sales

I asked whether people phoned who did not know exactly what they wanted

"Every second caller," replied Michael

The sales guys say the fax machine has been a big plus factor for their business of helping customers to buy the right stuff

Polo Steel's sales team look at a white board from their desks on which the day's sales target is written and reduced as each one is made. There are bonuses throughout the group for good performances

The market for special steels is a different kettle of fish to the mild-steel market. Specials command a bigger margin because of their specific uses and fewer market players, whereas mild steel is a cut-throat game.

Toco recently bought into Vitrex, which enamels steel panels, and Premier, which supplies panel-beating materials

To the R10-million or so forecast profit for the year to March 1990, Polo is expected to chip in 25%, the metal-finishing arms 10% and lifting gear 35%.

About 10% to 15% of sales will be exports, and the earnings forecasts could change should the Government see fit to meddle with allowances.

On the other side of Customs, Toco imports about 10% of its range, 40% is made in SA, and the balance assembled in-house to add value

Toco says it has noticed a small decline in turnover in some divisions, but is not deterred from building up stock

"There is an average lead time of five months when placing orders with our suppliers Historically, we have always done well when the economy starts picking up," says Mr Todd

All this has to be paid for, but the debtors' book is only about 40 days, and the stock turns an average of five times a year

"Our customers tend to pay promptly for the service we provide"

Toco was listed in August 1987 in an introductory rights offer to Columbia shareholders at a bargain 46c Half of the R30-million raised was used in consideration to buy subsidiaries which formed the then Toco, and the balance has been put towards expansion

Essentially, Columbia used Toco as a vehicle through which to list its own industrial interests At that time, Columbia owned 53%, and there was no clarity about who controlled what with regard to partly held companies

Toco management approached Columbia this year with a view to buying its stake A deal was struck, involving 20 of Toco's executives raising R16-million cash to effect the management buyout An offer was extended to minorities at 50c

RALLY

Now, three executive directors — Mr Todd, Fuzzy Goodman and Peter Polovin — control 51%, other Toco members own 12%, institutions 20% and the balance is with the public There are 62,2-million shares in issue The net asset value is about 65c a share

One analyst forecasts Toco's earnings at 16c in the current year, and a dividend of 6c That is looking at a forward yield of 10%

The share price has rallied to a high since the buyout, and looks close to being fully priced near 60c

I like the company, and see it doing well, but everything has its price

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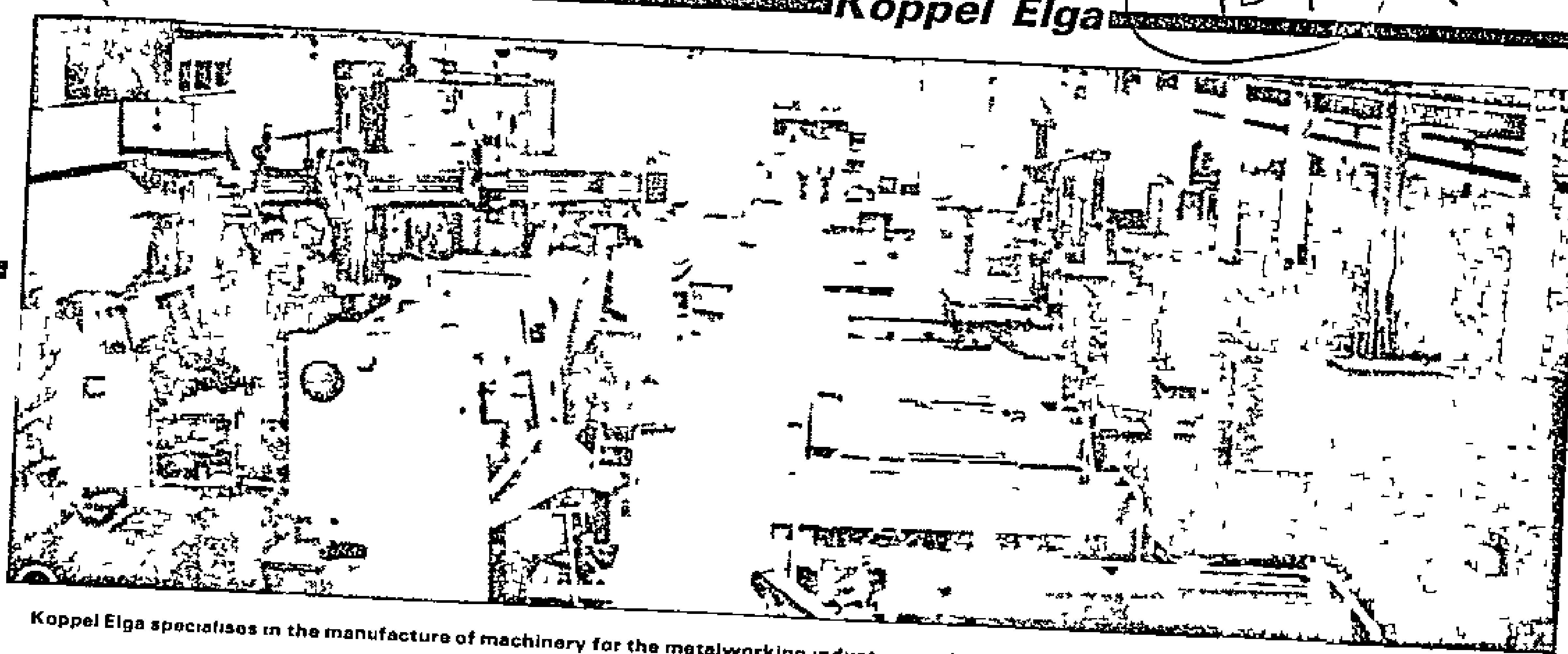
Rights race

RAND Mines is the third major mining house to raise capital this year Gencor raised R1,5-billion, Gold Fields will seek R1-billion, and Rand Mines a smaller sum to follow its rights in the proposed offers by Barplats and Lefkochrysos

189

Business Day SURVEY

Koppel Elga is making significant contributions to savings on foreign exchange with its ability to manufacture machine tools that until recently have been imported **WILLIAM RAMWELL** *reports on the company that has seen such success that it is now looking at the export market*



Koppel Elga specialises in the manufacture of machinery for the metalworking industries and is a growing force in hydraulic engineering for the mines.

Pivotal role for machinery

KOPPEL Elga is playing a pivotal role in reducing the value of capital imports required for many industries to survive and expand

Recognised as the largest machine tool manufacturer in the country Koppel Elga has doubled its turnover in the last year to R25m

Its strength is its ability to design and manufacture machinery of a sophistication and size never before made in SA

The cost of large imported machinery — sometimes more than R2m each — has risen exponentially in recent years as the rand has plummeted and major currencies have gained in stature

Koppel Elga specialises in the manufacture of machinery for the metal forming and sheet metal working industries and is a powerful and growing presence in hydraulic engineering work for the mining industry

MD Clive Bell says Costs of imported capital equipment have risen 100% during the past three years In real rand terms this means that companies have been hard put to justify thousands even millions of rands in increases in the cost of sorely needed capital equipment

It has also meant that local manufacturers have been forced to look locally for their machine tools This has worked to our advantage and we have been able to prove we can rise to the occasion

Expertise

Forex savings on some of these projects have been significant and on average local prices have been 30% below the imported equivalent

This is in spite of local inflationary pressures adding up to 20% a year to manufacturing costs

We have over the years built up considerable expertise ir machine tool manufacturing — expecially in hydraulically powered machinery — that has enabled us to hold our place against virtually any other manufacturer in the world

A 250t hydraulically powered polyurethane press for Pilkington was made for R200 000 less than equivalent imported machinery would have cost

Other major projects recently completed include a d1 500t capacity triple action deep drawing press for Cape based kitchenware manufacturer Mewa and two high speed 150t deep draw presses capable of producing 200 components an hour for Durban company GUD Filters

Increasing pressure on forex reserves is also being felt by the motor manfuacturing industry A recent contract from Stelmobile for two hydraulic presses used in the manufacture of boot and bonnet panels is sure to be closely watched by the industry

It will be the first time such machine tools have been made in SA and Koppel Elga s successful execution of the project could be the start of many more orders as the motor manufacturing industry faces a potential bill of R5bn over nine years to tool up for Phase 6 of the local content regulations

Despite these recent successes the future was less rosy for the company three years ago

Says Bell At the time the company was very diversified manufacturing a large variety of machinery from heavy duty potato peelers and waste compactors to hydraulic aerial work platforms in addition to machine tools

This situation had arisen in an effort to survive through the periodic slumps felt by the machine tools industry but it was not our core business

We dropped these lines and went on a concerted marketing drive in order to be able to concentrate on and grow in the business we are best at which is machine tools and hydraulic engineering

Our decision has paid dividends and today we are sitting on a record turnover of R25m and an order book of R10m

The Koppel Elga range includes hydraulic forming presses deep drawing and blanking presses for the sheet steel and automotive industries heated platen presses for the plastics and rubber industries and multiple stage fully automatic deep drawing lines

Koppel Elga can trace its roots back to 1938 when Alexander Koppel founded Koppel Engineering The engineering company went through a series of changes and in the early 1980s embarked on a multi million rand expansion programme which increased the covered area of the Isando factory to nearly 6 200m' and added about R2m in new equipment to the plant

Towards the end of this programme the company adopted the name Koppel Elga the UK parent company disinvested and then in June Koppel Elga was taken over by SA concern the Hekro group

Positive

Holding company Krottenberger with its widespread property and industrial interests immediately started on further expansions

Changing to a South African owned company has had other positive spin offs for Koppel Elga particularly in opening up avenues for export Most licence agreements include a clause prohibiting the licensee to export beyond the immediate southern African region

Bell comments Following the local takeover we were able to negotiate a number of licensing agreements without this clause which with our own locally developed machine tools gives us ready products to market internationally

Further export opportunities are being opened as Koppel Elga proves its technical and manufacturing skills in a wide range of hydraulic press projects

While Koppel Elga is riding an extremely strong order book it is mindful of the fact that the number of machine tool manufacturers in SA has declined from 23 to eight in the past eight years

We want to see 25% of our business coming from exports It is the only way to balance the ups and downs of the South African machine tool industry says Bell

For the future Bell would like the company to continue to build on its strengths We just want to do what we do well and prove to industry that local quality and prices are right he says

Trial export orders could bring more

RENEWED confidence in its ability to manufacture a quality product and a desire to grow has prompted Koppel Elga to move forcefully into the export market

Recent manufacturing experiences in import replacement have shown local customers that quality can be high Koppel Elga is now intent on proving it internationally

Koppel Elga has clinched a trial order for three press brake frames for a European manufacturer

Should the quality meet requirements — Wood has no doubts it will — it could result in firm orders for between 100 and 200 frames a year Another export order for 20 to 100 complete hydraulic guillotines is expected to be signed soon

We have targeted for exports to reach 25% of our turnover within the next two years Wood says

It is on the large hydraulic press brakes and guillotines that Koppel Elga is in an extremely strong position to export.

Worldwide these are invariably one-off items and at this level we can compete strongly on price, quality and delivery times

I am confident that our presses are as good as anything that can be bought worldwide Local content is also high, averaging 90% by value

However Koppel Elga wants to plan export growth carefully

Says Wood. 'These things take time and we don t want to run before we can walk If some of the contracts we are negotiating come off we would probably need to set up another production line'

MD Clive Bell says Koppel Elga is, sadly enough probably the only local machine tool manufacturer capable of exporting in quantity Membership of the Machine Tool Manufacturers Association (MTMA) has declined over the past few years from 23 to eight.

Of the remaining members, most are unable to export because of the restrictions of manufacturing licensing agreements.

We are in a unique positon we have our own products so there is nothing legally in the way of exports ' he says.

In the way of developing exports is the high steel price, lack of immediately realisable export incentives and limited support from local merchants

He adds In countries such as Taiwan government granted significant assistance to the machine tool manufacturers

This policy led the Taiwanese to become a major force in machine tools As assistance of this type from our government would change the face of the local machine tool industry overnight

'To supply the local market we have to be all things to all men producing a large range of machinery in small quantities This puts us in a good position to make one-offs but punishes our ability to have efficient production runs for run of the-mill products

'Because of import surcharges we remain competitively priced but if machine tool merchants gave us greater support we could get our volumes up and unit costs down However for that to happen merchants must be prepared to take lower margins and to now they have not been prepared to accept that'

Bell says he would be prepared to see import surcharges fall away provided they are replaced by meaningful export incentives

'At the moment there is too little in the way of export incentives particularly for those companies and industries wishing to start in a small way Although we do receive a R100/t rebate on steel for export, our overseas competitors can still buy SA steel cheaper than we can Steel averages about 30% of our manufacturing costs,' he says

He believes imports still form too large a proportion of the machine tool industry There needs to be a balance between the cost of the local product the needs of the country and an export incentive drive

"Currently local manufacture fills about 10% of the total requirements of the R500m a year machine tool market A balance needs to be struck'

As vice-chairman of the MTMA, Bell has been involved in a number of representations to the Board of Trade inquiry into the machine tool industry

He is hopeful of positive benefits coming out of the inquiry We look forward to the announcement of a new system of export incentives where we will be classified as a grade three or four exporter with a high value-added content "

ADE heads for privatisation

C/T/C Times 22/11/89

X/S

By BARRY STREEK

THE giant Atlantis Diesel Engine (ADE) company, which cost about R500m to establish at Atlantis, is likely to be privatised as a blue-chip company on the Johannesburg Stock Exchange

This has been disclosed by ADE's MD Harmurt Beckurts, in an interview in the latest issue of Leadership

He said ADE, which employs about 3 000 people, was working on a five-year capital expenditure programme and he anticipated a further R100m expenditure in 1990

Asked if ADE would be a target for privatisation, Beckurts replied. "I hope so It is certainly our ambition to become a blue-chip company on the JSE

"That is our ultimate target"

ADE had not reached the level of profitably which would give it the return on investment that a normal investor would consider adequate

ADE, which is 87,5%-owned by the government-controlled Industrial Development Corporation and 12,5% by Daimler-Benz, produces about 22 000 diesel engines a year with a local content value of around 55%.

In the interview, Beckurts said· "When we look at the local content of ADE, where we stand in 1989, we can say that, in terms of phase six (of the local content programme), we save a foreign exchange equivalent of R220m a year"

ADE was also exporting locally made components, worth "in the region of R25m a year"

It had to achieve a zero foreign exchange balance by 1997.

"In other words, any imports that we still need have to be compensation for by exports

"So by 1997 we will probably have reached about 87% local content by value, but still not 100% So the difference between 87% and 100% we have to make up with exports," Beckurts said

(109)

Cape Times, Saturday, December 9, 1989 23

ADE focus on export market

Financial Editor

ATLANTIS DIESEL ENGINES (ADE) saves the country more than R250m a year in foreign exchange through its local content programme, MD H Beckurts said at a media day yesterday.

"In addition, our exports presently amount to R30m a year with excellent prospects for further contracts."

Beckurts emphasised that, although ADE aimed at becoming completely self-sufficient, there were some diesel parts which would never be economic to manufacture in SA. ADE would, however, pay for these with foreign exchange earned through exports.

"Our local content programme is well advanced But we do not just produce components regardless of cost. We look at every single component before we start manufacturing it, to make sure it is viable.

"We are certainly not adding to the cost of the end product."

Beckurts said it was intended to list ADE on the Johannesburg Stock Exchange when it had become sufficiently profitable to make it attractive to investors But it was still too early to take this step

"In spite of ADE's difficult start-up phase over the past 10 years, we have now managed to recoup our accumulated losses, and the company's earnings have become taxable.

"However, we wish to emphasize that at this point in time privatisation of ADE would be premature because neither our results nor the structure of our balance sheet are yet sufficiently attractive to outside investors.

"However, we are confident that this will steadily improve over the years.

"We are following a responsible pricing policy for our products and since 1981 engine price increases were kept below the production-/consumer price indices.

"We are constantly striving for improved productivity in every division of our organisation It is our ultimate objective to become a blue chip company on the JSE."

Public affairs manager Mike Eaton said that ADE had just opened a separate export marketing department to take advantage of growing opportunities.

ADE was opened originally for strategic reasons, to replace imports and to provide jobs in the Atlantis area. "But we have visitors from all over the world and we have been receiving inquiries from many countries including Turkey and countries in South America.

"It has made us realise the opportunities available to us in the export market. There is a tremendous potential demand.".

ADE manufactures under licence from Mercedes-Benz and Perkins, and the agreement prevents it from competing with them in other countries.

"But the world trade situation is changing," said Eaton.

"There is an increasing tendency for multi-national companies to source parts in different countries.

"We are changing our marketing strategy. We are now looking at the whole world as our potential market".

BASIC METALS

1989

CMI posts earnings rise

189

Star 30/1/89

By Sven Forssman

Turnover at Consolidated Metallurgical Industries (CMI) rose 154 percent to R142 million for the six months to December 31 (R56 million)

Earnings per share rose 188 percent to 101c (35c) and pre-tax income 326 percent to R74 million (R17,4 million)

An interim dividend of 35c has been declared

Capital expenditure commitments of R60,7 million relate almost entirely to those to be incurred in expanding ferrochrome production capacity from 150 000 tons per annum to 200 000 tons

Director Murray Hofmeyr says demand for ferrochrome remained strong in the six months under review, resulting in the company's selling price rising by 24 percent in dollar terms

Current indications are that the market will remain firm beyond the end of the current financial year

Given this scenario, Mr Hofmeyr says results for the second half are expected at least equal those ofr the first half.

Speculation on possible Rhoex-Usco link-up

MERVYN HARRIS

RHOMBUS Exploration (Rhoex) and Union Steel (Usco) are believed to be close to agreement on a possible link-up between the two companies

Renewed speculation that a deal could be in the offing pushed up Rhoex shares by almost 36% to a peak of 163c last week before they fell on Friday to close at 145c

Usco shares have continued to build on the sharp gains made last year after bottoming at 70c in March The shares closed on Friday at a fresh peak of 318c

The resumption of negotiations comes after apparently no finalisation could be reached at the end of last year on a possible deal relating to the large reserves of magnetite held by Rhoex for the supply of ore to Usco

In the technical report in the annual financial statements, published in September, it was stated that Rhoex was in an advanced stage of negotiations with a third party for the long-term supply of vanadiferous magnetite ore

Responding to questions by Business Day, director Rob Still said the statement remained correct He did not elaborate, but the third party is obviously Usco

Still declined to comment on current discussions, saying his meeting schedules were confidential

He said Rhoex's share price had historically been subject to a high degree of speculative activity The low reached in December did not reflect its true value

Steel prices up an average 8,5%

B\Day 31\1\87 200 189 204

KAY TURVEY

STEEL merchants and manufacturers, already suffering lengthy delays in steel deliveries, are to suffer another blow when Iscor raises prices of steel products by an average of 8,5 % in March

Hardest hit will be galvanised steel, which will rise by 13,9%, and cold rolled steel employed in the manufacture of motor vehicles and white goods, which will climb by 10,5%

Industry sources expect these increases to have an impact on the cost of durable goods and fuel inflation

Iscor public relations manager Piet du Plessis said the increases resulted from higher input costs In September Iscor raised prices by more than 6%

Manufacturers involved in exporting steel goods were unhappy that they had not been given sufficient advance warning of the increase, having only been notified earlier this month.

Responding to complaints that manufacturers were experiencing delays of more than eight weeks, Du Plessis said a number of difficulties were being experienced at the Vanderbijlpark plant

He said there had been problems with the blast furnace and the hot-strip mill had been closed for modernisation in December and was still in the running-in stage but would eventually improve quality and production

Lower volumes

It was originally planned to close the mill in August last year but this had been delayed until December in order to meet customers' orders

In December Iscor MD Willem van Wyk told Business Day production problems could result in volumes being 3% lower than expected at 5,3-million tons for the financial year to June 1989

Further, he expected the difficulties experienced with the blast furnaces in the first quarter to marginally dull turnover growth for the year

Soaring nickel prices hit stainless steel producers

(189)

B/Day 9/2/89

Business Day Reporter

FLUCTUATIONS in world nickel prices are creating confusion in the stainless steel market, says Middelburg Steel and Alloys (MS & A) marketing manager Richard Linnell

MS & A, SA's only producer of stainless steel flat products, is concerned that there will be structural shifts in the market if the nickel price is not corrected

Linnell says "At the moment, nickel accounts for 60% or 70% of the cost of producing stainless steel It cannot carry on without alternatives being sought

"We have had to find an extra R50m just to pay for the nickel because costs have risen from R9 000 a ton to R37 000"

Nickel prices have been driven by strong demand for stainless steel Seasonal factors such as interruptions of Russian deliveries by the European winter had also kept the price high "The high prices enormously affect producers of stainless steel"

The surcharge is adjusted at the beginning of each quarter to take account of the prevailing nickel price

MS & A works on a three-month lead time for hot-rolled products and four-month lead time for cold-rolled stainless steel

The ex-mill surcharge and prices were increased on January 1 and the new prices apply to hot-rolled stainless steel which leaves the mill during April and cold-rolled during May

Although all MS & S customers had been informed of the ex-mill prices, there was some confusion

"The structure of the industry leads to fierce competition among distributors This free market often smooths out the swings in the price, as seen by the end user," he says

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Nickel price causing upsets

Star 9/2/89

Finance Staff

Fluctuations in the world nickel price are creating confusion in the stainless steel market, says Mr Richard Linnell, Middelburg Steel & Alloys (MS&A) marketing manager

MS&A, South Africa's only producer of stainless steel flat products, isconcerned there will be structural shifts in the market if the nickel price is not corrected

Mr Linnell says "At the moment nickel accounts for 60 or 70 percent of the cost of producing stainless steel It cannot carry on without people beginning to look at alternatives"

MS&A works on a three-month lead time for hot-rolled products and a four-month lead time for cold-rolled stainless steel

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Mr Linnell says all customers have been informed of the ex-mill prices, but that there is some confusion

"The structure of the industry leads to fierce competition among distributors. This free market often smooths out the swings in the price, as seen by the end user," he says

Nickel prices have been driven by strong demand for stainless steel

Seasonal factors such as interruptions of Russian deliveries by the European winter have also kept the price high

The high prices have enormously affected producers of stainless steel

"The cost has gone up from R9 000 per ton to R37 000 This means that we have had to find an extra R50 million just to pay for the nickel," Mr Linnell says

The Star
Finance

Star 9/2/89

Iscor, Highveld Steel expected to do well

189

By Neil Behrmann

LONDON — Iscor and Highveld Steel should do relatively well this year because of the boom in the world steel industry

Yet 1990 could be stickier because analysts expect steel manufacturers to experience lower activity from the second half of 1989 onwards

"A slow-down does not imply that there will be a slump," says Commodities Research Unit, a London metals consultants, "especially since internal Japanese expansion is keeping their steel industry buoyant."

Steelmakers worldwide have increased production to meet pent-up demand They have thus needed more iron ore

And even though most forecasters contend that the world economy appears to be nearing the end of its prolonged expansionary phase, the steel market is forecast to remain tight for at least the first half this year

Commodities Research Unit says buyers of steel products, notably wire rod, hot roll coil, deformed bar and plate will encounter a sellers' market in the coming months and that prices should remain high, at least until June

Thereafter the market could ease, particularly if the world economy slows down

Yet the market will be unevenly balanced While economists expect slower growth in the US and Western Europe, particularly West Germany, demand from Japan is expected to remain high

Japanese construction demand for steel is estimated at three million tons, 13,5 percent higher than a year ago Total Japanese crude steel production reached 26,2 million tons in the third quarter and output is forecast at 27,1 million tons in the final quarter

This means that total crude steel production in 1988 was 106 million tons, well above earlier estimates, says Commodities Research Unit.

There is some concern that the Japanese domestic economy will not maintain its hectic pace

But exports are still buoyant and with a strong Japanese automobile industry, consumption of steel will hum

Yet with output rising rapidly, there are worries about potential oversupply

The European steel industry's order books are full until the middle of the year

Tightest markets are hot-rolled coil and galvanised sheet Flat steel products are generally firm and producers in the UK, France and Germany are all raising prices

There is a shortage of hot-rolled coil in all European countries and lead times are now at three to four months

Galvanised sheet demand is being boosted by the strong performance of the European car industry Widespread building construction and the surge in consumer durables are also buoying demand

Steel consumers face delivery delay and higher price

189

Star 11/2/89

Iscor's steel-price increases of eight percent, which take effect on March 1, apply only to orders placed after that date

"All contracts previously agreed to for delivery before February 28 — therefore including backlogs on this date — will still be delivered at the old price, irrespective of when the material is actually delivered," Mr Nols Olivier, Iscor's senior general manager, commercial, said yesterday

Mr Olivier said there might also possibly be confusion about the price increases among certain manufacturers of processed steel products for export purposes

"Steel prices for these sectors for the six-month period January to June had earlier been confirmed with those concerned

"Those prices remain unchanged and will not be affected by the increases on March 1," he said

● Local steel deliveries from Iscor's Vanderbijlpark works, currently an average of one month overdue, are expected to be back on schedule by the third week in March

The matter is being monitored on a day-to-day basis by top-level management

Mr Olivier said the delays were primarily due to production losses at Iscor's largest iron production unit between October and December last year

This production unit — blast furnace D At Vanderbijlpark — is nearing the end of its cycle afteran active life of eight years, the average for a blast furnace It is scheduled for refurbishing in the second half of 1990 The problems have, meanwhile, been successfully solved," he said

"Due to the blast furnace interruption, the Vanderbijlpark works suffered a steel production loss of 160 000 tons

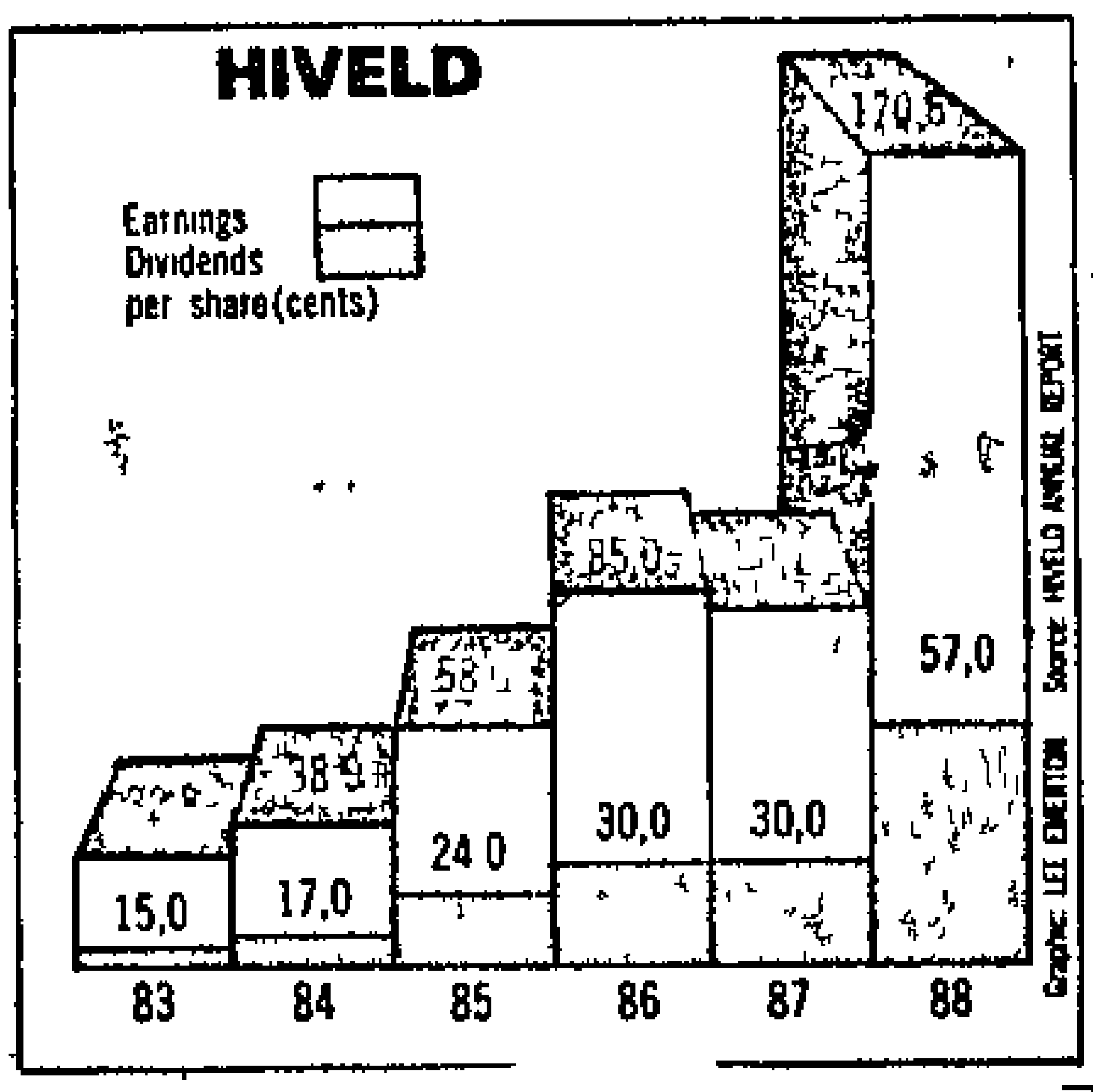
"This steel was destined to build up supplies within the works to tide us over the planned downtime required for replacement of equipment

"Due to continued high local demand, the downtime was postponed from September to December last year The replacement was completed on schedule, but the re-commissioning of this complex equipment is a time-consuming process, and it also takes a while to re-establish standard performance levels

"A large number of confirmed export contracts for the fourth quarter of last year, which were also delayed, as well as contracts for the first quarter of this year, were postponed for two to three months with the co-operation of Iscor's overseas clients

"They were simultaneously notified that Iscor would not accept new production contracts in the second quarter

"These steps will enable us to deliver local orders as a first priority", Mr Olivier said" — Sapa



Highveld breaks all records

B/Day 14/2/89

REINIE BOOYSEN

(189)

HIGHVELD Steel and Vanadium has bettered all previous records in the year to end-1988 turnover surpassed the R1bn level for the first time, steel production exceeded 1-million tons for the first time and dividend distribution was the highest, at 57c/share

Earnings a share were more than double 1987's level, at 170,6c (80,1c), while total dividend distribution was 90% higher, at 57c (30c)

Chairman Leslie Boyd yesterday attributed the improvement to the following the higher dollar prices received for all export products, the weakening of the rand, which boosted rand income for exports, the improved domestic market and higher production levels

The strength of the market for vanadium — a key element in the production of steel — has taken even Highveld management by surprise over the past year

Highveld's vanadium-producing Van-

● To Page 2

Highveld Steel broke all records in '88

B/Day 14/2/89

(189)

● From Page 1

tra plant has worked at capacity All the vanadium spinel produced as a co-product from Highveld's iron and steelworks has been made available to the market

As the West's largest producer of this commodity (more than 55% of available annual output), Highveld is important in regulating the vanadium price

In the past Highveld's policy has been to restrain price increases in times of high demand to preserve the attraction of vanadium as an ingredient in steel

Highveld has nevertheless been able to lift prices in recent years — apparently without any effect on demand Since the beginning of 1986 Highveld's vanadium price has virtually doubled, from $2,41/lb of fused flake (98-99%-pure) vanadium pentoxide (cif main port), to the 1989 first quarter price of $4,50 Demand is so strong that MD John Hall says a further price rise may be warranted

Boyd said he expected buoyant market conditions to persist throughout 1989, and another improvement in Highveld's performance, "provided there is no substantial strengthening of the rand and no cause for the imposition of increased sanctions"

Highveld has plans for four capital investment projects amounting to R167m building a pelletising plant to utilise iron ore fines in the iron ore plants and a rotary kiln at Vantra, both increasing production and improving efficiencies, the construction of a fifth silicomanganese furnace at Transalloys and the upgrading of ferrosilicon production at Rand Carbide

Bumper year for Highveld Steel

189

STAR 14/2/89

By Derek Tommey

The world's steel industry had an outstanding year in 1988 and, as a result, so did one of its key suppliers, Highveld Steel & Vanadium at Witbank

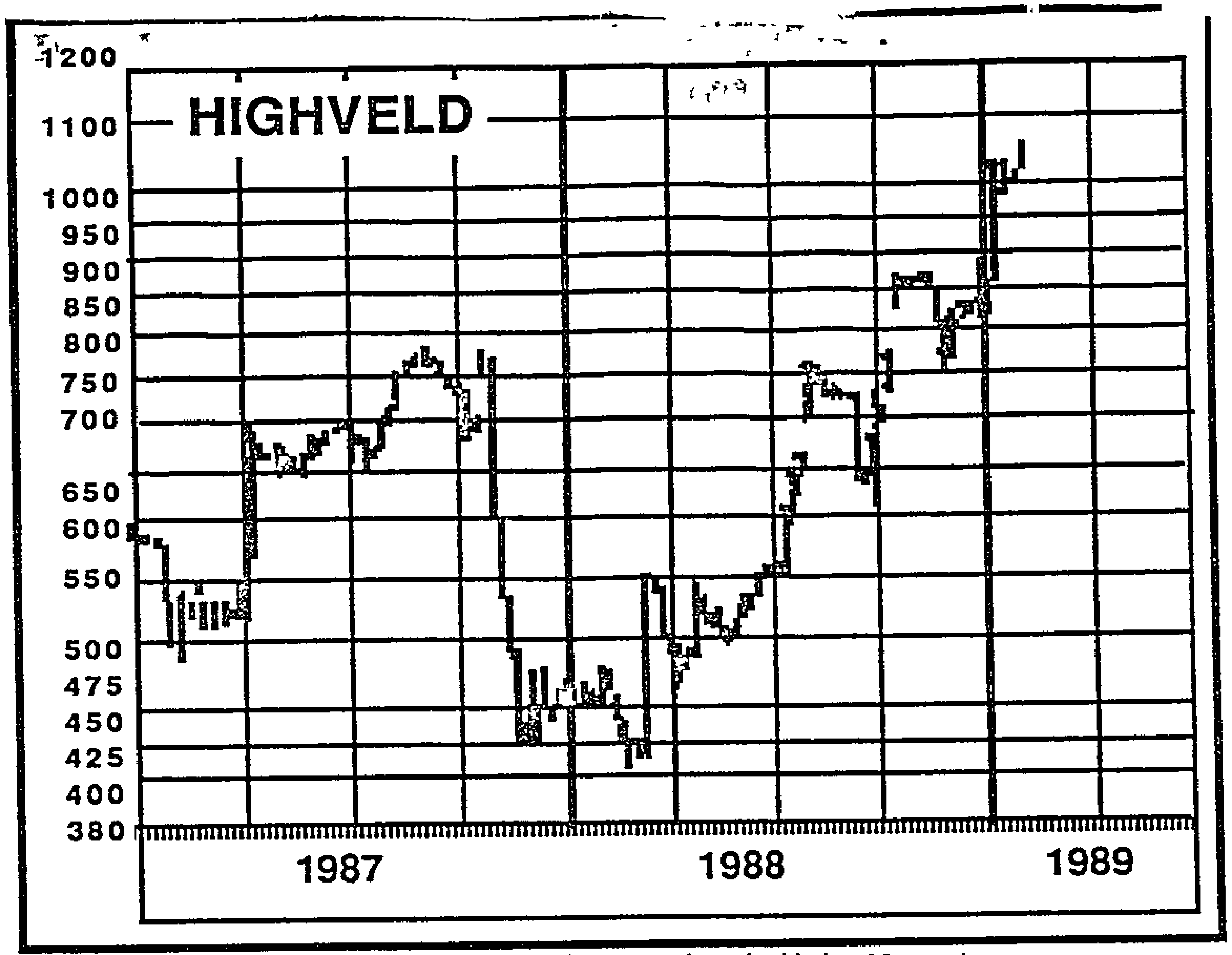
Highveld provides the Western world's steel industry with more than half its requirements of the steel-hardening alloy, vanadium pentoxide

A strong increase in income from vanadium, together with increased sales of steel and ferro-silicon and managese alloys, boosted Highveld's turnover by 40 percent to R1,2billion, its pre-tax profit by 200 percent to R224,5 million and taxed profit by 114 percent to R121,5 million, equal to 170,6c (year ago 80,1c a share)

The final dividend has been more than doubled from 20c to 43c, making a total payment of 57c (30c) for the year, an increase of 90 percent.

And to put Highveld into a more competitive position should the vanadium market weaken, the company is to spend R167 million on four projects to improve efficiency, but which will also expand capacity

Highveld's chairman, Mr Leslie Boyd, says the greatly improved performance has been the result of higher dollar prices received for all export products, a weaker rand and an improved domestic market



Highveld's share price has more than doubled in 12 months

Steel production at Highveld last year exceeded 1 million tons for the first time.

Demand for vanadium was exceptional throughout 1988 This reflected the increased demand for hardened steel and also for tool steel where vanadium usage is much higher

The demand for tool steel indicated that new investment was on the increase

Mr Boyd says there is a spirit of optimism in most areas of the industrialised world and the buoyant markets for Highveld's products are expected to continue throughout 1989

As long as there was no substantial strengthening of the rand against the dollar and no further sanctions, Highveld's results should show a further improvement.

Mr Boyd says the North American and EEC markets have been closed to South African steel producers since the end of 1987

The R167 million planned capital expenditure will be spent on a pelletising plant to utilise iron ore fines in the iron plants, on a rotary kiln at Vantra, the construction of a fifth silicon-manganese furnace at Transalloys and the upgrading of ferro-silicon production facilities at Rand Carbide.

The rotary kiln should enable Vansa to cut production costs and in times of higher demand to increase production of vanadium pentoxide from the present 13 million pounds a year by about 25 percent.

Western world vanadium production is around 90 million pounds, of which South Africa produces 65 million pounds and Highveld 50 million pounds

Vanadium pentoxide is selling at $4,50 a pound.

● The world index of share prices calculated by Morgan Stanley Capital International rose 21,2 percent in dollar terms in 1988

Shares in steel companies, up 128,2 percent, saw the biggest sectoral increase for the second year running, thanks to a soaring demand for capital goods, says the British magazine, *The Economist*

HIGHVELD STEEL FinMail 17/2/89 (189)

Expanding again

Vanadium is the latest commodity to be highlighted in the continuing base metal bull market Excellent results from Highveld Steel and Vanadium (Hiveld) for the year to end-December reveal the group is expanding capacity for the first time since the early Eighties

Hiveld is to spend R167m on four projects which will increase vanadium, silicomanganese and ferrosilicon production One of these projects involves the construction of a rotary kiln at the group's Vantra division, which will increase Vantra's vanadium production capacity from the present 13m lb (5 850 t) annually to about 17m lb (7 650 t)

Chairman Leslie Boyd put Hiveld's total vanadium production for 1988 at about 50m lb (22 500 t) of vanadium pentoxide In addition to Vantra, the rest of the group's vanadium output comes as vanadium spinel which is a co-product from the iron and steel works He estimated total SA vanadium production last year at 65m lb (29 250 t) which accounted for about 72% of total Western world vanadium production of 90m lb (40 500 t)

The expansion at Vantra should be in place by the end of this year and will be a factor that Union Steel Corporation (Usco) will have to take into account in its proposed entrance to the vanadium market Usco has not made an official announcement but indications are it is looking at a project to produce about 7 000 t of vanadium annually

Vanadium is used to harden steel and Boyd says demand took off last year as world steel production rose by about 30 Mt to 782 Mt A surge in capital investment programmes worldwide resulted in a marked increase in the production of tool steels which contain up to 12% vanadium Ordinary steels require far lower quantities ranging down to just 0,1% vanadium

The free market price of vanadium pentoxide soared to US$10/lb but Hiveld held down increases in its contract prices, which were set at $4,50/lb for first quarter 1989 delivery Hiveld MD John Hall says policy has been to hold back on the rate of price increases to keep vanadium steels competitive He says Hiveld will push for further price increases this year but will not give details at this stage

BOOM TIMES

Year to December 31	1987	1988
Turnover (Rm)	849,7	1 189,4
Pre-tax profit (Rm)	74 3	224,5
Attributable earnings (Rm)	56,8	121,5
Earnings (c)	80,1	170,6
Dividends (c)	30,0	57,0

The booming steel market also allowed Hiveld to sell more than 1 Mt of steel in 1988 and this despite the fact that the group has been cut off from its previous major markets in the US and the EEC by sanctions legislation Boyd says the steel has been sold elsewhere but will not give details

The bottom line was that despite an increase in the group's tax rate to 46% from 23% in 1987, Hiveld more than doubled attributable profit to R121,5m (1987 — R56,8m) Earnings a share of 170,6c are well above analyst estimates of between 130c and 140c a share

Highveld's Boyd ... good times will continue

The final dividend soared to 43c (20c) making a total for the year of 57c which is 90% up on the 1987 distribution of 30c Most analysts were looking for a local payout of around 45c a share Despite this generosity Hiveld has still managed to raise its dividend cover to 2,99 from 2,67, and has retained R78,8m (R35,5m) The group is cash-flush and its borrowings amounted to only R10m at the end of 1987

Boyd is optimistic the good times will continue He sides with some economists' predictions that the Nineties will see steady economic growth in many major industrial countries, thanks to low inflation rates and low real interest rates

He expects that the group's 1989 results will improve further on 1988 but will not be specific One analyst is looking for another 50% jump in earnings and a similar increase in the dividend despite the capital expansion The share jumped 100c on release of the results to 1 170c before retreating to 1 100c

At these levels the shares are at their 12-month high but they could still be worth buying

Brendan Ryan

al expertise and developr

W/Argus 18/2/89

‘Give Iscor workers the first option on shares’

189

By MICHAEL CHESTER

THE private sector has urged the Competition Board to ensure the 60 000 rank-and-file workers in the Iscor labour force be given first crack at owning shares when the R6-billion State steel corporation launches its privatisation programme

The proposal forms a key theme in arguments put forward by the Association of Chambers of Commerce and Industry that the privatisation scheme be designed to ensure as wide a spread of shareholders as possible

Assocom is pressing for shares to be listed on the Johannesburg Stock Exchange to give the general public a chance to buy a stake in the steel giant, rather than sales of huge blocks of shares in direct deals with the big financial institutions

Whatever the final shape of the State handover of the operations, Iscor workers should be offered a financial stake, says Assocom

Dr Dawie de Villers, the Minister handling the privatisation timetable, has hinted that the government might back a share scheme for employees

Assocom suggests consideration be given to a scheme granting one or more free shares for every one bought by an employee — up to a set limit

Corex maintenance stoppage

BDay 21/2/89

HELOISE HENNING

(189)

THE coal reduction (Corex) plant, still in an experimental stage before commissioning at Iscor's Pretoria works, was stopped on February 14 for planned mechanical maintenance of peripheral equipment.

The plant is being run by the Austrian-/German consortium, Voest-Alpine

The liquid iron produced in the Corex process has not been included as part of the Pretoria works' forecast production for the year.

Voest-Alpine SA MD Herwig Petzl said yesterday the stoppage had been necessary to modify certain dust-handling equipment

He said the operation, which is a "world first" simplifying the processes needed to produce liquid iron, had run successfully for the six months since starting in August

Iscor GM public relations Piet du Plessis said steel production at the Pretoria works would not be affected.

Voest-Alpine engineers are training Iscor staff to run the Corex plant

No date has yet been set for the handover.

UME up after Macsteel offer

(189)

CHARLOTTE MATHEWS

UME shares yesterday rose 2c to 137c following the announcement of Macsteel's offer to incorporate the company as a wholly owned subsidiary

Macsteel is offering 150c in cash to shareholders for each ordinary share held, which compares favourably with UME's market price and net asset value of 122c a share

BD 21/3/87

According to UME's last annual report the company had issued 225 475 ordinary shares of 1c each

STAINLESS STEEL (189) FMAC

3/3/89

Sticking an ore in

Hefty increases in the price of nickel in the past two years have pushed up world stainless steel prices — leading to fears that price resistance could lead to product substitution

Although world stainless steel production reached an all-time high of 10,6 Mt in 1988, with mill sales worth nearly US$25bn, efforts have been stepped up to find an alternative to nickel

SA, the Western world's major producer of chrome ore, ferrochrome and manganese ore and one of the largest producers of manganese alloys, has a strong vested interest in this search It could benefit substantially, for example, if manganese is found to be an acceptable substitute

Rand Afrikaans University (RAU) professor Pieter van der Merwe is doing research on manganese/chrome alloys as a substitute for high nickel/chrome alloy stainless steels With the manganese price one-twentieth that of nickel, substantially lower stainless steel prices, along with additional market development for manganese, chrome and stainless steel, could result

"Popular stainless steels traditionally have a content of about 18% chrome and 8% nickel But it has been found that the 8% nickel can be replaced by 16% manganese, resulting in a cheaper product with similar properties As SA's nickel output is limited, it would make eminent sense to develop, produce and market this alternative product," says Van der Merwe

He notes that chrome/manganese stainless steels were widely introduced during the Korean War, when nickel was in short supply Since then, with the relatively cheap nickel prices which have prevailed (1972-1987), their use has declined However, current sky-high nickel prices make alternatives more feasible

SA Stainless Steel Development Association (Sassda) executive director Ian Elsdon-Dew says the only problem with marketing the manganese-based alloy is getting international approval of the metal for specific uses

"One first has to get the product tested and approved by US, Japanese and EEC authorities in order to establish its international acceptability And there are some difficulties in handling the material — for example, it can't be used in pressure vessels," he notes.

3/3/89 FMAC (189)

However, Van der Merwe maintains a stainless steel alloy with 18% chrome, 1% nickel and 14% manganese would give the necessary flexibility and chemical resistance required of any substitute

"All we want to do at present is to make these facts publicly known, so that major stainless steel consumers can decide freely whether they would prefer a cheaper substitute to austenitic stainless steels," he says

Van der Merwe says Samancor, Middelburg Steel & Alloys (MS&A), Iscor, Usco, Mintek and the Chamber of Mines all took part in discussions on the subject late last year. RAU was given a March 1989 deadline to co-ordinate a strategy for its implementation

"Our brief is to look at production aspects and potential applications for manganese-based stainless steels, in replacement of nickel-based varieties With the world as a potential market, SA could possibly adapt its existing production lines to manufacture the new alloy," he says.

While he did not spell it out, this development could be behind the delay in announcing Samancor's proposed R1bn, 400 000 t/pa, hot-rolled, stainless steel plant Should the manganese-based product be an acceptable alternative, it would make sense for Samancor to go that route ■

Highveld looking ahead to another boom year

S Star 13/3/89

(189)

By Ann Crotty

Strong international demand, which helped Highveld to report excellent results for financial 1988, is expected to be sustained this year

Chairman Les Boyd says in his annual review "Assuming there is no substantial strengthening of the rand against the US dollar, and provided there is no cause for the imposition of increased sanctions, it is expected that 1989's results will show a further improvement on those for 1988"

Mr Boyd notes the spirit of optimism that prevails in most areas of the industrialised world and believes that this will continue to support the buoyant markets for Highveld's products

"In SA the recent strength of the economy has depended to a large extent on consumer spending but there is little doubt that the government's actions will dampen this area of economic activity

"On the other hand, most companies which export are showing improved performance and this could results in expansions which should help to counter the negative effects of higher interest rates and other restrictions on consumers"

Referring to the group's 1988 performance, Mr Boyd states that one of the most pleasing aspects was that of industrial relations where, after two difficult years, no time was lost as a result of industrial disputes

Highveld chairman Les Boyd.

The group's steel division benefited from the upward trend in apparent total world steel consumption and the further increase in US dollar prices in all export markets. "It is expected that the higher consumption will be maintained in 1989 and that favourable trading conditions in world steel markets are likely to continue"

In SA, the increase in steel consumption related to consumer products more than capital investment. In recent years price increases in the local market have not been sufficient to counter the impact of inflation "SA steel prices are currently the lowest of the major steel-producing countries"

The exceptionally strong demand for vanadium experienced during 1988 is attributed to a number of factors including the higher level of steel production, the increased use of vanadium in large-diameter line pipes, and the increased use of tool steels especially in the motor industry

"The high level of world steel production resulted in strong demand for ferrosilicon and manganese alloys in the overseas markets during the year under review US dollar prices rose steadily throughout the year to levels substantially above those prevailing at the end of the previous financial year"

As with steel, 1989 has seen a continuation of the stronger trend in US dollar prices for ferro-alloys.

The group's finances look particularly strong The deferred tax provision has increased to R247,5 million "This should ensure that the tax charge in later years does not absorb a disproportionate amount of income earned in those years"

In addition the group's strong cash flow enabled it to redeem R202 million of preference shares, reducing the total to R50 million This helped to bring down net borrowings and pref shares to R54 million from R238,6 million

Zincor set to adjust to new pricing structure

B/Day 15/3/89 (189)

ANDREW BUDDEN

THE price of zinc produced by SA's only zinc refiner — Zinc Corporation (Zincor) — is likely to rise above its current record level of about R5 000 a ton once a new international pricing structure is introduced in SA

Zincor is currently negotiating the new pricing structure with its suppliers and customers

In January this year, the old European Producer Price (EPP), to which SA subscribed, was abolished, to make way for a new pricing structure better suited to the needs of the European refiners

The EPP was a price compiled by the London-based Metal Bulletin, based on prices quoted for the lower-grade "Good Ordinary Brand" metal (GOB) by European, Canadian and Australian refiners

Dissatisfaction

It was the standard against which refiners entered into contracts with concentrate suppliers

The demise of the EPP was brought on by dissatisfaction among both mines and refiners The EPP was based on the lower-grade GOB product, but most production, refiners claimed, had been switched to purer "High Grade" (HG), or "Special High Grade" (SHG) metal

In practice, mines selling concentrate to refiners were paid for the zinc content in accordance with the EPP price The cost of refining of the concentrate was deducted from the purchase price by the smelter

The problem arose when refiners, in turn, sold their refined metal on the London Metal Exchange (LME) while the EPP usually followed trends in the LME, the two prices frequently diverged

For example, before 1987, an oversupply of the metal depressed the LME selling price for all grades of metal below the EPP

Refiners were buying concentrates at a relatively high EPP price and selling their metal for less on the LME This even applied to sales of the High Grade and Special High Grade metal

In 1988 the trend reversed — the EPP was lower than LME prices Mines had to sell concentrate to the refiners at the lower EPP rate, while the refiners could offload their metal on the LME at a premium

Mines complained that smelters were buying concentrate from them at the lower GOB-based price and refining the metal to High Grade or Special High Grade levels which they could sell at a premium

Zincor has resigned itself to the changes about to be imposed on the SA market GM Helgo Kahle set out Zincor's position "We operate in a totally open market This means we have to buy concentrates and sell metal on international terms or risk losing both customers and suppliers"

Zincor's Springs operation produces about 90 000 tons of metal a year from 300 000 tons of concentrate, supplied largely by three regional mines

Fellow GFSA subsidiary Black Mountain mine is the largest supplier, with most of the remainder coming from Iscor's Rosh Pinah mine in Namibia and Shell's Pering mine in the Northern Cape

Kahle said the protracted European and local talks had other implications for Zincor "At this stage the industry is in a state of flux With international zinc concentrate prices still undetermined, we have difficulty establishing sales prices because we don't know how much we will be paying for concentrates from our contract suppliers," he said

Benefit

Galvanisers and other zinc metal users are concerned about the local implementation of the new measures, following the large price increases in 1988 and this year The new pricing structure is to be based on LME prices, which are currently higher than the old EPP price

Zincor insists that mines who supply zinc concentrate benefit most in the event of price hikes Marketing director Martin Pervis says smelting charges rise and fall on a sliding scale as the zinc price varies, and the greater portion of the extra profit accrues to the mines

Highveld and Samancor study joint steel project

B|Day .13|4|89 .

189

REINIE BOOYSEN

HIGHVELD Steel & Vanadium and Samancor (Gencor's ferrometals producer) have embarked on a joint feasibility study into a stainless steel project

Samancor announced in February it had completed a preliminary feasibility study on the production of stainless steel A full study, in partnership with Highveld, is expected to be completed by the second half of the year

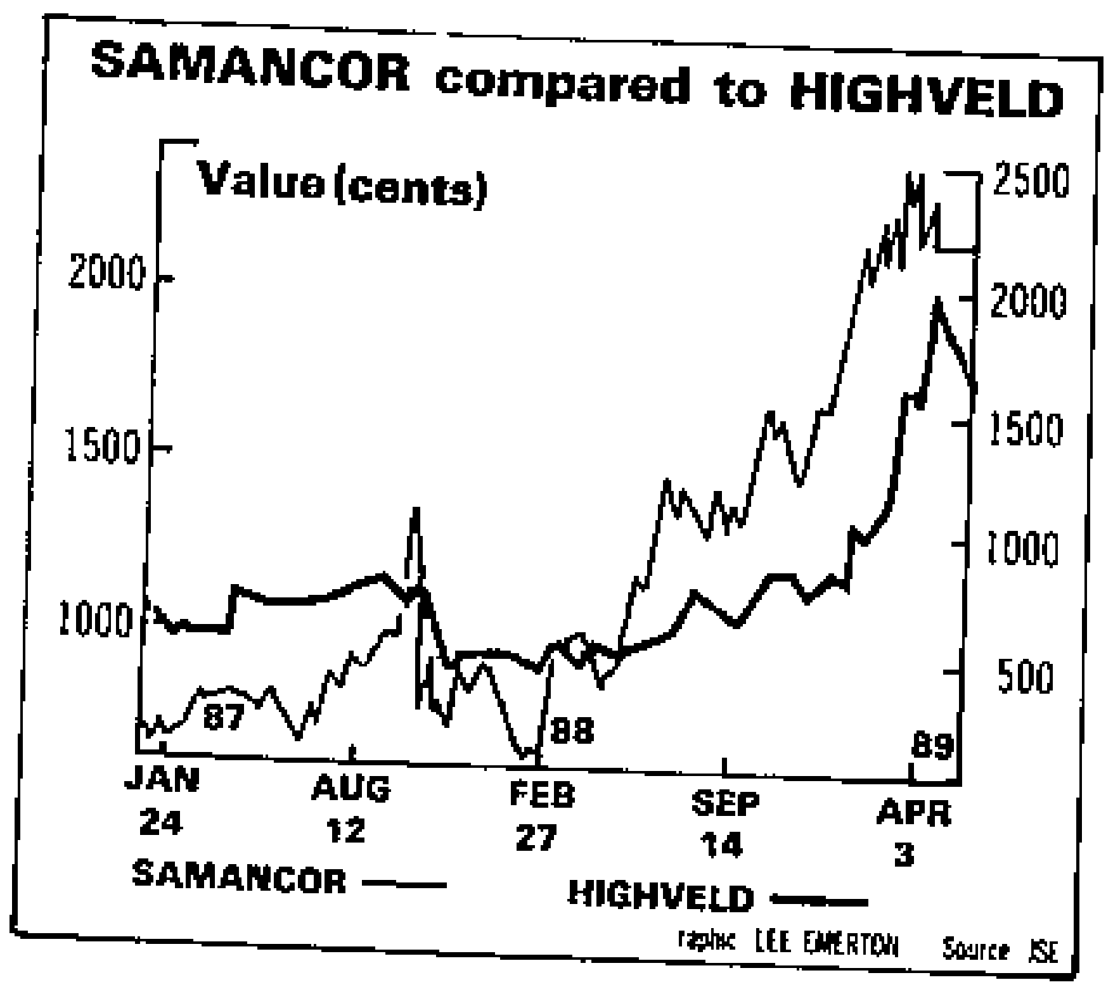
Acting MD John Muller said last week Samancor had decided to tackle the project as a joint venture in view of the size of the investment

"The market for stainless steel is not always in a boom and we realised the necessity for a strong partner in case the market slumps," Muller said

It is understood Samancor thought of a partnership with Iscor, which was considering making stainless steel

A joint project with Highveld was considered more appropriate because Anglo American Corporation is a common shareholder in both companies, with more than 25% in Samancor and control of Highveld via Anglo American Industrial Corporation

SAMANCOR compared to HIGHVELD



raphic LEE EMERTON Source JSE

Samancor would also benefit from Highveld's steel-rolling experience

Samancor is the world's largest producer of ferrochrome, the ingredient in stainless steel which imparts its corrosion-resistant properties Nickel, another important anti-corrosion and hardening ingredient, will be available from either Impala Platinum, Rustenburg Platinum or Palabora Mining

At present there is only one stainless steel producer in SA — Barlow Rand's Middelberg Steel & Alloys, which said it intended expanding production from 110 000 tons a year to about 150 000

World production was about 10,5-million tons last year

It is understood Samancor/Highveld is looking at a plant capable of producing about 300 000 tons of semi-finished steel slabs (as cast) for export

These will be sent to be processed into finished stainless steel products, such as sheets, plates and coils The plant will be capable of expansion

Analysts said overseas producers were amenable to such an arrangement They added "The front-end of the production process creates pollution problems many foreign steel producers are keen to avoid"

Facilities for cold-rolling or finishing the stainless steel slabs are also enormously expensive

As it is, the whole project up to the semi-finished stage could cost over R1bn in today's money

The partnership is also looking at the feasibility of setting up its own cold-rolling facility overseas — to finish off the steel slabs — probably in the Far East

Stainless steel price likely to rise by 2%

B Day 20/4/89 [redacted] (189)

EDWARD WEST

MIDDELBURG Steel & Alloys commercial manager Derek Engelbrecht says the 20c-40c alloy surcharge increase will push up the price of stainless steel by 2%

Alloy surcharges make up about 70% — R3,50 — of the R5/kg base price for stainless steel

Engelbrecht says this high percentage causes great concern industry and subjects shipments to nickel price fluctuations on the London Metals Exchange

He adds nickel, a platinum by-product, is in strong demand and producers are enjoying handsome profits

Falling rand

Main users of stainless steel affected by price increases are tube and pipemakers, manufacturers of tank containers for export and Sats.

Salmac marketing director Andre Fourie says users of stainless steel in expected prices to drop, as a result of the falling nickel price, but did not take into account the fall in value of the rand against the dollar This prompted the surcharge increase

Salmac is Dorbyl's welded stainless steel manufacturing division

Englbrecht says there is a good chance users of stainless steel will opt for substitute materials, like ceramics and plastics, but these are too costly for most stainless steel producers to develop at this stage

Industrials hit new high

(189) 22/4/89

DEREK TOMMEY

GOLD SHARES were about the only non-performing sector of the Johannesburg Stock Exchange in a week which saw the industrial index continue to hit new highs and selected metal and mineral shares also experienced strong support

Golds were under a cloud following the string of disappointing March quarterlies. These mostly reflected the main problem facing the gold mining industry — the R1000 a kg drop in the gold price in the past three months.

However, except in counters such as Randfontein, where a sharp drop in grade also affected its results, losses were small.

The steep jump in the crude oil price in the past few days to above $25 a barrel has revived fears (or hopes) among investors of an upsurge in inflation overseas — leading to an increase in the gold price.

The metal and minerals section was dominated by the strong rises in Samanco and Highveld Steel on reports that they were investigating a joint venture to produce between 250 000 and 500 000 tons of stainless steel billets a year.

They are expected to decide on the project later this year and there is speculation that some of the finance might come from at least one Taiwanese steelmaker. It would make Samanco and Highveld one of the world's largest stainless steel producers.

Elsewhere in the metal market platinum shares were firmer.

The industrial index continued to forge ahead helped by a steady increase in the share price of Sasol and Barlows.

Yesterday activity picked up in Frame and the share closed 50c higher at 1300c after R6,5 million worth of shares had changed hands — making it the day's heaviest traded share.

PERSONAL FINANCE

Vanadium, steel cause surge in industrials

B/Day 24/4/89

(149)

MERVYN HARRIS

STRONG world demand for vanadium, steel and allied products was the driving force behind the surge of the JSE industrial index to record highs last week

The industrial index jumped nearly 4% to an all-time high of 2 532 to help sweep the overall index 1,6% up to a new post-crash peak of 2 563 points The rises came on the back of buoyant prices for export products of companies which constitute a major part of the indices

Heavily-weighted Amic climbed more than 7% to R96 in the wake of recent increases in the price of vanadium announced by its subsidiary Hiveld Steel and Vanadium

Hiveld has been the star performer on the JSE over the past year with the shares soaring 300% to a recent peak of R20,40

After backtracking on profit-taking, renewed demand for the shares last week pushed the price up almost 13% to R20,15

Fuelled by expectations of another set of excellent results from unlisted Middelburg Steel & Alloys, Barlows surpassed its previous high of R37,60 and closed at a record R38,45

The shares were given a further boost by news that Middelburg was negotiating with Samancor on a joint venture for large-scale production of stainless steel for export

This development helped explain the strong demand for Samancor shares and the 14% jump in the share price to close at a record R24,50

The rise of Samancor's parent, Gencor, to a fresh peak of R90,50 was helped by the fine perfomrance of its industrial interests Its paper and pulp producer, Sappi, which is also a major constituent of the industrial index, gained nearly 3% on the week to R42,50 on buoyant world demand for its products

The rise of world prices of vanadium, steel and allied products over the past year has been well beyond most expectations and analysts predict they should hold to current levels for at least another year

Middelburg Steel set to boost Barlows

B/Day 25/4/89 (189)

MERVYN HARRIS

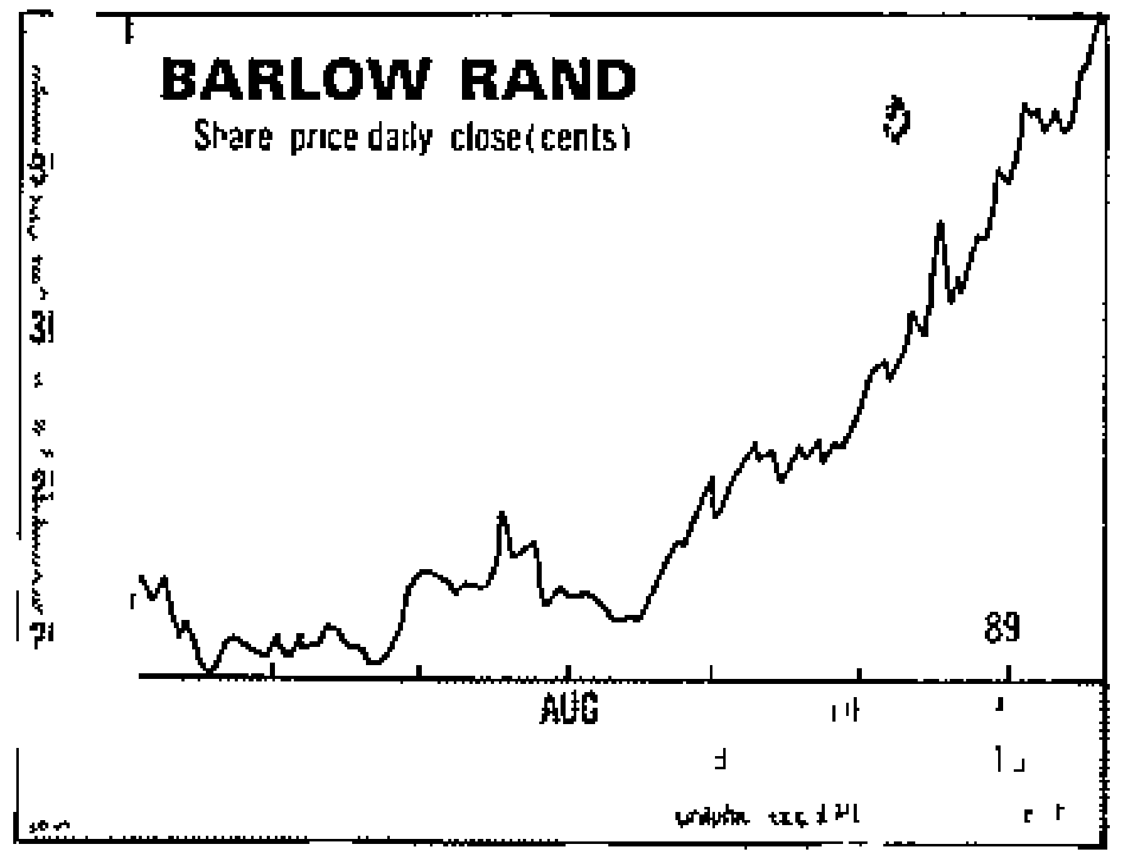
MIDDELBURG Steel is expected to power Barlows to strong interim results, which will put SA's premier industrial company on target to achieve analysts' forecasts of earnings of more than 500c for the year to September 1989

The contribution of Middelburg to earnings growth is expected to rise to between 18% and 19% in the current year, from about 15% of earnings of 408,2c in the last financial year

This reflects buoyant conditions in stainless steel markets with exports further bolstered by the weak rand

SA processes about 80% of the free world's chromite reserves and a major activity of Middelburg is the beneficiation of this base mineral into ferrochrome alloys, most of which are exported

Analysts estimate that Middelburg, with Barlows other unquoted interests — building materials group Federated-Blaikie, Plascon Evans Paints, and earthmoving equipment — contribute about a third of Barlows total earnings



As these are all unlisted interests, analysts have to stab in the dark about the exact nature of their contributions to earnings "It is very much a guessing game," said an analyst

Barlows has big platinum interests but Barplat and Lefko will not be income producers for a while yet Platinum accounts for about 31% of the net asset value of Rand Mines, but Rand Mines itself only forms about 12% of Barlows' net asset value

However, analysts confidently expect good results from Barlow's listed industrial interests to offset the lower trend of earnings from the group's gold mines

The industrial interests mirror the economy and are expected to show the benefits of the uptrend in the economy The rate of growth of Pretoria Portland Cement, Reunert Technology, Computer group TSI, textile group Romatex, Nampak paper, and Tiger Foods, is expected to exceed the inflation rate

Under the stewardship of CE Warren Clewlow, Barlows is looking in fine shape with key ratios highlighting its financial strength Return on shareholders' funds increased last year to 29% while the group is conservatively geared on a debt equity ratio of 51%

Production efficiencies and tight management is expected to offset higher intererst rates in the later part of its reporting period to end-March

However, a question mark hangs over Barlows' international interests, where J Bibby of the UK is not doing too well Its performance should nevertheless be helped by the weaker rand

Agreement

Looking ahead, the crucial factor to determine the course of growth will be the stainless steel market which has been prone to sharp cyclical swings

This could be compounded by the agreement between Samancor and Hiveld for joint large-scale production of stainless steel But the good news is that most analysts do not believe there will be a collapse in the market, as occurred in the recent past

189 FMAC 28/4/89.

STEEL INDUSTRY 189

Showing its mettle

Major expansions in SA's stainless steel production capabilities underline the growing challenge to traditional steels Despite this competition and that of other alternative materials, steel producers say they have no fears about the long-term future of their product

Iscor senior GM, commercial, Nols Olivier predicts 3% real growth in domestic steel consumption over the next 10 years Internationally, too, the industry is pushing ahead

He ascribes his optimism to three factors a more positive and stable world economic outlook compared with the last decade, characterised by relatively low inflation and high real interest rates, increasing industry sophistication and competitiveness, and opportunities arising from the backlog in Third World development

"One must view the steel industry in relation to world economies, to which it is linked," he says "While the industry suffered during the world recession in the early Eighties, the outlook today is far more promising

"The world's major economies are generally more stable and the outlook is positive They will experience relatively low but *steady* growth rates This scenario is far more promising for the steel industry, allowing more precise long-term planning for profits and product development All this has very positive implications for our steel exports "

Olivier . . .
predicts growth

Olivier says the steel industry is undergoing structural change, evidence by the increased sophistication of the industry and its products, evolvement of cost-effective technologies and upgraded steels and the industry's willingness to meet changing needs

He argues that the industry has reversed the trend of inroads into its traditional markets by substitutes The position in SA is no different from the rest of the world "Iscor has also gone through a restructuring phase and has kept abreast of technology developments "

He says there are increasingly more applications for specialised steel in terms of hardness, finish, durability, corrosion-resistance, paint-ability and tensile strength

He says Iscor has produced specialised grades required for the Mossgas and Mosref synthetic fuel projects In the motor industry, too, it has met the need for new grades

"There is nothing like competition to bring out the best in people The pressure we face from aluminium, glass, asbestos-cement, concrete, plastics, ceramics and alloys will continue to result in improved and upgraded steel "

Naturally, specialised steels cost more, so it is no longer possible to simply compare annual sales tonnages to determine income "The same volume of steel will achieve more rands," says Olivier

Along with more specialised products, has come a need for new manufacturing and production techniques

"The technology used to produce steel has changed dramatically over the past 10 years and is still changing Blast furnaces, Bessamer plants and the traditional open-hearth furnaces are fast approaching obsolescence — if they're not already obsolete "

Olivier is optimistic about the future demand for steel in Third World environments, particularly southern Africa. He says a huge percentage of the population has to be economically "uplifted "

"This population will go through the same development curve taken by the rest of the Western world, requiring more houses, and semi-durable and durable consumables like washing machines, fridges and cars The list is endless — and they all use steel in one form or another " ■

Operating profits surge at Vansa

Star 3/5/87

189

By Derek Tommey

Shareholders in Lefkochrysos, Barplats Investments and Vansa Vanadium, three companies in the Rand Mines stable, should be pleased by the interim reports issued today

Vansa reports a sharp rise in operating profits and further increases and a maiden dividend shortly after September on the way, developing platinum mine Lefkochrysos will pour its first platinum bar in July, and Barplats, which has a 72,6 percent stake in Lefkochrysos, has reported earnings of 17,2c (13,6c) for the six months ended March 31.

Vansa's good news is an operating profit of R14,70 million (R2,7 million) for the six months ended March.

Profit before capital expenditure was R13,9 million (R3,2 million) Capital expenditure took R4,5 million (R312 000) leaving R9,4 million (R2,9 million) equal to 23,8c (8,4c) a share available to shareholders

Helping Vansa was an increase in the profits of its now wholly-owned subsidiary, Winterveld Chrome Mines, from R2,9 million to R5,1 million

Vansa expects to achieve full production of vanadium pentoxide in July instead of March as expected The vanadium market remains strong and a maiden dividend will be declared shortly after the end of the financial year-end in September.

Capital expenditure for the six months ended March was R3,025 million and should amount to R10,2 million for the remainder of the financial year

Lefkochrysos is on schedule, the base metal refinery has been completed, and the precious metal refinery should produce its first platinum in July

Vansa's build up to full production has impact on earnings

B/Day 3/5/89 . 189

REINIE BOOYSEN

VANSA Vanadium's build up to its full production levels is starting to make an impact on earnings attributable profit for the six months to March is R9,4m (1987 R2,9m), and analysts say this figure could quadruple if the strength in the vanadium market holds up

Earnings a share are 23,8c (8,4c) and there is no dividend, as directors say the vanadium plant has not been fully commissioned and full production has not yet been achieved They expect to pay the maiden dividend shortly after the company's year-end (September)

Strong demand for vanadium on international markets has led to large gains in spot prices and, recently, contract prices

Last month, Highveld Steel and Vanadium, the market leader, lifted its vanadium contract price by 66%, or $3 from $4,50 a pound to an effective $7,50 a pound This brought it in line with free market prices of about $10

No plan to list Zimco

B Day 15/5/84

ANDREW BUDDEN

189

REACTING to speculation last week of a possible listing of industrial company Zimco through its listed tin-mining subsidiary, Zaaiplaats, CE Donald Buchanan said yesterday the company had "no intention" of such a move.

Zaaiplaats' share price, which has been rising steadily since December last year, surged 200c to 700c in the period between April 20 and March 9. This prompted speculation that there was more behind the increase than the strong tin price and four cautionary statements issued by Zaaiplaats since February.

The latest cautionary statement said Zaaiplaats was "investigating the feasibility of expanding tin operations on the present site and acquiring another mining interest not related to tin". Buchanan said the mooted acquisition would be concluded "shortly".

GIC maintains dividend in spite of setbacks

BDay 18/5/89 189

BRENT MELVILLE

DISRUPTED steel deliveries, industrial stoppages and high interest and tax rates contributed to disappointing results by Goldfields Industrial Corporation (GIC) for the year to March

The steel-strip supplier showed a 33% drop in earnings to 70c (105c) a share on an increased tax charge of R2,3m (R38 000), which reduced attributable income by 37% to R2,6m (R4,2m)

Despite the reduced income, the board proposes an unchanged final dividend of 20c, leaving total distribution the same at 40c

Turnover was 35% higher at R67,9m (R50 2m) and operating profit jumped 43% to R6 4m (R4,5m) on slightly better margins of 9,4% (8,9%)

The effect of the recent M & R steel-strip acquisition was reflected in the virtual quadrupling of interest charges to R1,3m — resulting in pre-tax profit of R5,1m (R4,2m)

Chairman Michael Frye blamed the poor showing on production problems experienced by Iscor and its resultant inability to deliver the required steel In addition the benefits from the integration of the M & R steel-strip business could not be expected until the next financial year

"We have concentrated on rationalising production facilities between the Brakpan and Roodeport plants Output from the Brakpan plant has nearly doubled since its acquisition " said Frye

Frye remained optimistic about the future in spite of government efforts to cool the economy

GIC shows little room for dividend growth on low cover of 1,75 times, and the high dividend yield of 9,4% (sector average 4,7%), on a current share price of R4 25

B/Day 18/5/89.

Tongaat-Hulett breaks records all round

(189)

BRUCE ANDERSON

STRONG performances by Tongaat-Hulett's sugar, aluminium and building materials divisions have resulted in impressive results for the year to March with turnover, taxed profits and earnings a share all at record levels

Turnover rose 21% to R3,1bn (R2,6bn) but a widening of margins — from 9,2% to 10,36% — produced a 36% leap in operating profits to R327,5m (R240,9m) while attributable profits increased by 32% to R157,4m (R119,2m)

This advance was achieved in the face of a 35% rise in interest charges to R69,5m (51,4m)

Earnings a share rose by 32% to 214,3c (162,3c) A final dividend of 48c (36c) has been declared to bring total distribution for the year to 71c (54c)

Yesterday Tongaat's share price firmed 25c to R16,50 ahead of results

Financial director Ted Garner said yesterday the improved margins were mainly due to an improvement in the results of the group's aluminium division which benefited from a higher world price

In addition the building materials division enjoyed more buoyant conditions

Garner said the results had marginally exceeded directors' expectations

The group's land and buildings were revalued at April 1 last year with a consequential increase in non-distributable reserves of R488m This, with the strong cash flow resulting from improved profit performance and tight management of working capital, reduced borrowings to R254,5m (R304,5m)

The reduction in borrowings is impressive because it came after the group had financed capital expenditure of about R131m

Gearing improved as a result of the reduction of borrowings Interest-bearing debt now represents 15,7% (30,4%) of total shareholders' funds

Garner said the group expected to grow next year but probably not at the rate in the period under review

He added directors would be in a position to comment more fully on prospects in the annual report after scrutinising results for the first quarter

(189

Ferrochrome supply increase to be taken up

517 nos 28/3 189

By Don Robertson

FERROCHROME production coming on stream this year will not immediately upset the supply-demand equation and prices will be maintained

Demand is expected to remain about last year s level of between 2 5-million tons and 2,6-million An additional 250 000 tons that will come from SA producers and 100 000 tons from Europe will cause an apparent oversupply of about 180 000 tons

However producers' and customers stocks are at an all-time low The extra production will merely ease backlogs and replenish stocks This should result in a continued tightness of supply for most of 1989

However, it is suggested in an article in the journal of the Southern African Stainless Steel Association (Sassda) that the position will change from 1990

Estimates are that demand will grow by 300 000 tons (12%) in the next five years, but supply will increase by 900 000 tons (40%)

The estimate is based on the supply of stainless steel reaching a plateau of between 10-million and 11-million tons by 1991 Ferrochrome makes up 25% of the stainless-steel raw material

As a result, a large oversupply of ferrochrome is expected to develop from 1991

In the next five years supplies from SA are expected to increase by 650 000 tons Of this, 190 000 tons will come from Samancor, 195 000 from Middelburg Steel & Alloys, 75 000 from Consolidated Metallurgical Industries and 180 000 tons from Chrome Corp Technology Other expansion is expected in Finland, Italy, Turkey, India and Brazil

Excluded from this is 850 000 tons from other projects that could come on stream Should these eventuate, there will be a considerable rise in the oversupply with a resultant scramble for market share and a decline in prices

However it is expected that prices will be maintained this year and will probably peak at about US80c a pound But with production coming on line in 1990 and 1991, prices could soften considerably

COMPANIES

Steel companies still hit by slow deliveries

B/Day 25/5/89.

(189)

BRENT MELVILLE

STEEL converters, recently hit by price increases of about 8%, are still facing delivery delays because of Iscor's continuing production problems

Several engineering firms have been suffering from Iscor's inability to deliver required volumes for several months

Especially hard hit has been steel-strip supplier Goldfield's Industrial Corporation, which posted an earnings drop of 33% in results for the year to March

Chairman Michael Frye blamed the results almost solely on seriously disrupted steel deliveries over the final quarter of the year "due to Iscor's production problems at its Vanderbijlpark works"

Robor Industrial Holdings (RIH), Metkor and Dorbyl, in recent interims also reported problems Giant steel-engineering group Metkor's directors complained that the group's profit growth was significantly hampered by steel shortages

RIH MD Mike Gahagan said the group had been struggling with its supply shortages and results were "very definitely" affected by Iscor's continuing problems

Dorbyl CE Dawid Mostert also complained by saying Iscor's supply over the past few months had affected Dorbyl's interim results

The respective complaints follow an announcement by Iscor senior GM Nols Olivier in February that local steel deliveries were backlogged by one month but expected to be back on schedule by March

However, Iscor media GM Piet du Plessis admitted yesterday the "unexpected" problems at Iscor's largest production unit — Vanderbijlpark's blast furnace D — had affected production of steel intended to build up supplies during the downtime required for replacement of equipment — scheduled for mid-1990

The Vanderbijlpark plant, which last year produced 4,4-million tons of steel through four blast furnaces — 64% of total Iscor production — suffered a loss in production of 160 000 tons

Du Plessis also admitted further problems with the blast furnace and a delay in modernising one of its hot-strip mills However, he said, the situation was improving and Iscor was "virtually" back to its production capacity

S/Times 20/5/89 (189)

Steel sales slow

By Don Robertson

THE first indications of a slowdown in the economy are reported by steel merchants.

Some say the market is in a turmoil and will worsen in the second half of the year Others are less pessimistic

Trading results in the first five months of the year have been good, say industry sources, and there is a shortage of flat steel Large stocks of profile and structural steels are held

However, because of high interest rates, merchants are concerned about holding large stocks

Arthur Browne, deputy chairman of Macsteel and president of the Steel Association, says Government efforts to cool the economy have been successful and sales of white goods and cars have fallen Steel sales to these sectors have declined

Mr Browne fears that the market will decline in the second half of the year and says merchants will have to watch stocks closely

Shortage

Pat Nichols, joint managing director of specialist steel merchants, Van Reenen & Nichols, says a supply shortage earlier in the year caused problems in the market, but that no orders were cancelled

He is worried about the effect high interest rates will have on stocks

Derek Kemp, sales director of Trident Steel, says his group is holding reasonable stocks and he is fairly optimistic

He expects a spinoff from onshore work at Mossgas

Nols Olivier, senior general manager, commercial, says Iscor still has a backlog of orders, but he expects demand to fall in the third quarter

Rhombus goes Bop

S Times 4/6/89

189

RHOMBUS Vanadium is to raise R26,4-million in a rights offer to shareholders in the ratio four linked units in Rhovan for every 100 shares held in Rhombus Exploration (Rho-Ex)

An agreement has been reached with Union Steel — to be renamed Usko — for the joint development of a vanadium deposit in Bophuthatswana Rho-Ex will take up 28 520 units, and Rhovan holding company Rhosco 630 000

The linked units comprise nine ordinary shares at a price of 60c, 12 12% automatically convertible unsecured subordinated debentures of 65c each, and, for no consideration, three options for 1992 take-up of ordinary shares at 60c

The cost of a linked unit will be R13,20 The offer is underwritten by two banks

Trading in nil-paid letters will begin tomorrow and last for three weeks, and in the three individual instruments from June 29

Rho-Ex shares edged up to about 175c when terms of the offer were made known Usko eased 20c to 530c

Macsteel to get Wedge's steel interests

Star 6/6/89

189

Finance Staff

Wedge Holdings has reached agreement in principle with Macsteel to sell its steel trading activities to Macsteel

Wedge Holdings says that negotiations with Macsteel are continuing as the final purchase price is to be determined by an audit of Wedge for the four months from January to April

The audit is currently under way and the result is expected to be available soon

Wedge chairman Peter Thomas said that until the sale of Wedge's trading activities to Macsteel was finalised, Wedge would continue to operate independently although Macsteel had seconded some of its staff to Wedge for the time being.

A statement said shareholders will be informed of the details of the Macsteel acquisition and the price to be paid as soon as they become available and are advised to continue to exercise caution when dealing in their Wedge shares

The Star
Finance

Star 14/6/89

189

Wedge keeps market guessing

Finance Staff

Shareholders in the DCM-listed steel merchant company Wedge are still in the dark about the company's future.

Wedge has not yet disclosed what unlisted steel merchant Macsteel will be paying for Wedge's steel trading buinesses

The final price is being determined by an audit of Wedge for the months from January to April by accountants Aiken and Peat

Shareholders were informed of the pending deal two weeks ago by way of a cautionary announcement.

But so far no further information has been made available.

Informed sources say the accountants have found several irregularities in the financial accounting methods of Wedge and an announcement is expected soon

Several calls to Peter Thomas, chairman of Wedge, have been unsuccessful

Management has refused to comment on the financial impact of the deal.

Shareholders were first given warning in the 1988/1989 financial year-end, which saw a sharp decline in profitability

Last year the interest bill increased fourfold to R5,7 million, exceeding operating profit by R2,6 million

BORROWINGS

Borrowings more than doubled, while margins withered from 8,6 percent in 1987 to 2,9 percent.

Although at the time management said Wedge had budgeted for a profit for 1989, it has more recently been suggested that the financial standing of the group has continued to deteriorate in the wake of cash flow problems

Former managing MD Reg Wepener recently left the company, but is restrained from operating in the same line of business for at least five years

Macsteel forges ahead with new acquisitions

Star 15\6\89

189

By Magnus Heystek
Finance Editor

International steel trader Macsteel is to take control of Cape-based steel merchant UME for R32,5 million

Unlisted Macsteel has already begun the process to acquire the trading operations of another steel merchant, DCM-listed Wedge Steel for an amount rumoured to be in the vicinity of R12,5 million

The deal will make Macsteel, already a giant on export markets, the largest independent steel merchant in the country

Last night the controlling shareholder of UME, which claims to be the largest steel merchant in the Western Cape, has accepted Macsteel's offer of 150c a share

A similar offer is to be made to minority shareholders The company will be delisted

UME is currently controlled by Mrs Smaller Winnikow (72), the present chairman and managing director, who intends emigrating to Australia to be with her children

Mrs Winnikow has 56 percent of the issued share capital with Wedge owning another 20 percent According to Mr Peter Thomas, chairman of Wedge, it will accept Macsteel's offer

UME, listed in the engineering sector of the Johannesburg Stock Exchange, has recorded compound earnings growth of 34 percent over the last four years

In the 1988 financial year attributable earnings rose from R2,8 million to R5,7 million with the outlook for the current year very favourable, according to the 1988 annual report

The purchase price of 150c a share puts the deal on a price earnings ratio of less than 6, based on historic earnings of 25,5c a share in 1988 Asked whether the offer is not on the low side, a spokesman for UME said it might turn out to be a favourable price considering the higher tax rate the company is expected to pay in the current year

Also, the equity-accounted earnings of more than R1 million that UME earned on its investment in Wedge Steel, will fall away as Wedge has recently reported a sharp turnabout in profitability

While UME controls just under 30 percent of Wedge Steel, Wedge has an interest of 20 percent (5 million shares) of UME By accepting the offer it will get a cash injection of at least R7,5 million for its UME interest

Mr Thomas says Wedge will become a cash shell after the disposal of its steel trading operations to Macsteel

Mr Thomas refuted allegations of financial irregularities at the company, but did say that trading conditions in recent months have been tight and that Mr Reg Wepener, the MD, had resigned after a major difference with the Wedge board

Not much is known about Macsteel which maintains a very low profile But it is understood that its turnover runs into billions of rands a year as the company handles most of Iscor's exports

Chairman Eric Sampson is overseas while other senior financial executives at the company could not be contacted for comment

S/Times 18/6/89

Iscor now a company

IN another move towards its listing in November, Iscor has been incorporated as a company. Iscor's conversion will have no effect on the corporation which will continue to operate as before. All Iscor's stock is deemed to be debentures

189

No-win for UME minorities

S/Times 18/6/89

189

UME minorities are in a no-win position because of the scheme of arrangement for it to be taken over by Macsteel subsidiary Consolidated Steel Investments (CSI)

Even if more than 25% of shareholders vote against the scheme whereby they would receive 150c a share, and even if the court does not sanction the deal, CSI is "obliged to offer to purchase from all the scheme members their scheme shares at 150c against surrender of their share certificates"

History

Issy Goldberg of the Shareholders Association says a section 311 victory amounts to expropriation of shares from minorities

They will have no choice other than to take the cash UME will be wholly owned by CSI

By Julie Walker

The history of the 45-year-old UME is interesting It was listed in 1986 after being the successful steel merchandising business of the Smaller family in the Cape

The R7-million raised at 130c a share did not accrue to UME shareholders' funds but to the seller, the Smaller family

Mr Goldberg rightly points out that subscribers would not have bought shares in UME from the Smaller family if they were not going to be listed on the JSE

Deposit

The return on investment for original subscribers has been poor They bought at 130c, and are now obliged to sell at 150c after three years They could have got more from a Post Office deposit

CSI does not want a listed subsidiary and all the hassle of minority shareholders that goes with it

UME has gone out of its way to explain that 150c is a fair and reasonable offer It has made a worst case out of its investment in Wedge Steel, which has not been without problems

Wedge owns 20% of UME and UME 30% of Wedge In its balance sheet at September 1988, UME was happy to include Wedge as an investment at R12,5-million, or 229c a share — at cost — even though Wedge had dropped to 80c by then

Now, because the company wants to paint the net asset value as gloomily as possible, it values Wedge at 80c CSI is negotiating to buy Wedge, which is now 50c

The market value of UME has been hamstrung by the 150c ceiling which CSI is prepared to pay

The Smaller family is said to have wanted to realise its investment because some of its members are emigrating to Australia

Mr Goldberg says minorities have been treated badly He urges shareholders to vote against the scheme

"It costs nothing to make a moral stand Shareholders will get 150c anyway

"I believe CSI could manage UME while retaining its listing This would satisfy minorities who have hung on to their shares on the strength of positive annual statements from the current management"

The scheme meeting takes place on June 28 Mr Goldberg asks shareholders who oppose the scheme to send him their proxies to Box 3778 Cape Town 8000

CMI earnings show threefold rise

189

Star 20/6/84

Finance Staff

Consolidated Metallurgical Industries (CMI) nearly tripled its attributable profit to R100,38 million (R37,9 million) for the year to June, its preliminary profit statement shows .Earnings per share were 236,2c (89,2c)

A final dividend of 80c (45c) has been declared, bringing the total for the year to 115c (65c)

The board says the reason for the increase in profits was a sharp rise in world production of stainless steel, thereby causing the demand for ferrochrome to go up sharply

"In these favourable market conditions, the company was able to increase its dollar selling price by 38,5 percent."

The group expects the demand for stainless steel, and therefore ferrochrome, to continue running at a high level over the rest of the year, although the increased availability of ferrochrome is likely to exert pressure on selling prices

After six-hour meeting . . .

Majority UME shareholders accept Macsteel offer of 150c

CT Times 29/6/89

(189)

By AUDREY D'ANGELO
Financial Editor

A HUGE majority of UME shareholders and their proxies who voted at the end of a crowded, six-hour meeting yesterday are in favour of accepting an offer from Macsteel (Pty) of 150c each for their shares

But a minority led by the chairman of the Shareholders Association of SA, Issy Goldberg, voted against a scheme of arrangement which would enable Macsteel to acquire 100% of UME and delist it

Some paid up to 280c each for their shares and want either to retain them or be offered a higher price

Among those voting against the offer were Sanlam which holds more than 1m shares, and an alternate director of UME, Jack Ipp

The matter will be decided at a Supreme Court hearing next month

Meanwhile lawyer Igor Vukic, who was appointed by the Supreme Court as a neutral chairman of yesterday's meeting, will prepare a report

The controlling shareholders, the Smaller family, who own 55% of the shares, have already agreed to sell their stake to Macsteel for 150c

Director Peter Smaller, formerly joint MD, who now lives in Sydney and returned to Cape Town to attend the meeting, assured reproachful shareholders that he had no intention of emigrating at the time the company was listed on the JSE in 1986

He said his mother, chairman and MD Sylvia Smaller Winnikow, had not emigrated and was still a resident of SA

Smaller said he decided to emigrate only after agreeing to sell his shares to Macsteel, when he found himself freed from his earlier responsibilities and decided it was the best thing for his young family

Earlier in the meeting Goldberg pointed out that the engineering sector of the JSE had risen sharply in recent months He suggested that the UME share price might have risen above 200c if a ceiling had not been put on it by a cautionary announcement that Macsteel had offered 150c

But Macsteel financial director Steven Levitt said that multi-million rand losses have been made by Transvaal company Wedge Steel, in which UME has a 29% stake

Describing the state of Wedge Steel as "a disaster", with "more surprises" being uncovered by auditors, Levitt said it could be saved from liquidation only if Macsteel bought its trading companies, turning it into a cash shell

In view of this, said Levitt, it was only the fact that Macsteel had already committed itself irrevocably to an offer of 150c each for the UME shares which made it willing to pay so much

Peter Smaller said UME had acquired a 20% stake in Wedge Holdings when he was joint MD because it had reached the limit of its growth in the Western Cape and wanted to expand into the Transvaal

He had thought at the time that Wedge was an excellent investment and had later topped it up to a 29% stake

In answer to questions, Smaller said that he and the CE of UME, Robin Dennison, had joined the board of Wedge and had become concerned about the level of borrowings They had given Wedge executive chairman Peter Thomas advice which he had not taken

But it was not until Wedge reported a loss at the end of its financial year that he realised its position Until then he had believed Thomas' forecast of profits

A letter was read from Arnold Galombik, a non-executive director of UME who sent apologies for not attending the meeting, in which he said he had tried unsuccessfully to obtain a higher price than 150c for the shares from another firm The most it would offer was 130c

Representatives of the Standard Merchant Bank said they considered 150c a share a fair price

But Goldberg read letters from shareholders in which they said they had bought shares in UME, which was listed on the JSE in 1986, as a long-term investment and were disappointed at the prospect of losing it

Some said they had paid a higher price than 150c and would lose thousands if they were forced to accept Macsteel's offer

Goldberg said that even those who had bought shares at 130c each at the time of the listing would have got a better return by investing the money in the Post Office

Vukic announced that 224 scheme members with 18 197 200 shares had voted to accept Macsteel's offer and 119 members with 1 668 001 shares had voted against.

Closing

Iscor details share scheme

C/Ht Tms 3/7/89

189

Own Correspondent

JOHANNESBURG — Early feedback from employees on the Iscor employee share ownership programme (Esop) indicated understanding, acceptance and some enthusiasm, Iscor spokesman Piet du Plessis said at the weekend

However Numsa, the largest union among Iscor's 58 000 employees, has expressed bitterness at not having been consulted beforehand on the scheme

Employees and unions were briefed on the scheme, which has been in the pipeline for months as part of Iscor's privatisation programme, on Friday

The 150m shares set aside for employees are expected to be worth R300m, assuming a R2 a share pre-listing price This share bloc represents nearly 10% of Iscor's total equity

This compares to the 3,5% of equity ultimately to be offered to Anglo American group employees in terms of its Esop launched 18 months ago In the Anglo case, all shares are given free of charge to employees

Government has promised to privatise at least 51% of Iscor's equity in the first phase of the corporation's privatisation.

However, it is understood the company is expecting outstanding results for the year to June 30, and this could increase the number of shares initially made available to the public

Court upholds UME shares payout

W/t News 15/7/89 (187)

Business Staff

THE Supreme Court has ruled in favour of the scheme of arrangement whereby Macsteel's 150c accepted offer by UME majority shareholders be applicable to all minority shareholders

Minority shareholders will be paid out soon and UME general manager, Mr Robin Dennison, said UME will continue to trade under its own name and staff will not be affected by the change in shareholder control

Three Macsteel directors will be appointed to the UME board

UME was listed in December 1986 and traded above 250c at one stage

Minority shareholders went to court arguing that the acceptance of the offer by Macsteel by the controling Smaller family had not been in the interests of minorities and that delisting the company from the JSE was not in their best interests

It was argued that the prospects of the company under the control of Macsteel were very promising However, the sale by, in particular, joint chairman Mr Peter Smaller — who had emigrated to Australia — was an investment decision based on substantially different reasons to those of the minorities when they had acquired an interest in the company

However, in what was considered a "test case" by many, the Supreme Court has ruled that ordinary shares constitute a single class of share and cannot be differentiated on the basis of how they are voted

Minorities lose out in test case

(189)

Star 17/7/89

Own Correspondant

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Investors seem to be rerating Metkor's stock

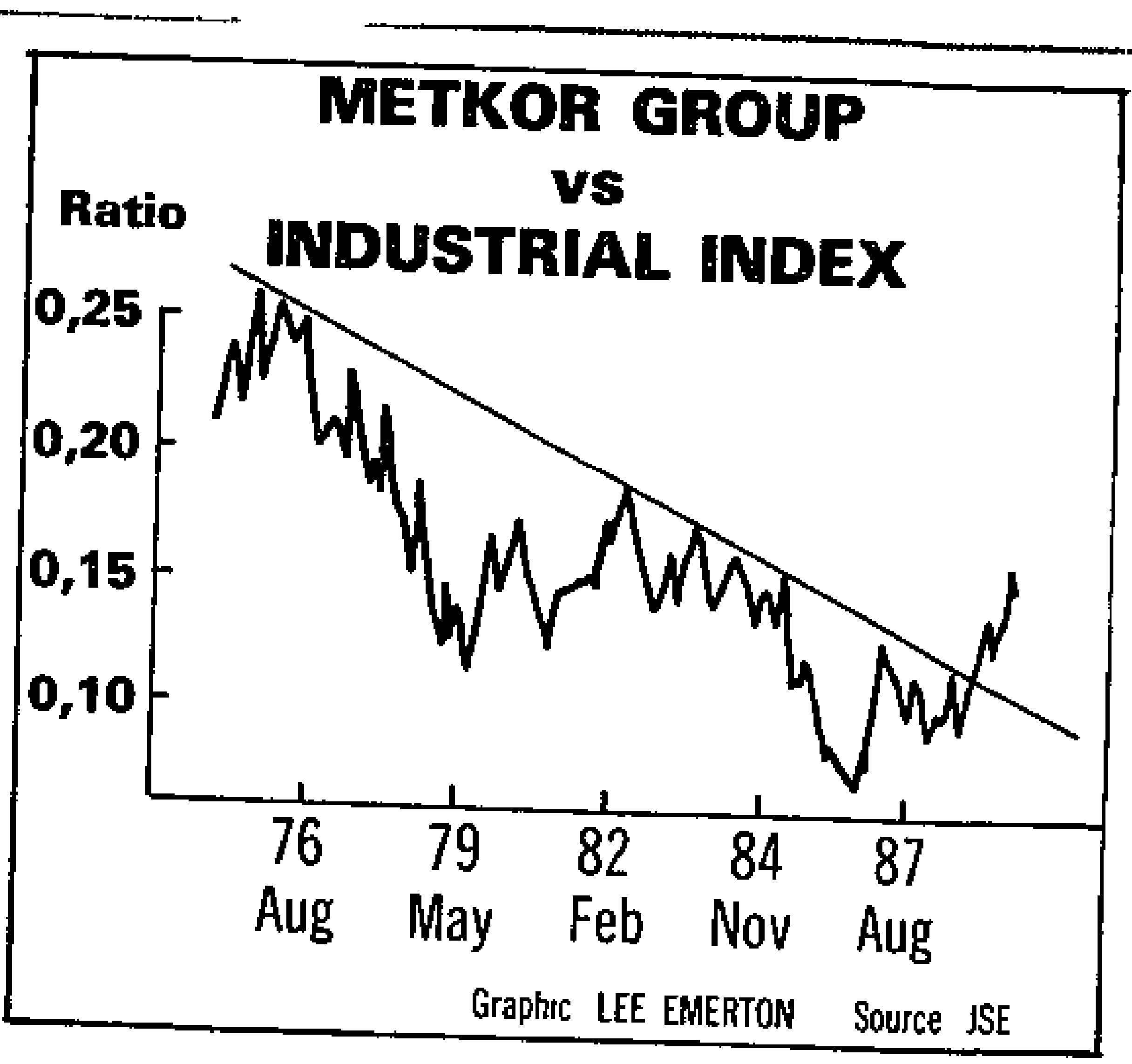
B|Day 17/7/89 ·

(189)

STEPHEN RICHTER

METKOR'S share price established a record high of 425c last month, 166% above the September 1988 low of 160c

This strong price performance has been achieved despite abnormally large share trading volumes On June 30, when Metkor reached 425c, 197 000 shares were traded, which compares with its average monthly turnover during the past year of 301 000 shares To drive home the point, in the first week of July an additional 404 000 shares changed hands


METKOR GROUP vs INDUSTRIAL INDEX

Graphic LEE EMERTON Source JSE

The accompanying chart shows that Metkor's relative strength against the industrial average surged recently to penetrate a downtrend line that had been in place since 1975 This is a significant development on its own, but taken together with the sharply higher volume suggests that investors are now rerating the stock

Metkor appears to be responding to the strong JSE performances of Dorbyl and Usko

Doubled

According to the latest annual report, Metkor effectively controls 34,6% of Dorbyl, while holding a 27,8% interest in Usko Dorbyl's share price has more than doubled from its 12-month low of 950c, while Usko peaked this year at nearly 10 times the 1988 low of 70c Dorbyl and Usko have both established record levels on the JSE during 1989

World market prices for steel improved during 1988 and helped to drag Usco into the black after a loss-making 1987 EPS for the year ended September 1988 improved to 90,6c, from 16,3c in financial 1987

While Usko management expects results for the current year to fall short of the strong 1988 performance, its united entry with Rhombus Exploration into the potentially rich vanadium market has kept investor interest high

Metkor's other major investment, Dorbyl, has exposure to the steel industry The Baldwins Steel division distributes steel, while its Tosa operation manufactures welded, seamless and precision cold-rolled tubing, primarily from steel

It also has extensive interests in the motor industry Since domestic car manufacturers are required to increase local content, Dorbyl should reap significant benefits In addition, a venture with Iscor, designed to modernise the Tosa Tube mill, should enhance long-term prospects

Dorbyl's interim EPS for the six months ended March 1989 jumped 44% to 110,9c (76,9c), and directors expect to announce satisfactory earnings performance for the full year

Heavy volumes

Prior to its strong advance this year, Metkor was consistently trading at a discount to net asset value The heavy share volumes recorded recently seem to indicate that serious investors are accumulating the stock

At 385c, the share is rated on an earnings and dividend yield of 10,3% and 3,6%, respectively Though Metkor trades at a premium to the JSE engineering index, which provides a 13,6% earnings yield and dividend yield of 5,1% at current levels, this would seem justified in view of future prospects for Usko and Dorbyl

e cash to counter substitute materials

B Day 25/7/89

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ROBERT GREIG

Van Wyk said competition was across its product range, including its major item, railway lines. An effect of this competition was to keep down prices.

He was asked to comment on the view that, although Iscor was privatising, it was sheltering behind tariff protection to preserve domination of the local market.

He said: "Tariff protection exists which protects the SA steel industry against dumping. The protection is based on exchange rates which no longer apply."

Protection took the forms of *ad valorem* duties (3%) and tariff protection against dumping. This protection was based on out-of-date exchange rate figures.

"If the international market changed in such a way that we faced dumping, then we would apply for a revision of those figures," he added.

He said earlier the international industry was strong. Low real interest rates and real growth rates worldwide, and better supply:demand ratios, had strengthened it.

Distortions caused by government subsidies had been, or were being, eliminated.

Van Wyk said Iscor's record conformed to international patterns.

The organisation had been operating at full capacity since 1981; capacity had not been increased "for 15 years", though efficiency and productivity had been improved.

In 1988 Iscor had a 13,5% return on assets; in 1989, it was expected to be 19%. Assets — now worth R4,5bn — were revalued annually.

Steelmaker sets aside cash to counter substitute materials

B|Day 25|7|89

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ROBERT GREIG

INTERNATIONAL steel demand is sparing the SA industry from imported competition but, if that changed, Iscor could seek a strengthening of tariff protection against dumping

MD Willem van Wyk, speaking after a media presentation on Iscor's privatisation, in Pretoria yesterday, said the buoyant international market meant SA was not being subjected to dumping

He added Iscor was facing competition from substitutes for all of its products

Its R1bn capex plans for the next "couple of years" were to add value to existing products, for expansion and to help diversification to counter competition from substitutes

The removal, through privatisation, of the state's dominant influence would stimulate Iscor's diversification

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Futures industry 'misunderstood'

NEIL YORKE SMITH

ATTACKS on futures brokers and on the futures industry as a whole are the result of a low level of awareness, claim industry figures

Brokers say the fledgling futures industry is prone to attacks by people who do not understand it The industry is working to educate potential investors in all aspects of futures, they say This is reflected by the number of training courses and seminars available

B|Day 25|7|89

A booklet published by the SA Futures Industry Association (SAFIA) confirms the importance of investor education Investors are encouraged to study the details of futures contracts and to deal only with reputable brokers who are SAFIA members and who subscribe to its code of conduct

Brokers point out the risks of futures investing High returns are possible but so are losses Investors are urged to view their futures investments as risk capital

The SAFIA confirms the risks involved and emphasises the term "risk capital" Investors should be prepared to lose their capital and its loss should not result in a change in their living standard, says the association

Bad publicity has not deterred serious investors Both Anglovaal and Rand Mines have profited by futures trading A spokesman for Rand Mines says the existence of liquid futures markets can be used to great benefit Speculators are essential in ensuring such liquidity, he adds

Sources stress the need for industry education as opposed to futures retailing The long term benefits of such a view will accrue to all parties whether long term investors or speculators, they say

(187)

Limited offer in Iscor shares

Cit-Trib 2/8/87

Financial Editor

INDIVIDUALS and institutions will be limited to a maximum 20% stake in Iscor, due to be listed on the Johannesburg Stock Exchange in November

Iscor's GM, media relations, Piet du Plessis, said that every Iscor employee would get 100 shares free of charge

"This will apply to everyone, from the MD to sweepers"

In addition to this, employees belonging to the trade unions will be able to buy 900 shares with an interest free loan from a trust, repayable over three years

And, like all other Iscor employees, they will be able to buy other shares in a preferential placing before the listing

Du Plessis estimated that blue collar workers would be able to buy 60% of the shares allocated to employees "if they take up their full allocation"

He said there would also be opportunities for the man in the street to buy them

Pointing out that the shares would have to be sold at a discount to the real replacement cost of Iscor, he said their cost would be based on results for the year to June 30 which will be released in September.

Du Plessis said this was not the first time Iscor had been listed

"The first time was a failure It was in the 1930s, during the Depression, in a politically sensitive time and it was delisted

"But it gave individuals the chance to buy shares and some are still in private hands

"The government's shareholding today is between 65% and 70% And the Industrial Development Corporation (IDC) has a stake"

Du Plessis said the government had no wish to keep control of Iscor and would sell off as much of its shareholding as possible.

'Iscor listing needs to be open to public scrutiny'

w/t Argus 5/1/89 189

By TREVOR WALKER
Business Staff

THE government is not privatising Iscor, it is disinvesting, that is selling off the family silver, Dr Andries Wassenaar said in his book *Squandered Assets*

Questioned on this week's announcement that every employee is to be given 100 free shares, he said "what is important is that the whole scheme should be completely open to public scrutiny".

Stock market analysts said a private or family company that went to the market to raise money did so with the aim of increasing its profits

Those who invested in the company need not be made public knowledge, but in the case of a state company which had been funded by the taxpayer the situation was different

Iscor has said that individuals and institutions will be limited to a maximum stake of 20 percent of its shares Besides the free shares, employees will also be offered shares at a price lower than that offered to the public and they will also be allocated a preferential number of shares at the same price as the public

It would be unusual for a private company to give its shares away to employees when it sought money from the market and normally employees were given an option to buy at the listed price over a number of years

Iscor has worked out a scheme — depending on seniority and length of employment — the maximum number of shares an employee may buy under the three schemes

It is quite likely that most employees will take up their maximum either by using borrowed money or letting someone else fund them for the stag ride

Analysts said however finely priced the issue might be, it was expected to come on the market at a higher price

Dr Wassenaar says the Iscor share register should be open to public scrutiny

However, under JSE rules a person may buy shares through a bank or nominee company and the identity of the shareholder is then not shown on the company's share register

So who buys Iscor shares and how many will not necessarily become public knowledge

Mr Issy Goldberg, chairman of the Shareholder's Association said giving away free shares or at bargain prices to Iscor employees was acceptable if it led to higher productivity

"However, it would be reasonable to assume that Iscor is wise enough to resist allowing the immediate stagging for quick profit for shares so allocated

"It is obvious that they must be held in trust for the shareholders and delivery be made available only when increased productivity has manifested itself over a period"

He said it was curious that announcements of the disposition of shares had been made when no details were as yet available as to the share structure or price of the Iscor flotation

(189) B/day 15/8/89.

SA steelmakers likely to ride out price drop

BRENT MELVILLE

ANALYSTS are not unduly concerned the decrease in worldwide steel prices will effect the fortunes of SA producers.

At least not in the short term

International prices for standard rolled steel have dropped by between $40-$50/ton — about 11% — during the past few months

Analysts say this trend is expected to continue.

Market sources believe the weakening prices were triggered by the softening US economy, a lacklustre demand because of seasonal factors and increased competition.

"At the moment the US steel market has come off with consumption reduced in line with its economy," says Highveld Steel and Vanadium marketing GM Robert Herbertson

Analysts are optimistic, however, the price slump will not hurt SA in the short-term

They also believe prices will be supported by European and Far East growth

Herbertson says the US is the engine room of world steel production and any effect on it will be felt worldwide

Effect

"Lower US domestic consumption translates into more steel for US producers to export"

This means increased competition which would have an indirect effect on SA in the long term

Herbertson says this could be "particularly on sales of reinforcing bar and hot-rolled coil"

He adds there might be a loss but it will not be dramatic or catastrophic

In the US competition, with foreign steelmakers aggressively wooing customers, has prompted LTV corporation to boost its discounts to buyers by $20/ton for hot- and cold-rolled sheet and hot-dipped galvanised sheet steel

US steelmakers are also now looking abroad more for sales and steel exports have grown markedly in the past two years

USX Corporation, largest US maker and exporter of steel, does not expect overseas sales growth to slow It expects sales of about 1-million tons this year

Iscor, which produces about 75% of SA's steel, last year supplied 5,41-million tons — generating almost R5bn — in steel products to domestic and export markets

Sunday Times
BUSINESS TIMES

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Dull years, then revival

S/Times 20/8/89

Bu Don Robertson

THE sharp rise in demand for stainless steel and hence ferrochrome is likely to tail off this year and next, but thereafter should resume a rising trend.

From only 1-million tons in 1950, demand grew by about 7% a year to 6-million tons in 1982 Between 1986 and 1987, it rose by 10% to between 10-million and 11-million tons

Paddy Probert, general manager and director of Middelburg Steel & Alloys (MS&A) chrome division, says it is likely that this year's sales will decline by about 3% and by about 8% in 1990

Rust

Mr Probert ascribes the increase in demand to the low price of stainless steel in comparison with other materials, and to its rust-proof properties

However, the expected 11% decline in the housing and the vehicle markets in America this year, coupled with a sharp lift in the price of stainless steel brought about by the rocketing cost of nickel, is likely to depress demand

The price of nickel, a basic raw material in stainless steel, soared from $950 a ton in 1986 to $3 200 this year

This prompted substitution — carbon steels, plastics and ceramics


PADDY PROBERT. . a first for Middelburg

Producers of stainless steel and ferrochrome are awaiting demand figures for the fourth quarter of this year before forecasting sales

Ferrochrome makes up about 25% of stainless steel Developments in the steel market directly affect chromealloy producers

Using what are now considered to be faulty demand trends, several foreign producers plan to increase production of ferrochrome and high-carbon ferrochrome It is expected that production will rise by about a million tons between 1988 and 1993 to about 3,4-million from the present 2,3-million

Producers in SA also plan to increase production

Mr Probert believes production of ferrochrome will rise to 3,1-million tons in 1990, 3,2-million in 1991, 3,3-million in 1992 and 3,4-million in 1993

However, with demand for stainless steel declining, sales are likely to be about 2,4-million tons in 1990, a similar figure in the following year, but rising to 2,7-million tons in 1992

Strategic

Because of this oversupply, the price of ferrochrome is expected to fall from the present US82c a pound on contract to as low as US58c, settling at about US65c in 1992 and 1993

More pessimistic forecasts put the figure below US40c By 1997, however, the price is expected to recover to about US90c/lb in the view of optimists and the pessimistic US80c

Why then do SA producers intend to increase production?

Mr Probert says SA is the second-cheapest producer in the world at about US35c/lb Japan has a production cost of US70c The Philippines, Europe, India and America have production costs similar to the Japanese and many could go to the wall if the price dips to between US50c/lb and US65c

Some countries plan to raise production because America and Japan have asked them to This is an attempt to reduce dependence on SA, by far the largest ferrochrome producer Ferrochrome, however, is not subject to sanctions because it is considered a strategic material

MS&A's R240-million expansion will use, for the first time in the world, technology which will result in a 75% saving in energy It will use fines instead of brickettes as a feed and coal instead of coke

The new chrome direct reduction plant will boost charge chrome capacity by 130 000 tons to 430 000 tons a year It will be commissioned in June next year

Others which are increasing production include Samancor which will add 120 000 tons, Consolidated Metallurgical Industries (40 000) and Chrome Corp Tech (120 000)

Only a start in search of new metals

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S Times 20/8/89

THE steel industry holds great potential for diversified product ranges, says Hans van Vuuren, general manager, planning and development, at Iscor.

Steel can meet the challenge of the increasing number of competitive high-tech products

Mr Van Vuuren says "We have merely scratched the surface in terms of steel's uses We are only now exploring the mixing of alloys and superalloys with steel, adding trace elements to provide a new perspective on its properties and applications

"Many variations can be achieved through these mixes — such as the material's weight, toughness, wearability, formability, weldability or corrosion resistance It is a matter of adapting products to suit customer needs"

Confidence

Iscor is playing its part in the search for new metals through its research and development section

Iscor's strategic position depends on trends and developments in the steel market which are closely watched The optimum is to try to stay one step ahead of developments

"After the oil crisis in the early 1970s, steel lost market share to high-tech compounds, such as plastic and ceramics, because it did not respond with price-competitive products There was no confidence in the future of the steel industry"

This has now changed

"Dramatically improved productivity, new techniques and products have demonstrated that we can be innovative and price competitive In some areas we have regained that lost market share"

"The fact that we are again producing about 7-million tons of steel a year, equivalent to production levels before Iscor was rationalised in 1983, is less significant than the difference in the steel We are producing steel of a diversity and grade unthinkable a few years ago"

Iscor is the only certified welding facility in this part of the world accepted by major inspection bodies This applies to all welding including nuclear and offshore applications

Another aspect of Iscor's research development has been the construction of weighbridges at its plants The weighbridges and load-cell technology will be used at all plants and will be marketed to industry

Largest

Iscor has the largest steel research and development organisation in Africa It employs 330 and has an annual budget of about R7-million — about 0,15% of annual turnover

It focuses on improving the input processes, such as mining techniques or production management It has also been successful in improving raw materials by removing impurities before they enter the blast furnace The facility is also involved in improving end products and adapting them for different applications

Mr Van Vuuren says "We buy technology or negotiate to use it and have often used Mintek, CSIR and universities"

Research and development personnel also keep in touch with customers, such as the motor industry

"It is tricky working with the motor industry because the goalposts are shifted all the time There is a need to build cars from lighter but stronger steel, with better corrosion-resistance features or better paintability

"We must be cost-competitive with other products This calls for some fancy footwork on our part"

Stress

Iscor has been able to produce lighter, stronger and more attractive wheel rims for the motor industry

So successful has Iscor been in developing this steel that it now exports wheel rims

Railway lines are another area of interest, although Mr Van Vuuren says there were problems

"Our early rails lasted about three years, but increased axle loads, more traffic and longer trains required more durable track

"The new rails — with a higher manganese content — have a lifespan of about 20 years and sales have declined from about 250 000 tons in the early 1970s to less than 200 000"

The development of a product is usually a long-term exercise

(189)

BDay 24/1/89

ISCOR [illegible]

● THE price at which the country's largest sale of a state asset to the public is set at will have a strong influence on the whole privatisation process, stock broker analysts said.

They said it was beginning to look as if Iscor would be sold off in its entirety when its shares were made available for public ownership

Iscor is worth between R3-billion and R4-billion and its advisers have been chary about trying to raise this sum from the public at one go

It had been feared that if the issue was under-subscribed it would put a damper on the sale of future government assets

Until now it had been thought that Iscor would limit the value of shares issued to around R1,5-billion and raise the balance in a number of tranches in the next few years

But some of the big financial institutions have been telling Iscor they were perfectly happy to invest in it.

However, the price of the steel maker was crucial, because if it was set "right," the financial institutions have indicated they would take the lot.

The government, however, was known to be keen to get as many individual South African shareholders as possible and hopes the issue will result in Iscor possibly having as many as 150 000 shareholders.

Moreover, in order to ensure that the small investor gets a chance to take up shares, two issues are planned — one for institutions and one for private individuals. The terms in both cases should be the same.

This led institutions to argue that if the government wanted the private person to take up shares, it would have to make the offer a generous one

In particular, the offer would need to be sufficiently attractive to ensure the shares did not fall below the issue price in the next year or so because, were this happen, the privatisation effort could come to a halt.

24/8/89 BDay

(189)

Eight-point thrust in SA

THE group's domestic steel activities can be divided into eight major categories

MD Solly Milner says the most important bread-and-butter activity will always be its merchandising

The major stockyard, at its Germiston south division, was awarded an SABS quality assurance listing this week

This division caters for the structural, civil and mechanical engineering disciplines

It processes and stocks special steels and the profiled lengths required for construction

Special steels include alloys of carbon and manganese

Having high-tensile strengths, the latter are used in the manufacture of drive shafts, gears chains and bolts Products are cut to size on water-cooled saws

In the structural and civil engineering fields, accurate tolerances are required over vast spans of steel

Working to within 2mm, Macsteel s Germiston south division bevels and mitres channels, joints and angles to the designers' specifications

The other branch operations are at Potgietersrus, Potchefstroom, Pretoria and Durban

Most of Macsteel's products are produced by Iscor, and a number of special steels are also imported

The company is also one of the largest distributors of Iscor steels

Through its 50% stake in NTC Trading, Macsteel is also involved in the supply of engineering requirements

These include steels, pipes, chemicals and fluid-control products such as valves and pumps

Twelve branches throughout the country serve large corporations, the mining industry and local government

All the steel operations are held through Macsteel There are four autonomous processing divisions

One of the most important divisions is the Wadeville-based service centre

With a capacity to process 20 000t of steel a month, this division uncoils and flattens mild or processed steel, which is then cut to lengths of up to 2,5m Thicknesses of up to 4,5mm are handled with ease

Thicknesses of up to 16mm, are individually processed

Steel bending of thicknesses of up to 16mm is carried out on a newly installed computerised press operating on hydraulics

Simply entering the thickness, required angle and position of the bend ensures accuracy to thousandths of a degree

The centre also specialises in flame-profile cutting Gas cutters shape circles, chain sprockets and other special shapes from steel up to 300mm thick, within tolerances of 2mm

Computers interpret scale diagrams traced on film through an electronic eye, simultaneously cutting the shape to the correct size

Macsteel's custom steel division is a major local processor of imported grain-oriented and non-oriented steels, with a capacity of about 500t a month

The highly finished products are used in transformers and other electrical engineering applications for the promotion of generation of magnetic currents

Another major division is profile products, which produces cold-formed products, primarily used in the mining, industrial and warehousing sectors

These include roof sheeting, cladding and the requisite structural channels

Production presently exceeds about 10 000t a month

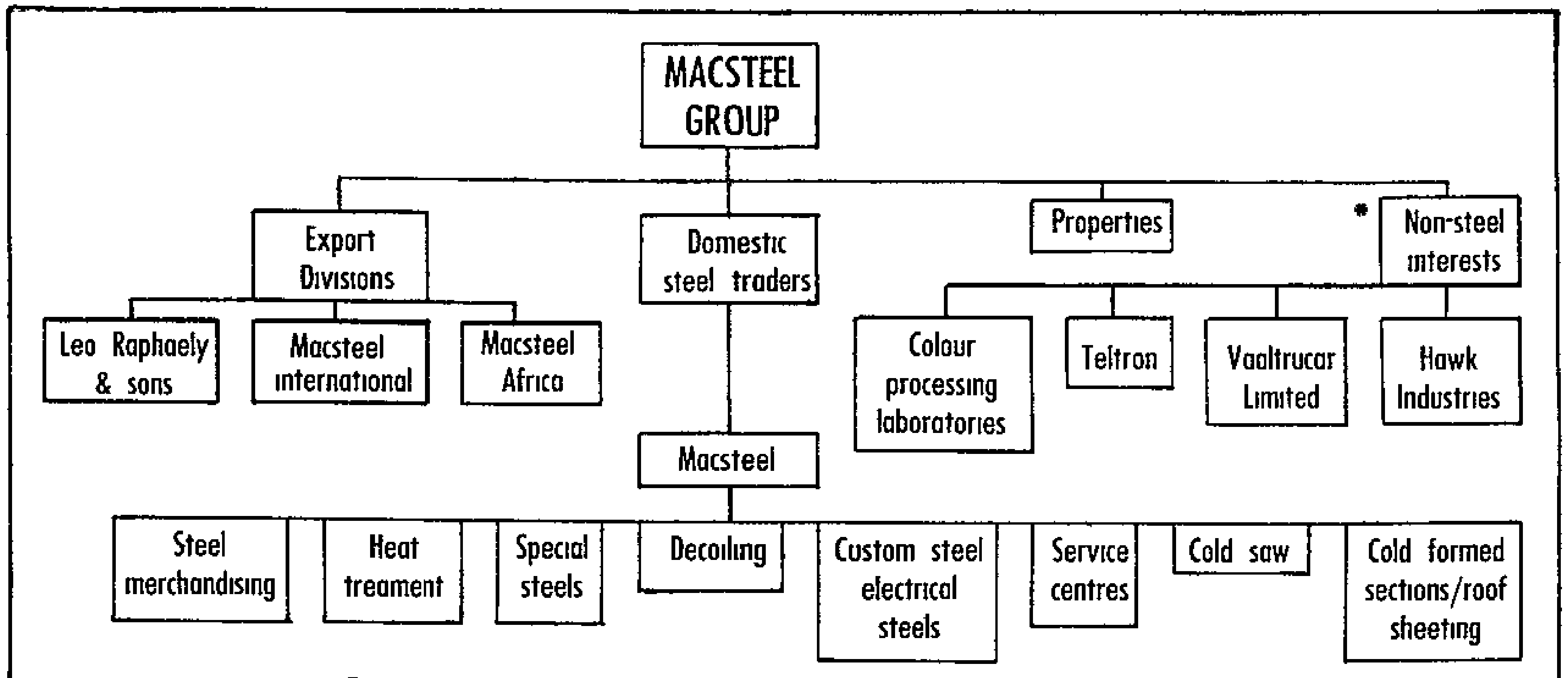
The division also participates in the actual construction process on a contractual basis

After considering the building's specific requirements, appropriate thicknesses and profiles are selected, and the building and ancillaries are erected by a team of engineers and technicians

This division is also a large stockist of Iscor's fencing posts and wire

The heat treatment division, which shares premises with the profile products division, processes various types of steel into special steels for the mechanical engineering sector

For example, manganese alloys are treated at temperatures up to 1 200°C to provide high-tensile strength



* Percentage varies from 25% to 51%

Graphic LEE EMERTON Source MACSTEEL

Samancor profits at record level

Cape Times 25/8/89

JOHANNESBURG: — Continuing strong demand and rising prices for Samancor's products in world markets, and the further weakening of the rand, boosted the company's performance to a new record level in the 15-month financial period ended June 30.

Turnover for the period was R2,1 bn, representing an annualised increase of 86,5% over the prvious year. Net attributable income of R567,1m was 141,5% higher on the same basis.

This includes a significantly increased contribution from Samancor's associated companies, notably Tubatse Ferrochrome.

The directors declared a final dividend of 65c and an extraordinary final dividend of 50c, which with the ordinary and extraordinary interim dividends of 45c and 40c gave a total for the year of 200c (75c).

MD Hans Smith said all operations had worked at full capacity and produced good results in the review period.

"The challenge now facing management is to consolidate at this high level and to fortify Samancor against the inevitable downturn in its notoriously cyclical markets," said Smith.

"Capital expenditure in the 1989/90 financial year will therefore be substantially higher as we invest in improving our infrastructure, quality of products and ore exposure in order to strengthen our competitive advantage."

Smith said the prospects for the new financial year were promising.

"Demand for Samancor's products is likely to remain strong but will probably not be sustained at present levels. In fact, we have already experienced some softening in price and demand, mainly in the ferrochrome market, nevertheless group results are expected to improve further during the next financial year," he said. — Sapa

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New import replacement

ISC

Cape Times 25/8/89

WILLARD Batteries have launched SA's first locally manufactured maintenance-free standby battery.

Previously all maintenance-free stand-by batteries were imported.

Extensively tested over 18 months, the LS 90 has proven itself to be capable of handling the most demanding applications.

It is targeted at the fast-growing and strategically important UPS (Uninterruptable Power Supply) market It will be sold to intermedia users for inclusion in their end-user packages.

Iscor share price decision

189

Capt
Trns
11/9/89

Own Correspondent

JOHANNESBURG — Iscor's share price, in what is likely to be the major public offer of the year, will be decided today and announced at a press conference in here tomorrow

The conference will also release details of Iscor's capital structure

This was confirmed yesterday by a senior Administration and Privatisation department official

Speaking on condition he was not named, he said the prediction that the shares would sell for R2 each was, at this stage "a guesstimate"

The decision on price would be made by today, he said

Speculation expects the shares to be issued at a discount to ensure success in the first new-generation public sale of state assets

The state is expected to raise between R3bn and R4bn through the offer

What is to be decided by tomorrow, in the light of intensive canvassing of institutional opinion, is

- How many shares will be issued and at what price,
- The relative allocations to the public, institutional investors, employees and management, and
- Whether the offer will be, underwritten and by whom

The state is expected to raise between R3bn and R4bn through the offer

In issue already are 1,5bn shares Of these, 10% or 150m are for employees Another 20% to 30% are held by the IDC and a proportion of this, still to be revealed, for Iscor management

At the end of June, announcing details of the employee offer, Eugene van Rensburg, said the state would ensure the widest possible public participation in the offer

It is expected that separate allocations will be made for institutions and for the public, a limit of 20% being placed on the holding of any single SA institution or allied cluster of institutions

- Yesterday further details of Iscor board changes were released by the state

Five existing members of the board have resigned — Sarel du Plessis, Rod Ironside, Leon Knoll, Hendrik Schoeman and Philip Theron

They have been replaced by leading private sector executives Warren Clewlow (Barlows CEO), Derek Keys (Gencor executive chairman) and Meyer Kahn (SAB group MD) and Jan van den Berg of Finansbank, one of the state's merchant banks

This leaves one board vacancy Yesterday, Jasper Nieuwoudt, chief executive of Privatisation and Deregulation in the ministry of Administration and Privatisation, said details of the vacant appointment had still to be released

Iscor has ruled out an enlargement of the 10-man board and chose new board members to beef up the state corporation's attractiveness to the private sector

In announcing this, state merchant banker, Hennie van der Merwe of Finansbank, said the intention was to appoint sound managers with a good track record, rather than representatives of shareholders The Iscor board would be independent.

Iscor priced for success

Cape Times 13/8/89 (189)

R2 lure for small investor

By **AUDREY D'ANGELO**
Financial Editor

THE price of R2 each at which Iscor shares will be offered to the general public and financial institutions is clearly designed to make the listing a success, as well as to encourage the small investor, Cape Town analysts and stockbrokers pointed out yesterday.

The offer comes at a time when there are other opportunities, including rights offers, competing for the cash available to invest. "If the price were higher it could turn out to be a disastrous listing," said Glenn Moore of Personal Trust

He thinks the share a good, longterm investment which will be in the portfolios of most major institutions "I don't think it will be a spectacular share to hold It will probably be a very solid sort of counter"

He expects the share to trade at between R2,30 and R2,50 at the end of the first day it is listed on the Johannesburg Stock Exchange "provided the market is stable"

However, Moore warned that the steel industry was cyclical "It is a good industry to be in, particularly as Iscor is an exporter, as long as the rand is weak and demand good

"But demand can dry up in a recession and earnings at such times could be lower than forecast"

Anthony Gibson of Syfrets said "I think the share is fairly priced I am sure that some people would have liked it to be higher But the Government is clearly determined to make the listing a success, and at that level it is generous enough for the man in the street to go for it

"The Government has probably been influenced by what happened in the UK, and wants to set a trend of a share-owning nation And it has learned the lesson of the BP privatisation, which was not a success

"It might be said that the Government is giving State assets away at that price — but then it is giving them back to the taxpayer"

Gibson said the number of opportunities available to investors now, including rights offers, was "setting some sort of ceiling on the market"

He doubted whether Iscor would attract many foreign investors "The time factor through which they look at SA probably makes gilts more attractive to them"

He also doubted whether Iscor shares would provide a quick stagging profit for people planning to sell their allocation immediately "This is not the market of 1987 when you could expect a premium of 50% You could probably make a profit of 10% or 15% if you sold them straight away

"But this is really intended for the long-term investor"

This was confirmed by Senbank MD Doug Anderson, who said that in-depth discussions were held with 15 key institutional investors on how they saw the investment climate over the next few months, and how they rated Iscor and the market in which it operated

"The conclusion was that the price and price earnings, as well as the dividend and earnings yields will make the listing a success

"This pricing will allow capital growth for the share and will pave the way for future successful privatisations"

Financial Editor

Merger

189

John Hall — the boss who talks to the shop

S/Times 1/10/89

By Robyn Chalmers

JOHN Hall, winner of this year's Human Resources Man of the Year award, is the acknowledged power behind the Middelburg Steel success story

Mr Hall received the award at a banquet in Johannesburg this week Other contenders for the title were Eskom human resources general manager George Lindeque and Anglo American manpower consultant Anthony Quinn

Mr Hall joined Middelburg Steel & Alloys as group marketing director in 1970, the year it was technically bankrupt Appointed managing director in 1974, he directed the company's metamorphosis

JOHN HALL . Middelburg back from the dead

Boom

Last year, the company had sales of about R700-million and profit after tax of R115-million In the wake of the ferrochrome boom, MS&A is one of the world's leaders in its field

Effective communication is the cornerstone of Mr Hall's success Since 1976, there has been a major change in senior management thinking about communication at MS&A

Mr Hall recognised early on that although his employees were well trained in their particular field, they were often underequipped to deal with group interaction where major decisions were made

He says "In the past decade I have become increasingly aware of the inadequacy of traditional thinking processes to objectively respond to the key issues of change"

Reduction

As a result, he initiated training sessions at foreman level to handle issues confronting the board and him as managing director

This came in handy in 1976 when MS&A had to decide whether or not to invest in a mill and meltshop Although it was vital to the group's future, the project was set to cost R300 million — unaffordable at that stage

Mr Hall introduced a series of workshops for his employees, intended to get them to communicate and start them rethinking and challenging traditional methods and techniques

For the first time the total workforce was involved with management in an exercise The outcome was a 50% reduction in the capital cost of the project

Mr Hall has carried on with the workshops They have led to improvements in cost effectiveness and productivity

In one such workshop, employees worked out a plan for savings in power costs, raw material procurement and labour use of R3-million in one year

Pressure

Mr Hall's foresight extends to more than human resources In 1983, when the world ferrochrome market slumped, he bucked the trend of widespread retrenchments and retained all of the company's 4 000 employees

He stood firm in spite of pressure from shareholders, and was proved right two years later when the market recovered and MS&A could move to full capacity almost immediatly

Mr Hall is also an executive director of Barlow Rand, chairman of both MS&A and Pretoria Portland Cement and Barlows director of human resources

Hulett Aluminium is to invest R70m

189

NEIL YORKE SMITH

HULETT Aluminium announced yesterday it is to spend R70m on land, plant and equipment over the next two years

MD Des Winship said the investment was part of a long term strategy to improve output and quality "This is the first step in a series of significant programmes based on improved technology, engineering and process controls"

Much of the capital will go into expanding and upgrading the company's main plant at Maritzburg, where R31m will be spent on expansion and quality assurance in the rolling mills

BDay 5/10/89

"Aluminium's high-strength and low-mass alloys will play a significant role in transport, mining and packaging applications in the years ahead," added Winship

In the past financial year the company posted bottom line earnings of R39,8m on turnover of R537,9m

B/Day 6/10/89 (189)

Vansa makes R25m profit in full operating year

LIZ ROUSE

VANADIUM and chrome producer Vansa Vanadium has reported audited bottom-line profits of more than R25m for the year to September — out of which a 2,5-times-covered maiden dividend of 25c will be paid

In its first full year of vanadium operations, Vansa showed a taxed profit of R25,2m, after appropriating R14,6m for capex The comparable figures for the previous year were profits of R4,3m from chrome alone — after tax and a R1,6m capex appropriation.

The latest results are equivalent to earnings a share of 63c (12,5c previously) The contribution to attributable profits for the year came almost equally from vanadium operations (R12,2m) and from wholly owned Winterveld Chrome Mines (R13m)

At the trading level, Vansa's operating profit for 1988/89 was R40,5m compared with R5,1m in the previous year The company paid interest of R358 000, compared with interest earned of R816 000 previously, while tax took R365 000 (R19 000)

In a review of operations Vansa says although production was inhibited by post-commissioning difficulties, vanadium profits were satisfactory The chrome profits were generated by higher sales volumes and prices to local and export customers

STAR

US firm sells its SA assets

10/10/89

PITTSBURGH — USX Corporation said yesterday that it had sold all of its equity interests in South African companies.

The oil and steel concern withheld the identity of the buyers and the sale price. (149)

Shareholders submitted a resolution earlier this year that USX sell its holdings in South Africa They withdrew the resolution after management said that sale negotiations were under way

USX held a 21 percent stake in Associated Manganese Mines of South Africa Ltd, a 45 percent stake in Feralloys Ltd and a 46 percent stake in Prieska Copper Mines Ltd.

The companies produce iron ore, manganese ore, chrome ore, zinc concentrates and ferroalloys — Sapa-AP.

Highveld cuts vanadium production

ANDREW BUDDEN

DRIFTING spot prices on the international vanadium market have forced Highveld Steel — the world's largest vanadium producer — to cut production at its Vantra works by two-thirds B/Day 11/10/89

At the same time, it has had to accept its second consecutive quarterly price cut as free-market quotes continue to slip from their extraordinary second-quarter highs

The company recently announced its fourth quarter pentoxide price of $5/lb — 21% down on the third-quarter fix of $6,30 and easier by a third than the $7,50 quoted in the second quarter

A company spokesman said last week Highveld had cut production as international demand had slackened No timetable for a return to capacity production had been set

(189)

Highveld is the world's major vanadium producer and effectively sets international contract prices

The spokesman said production had been cut as prices needed to be stabilised at a relatively good level

Prices were recently boosted to all-time highs as demand outstripped supply in the rapid expansion of the world steel market

COMPANIES

Future for Wedge remains uncertain

B|Day 16/10/89.

189

ANALYSIS
STEPHEN RICHTER

WEDGE Holdings' shareholders are not a happy group these days as the share price continues to retreat in response to poor results and an uncertain future.

The share price fell sharply last week to a low of 25c as shareholders appeared to be throwing in the towel This is in sharp contrast to the 270c high reached shortly after its JSE debut in August 1987 (see graph)

Wedge has traditionally carried on business as a steel merchant, while also being involved with certain secondary steel products The group's track record was very impressive until last year as earnings a share jumped from 0,6c in 1983 to 22,8c during 1987

In his review accompanying the 1987 annual report, chairman Peter Thomas told shareholders "Wedge is a tightly managed group operating in a giant industry

Problems

"With close attention to overheads, Wedge is anticipating a further substantial increase in taxed profits On this expectation, shareholders should also look forward to an increase in dividends"

Wedge appeared headed for a satisfactory 1988 as the interim figures were released showing a 147% rise in turnover Earnings advanced to 6,6c from 5,9c for the corresponding period of the previous year, in spite of a significantly larger number of shares in issue At that stage, management did not indicate to shareholders any major problems were on the horizon Consequently, there was sufficient buying interest in Wedge shares at 80c to support them at this level

This support area continued to hold until April this year, which corresponds to the announcement of Wedge's R2,6m after-tax loss for 1988. While management did mention in its interim report margins would remain under pressure, it neglected to reveal to its shareholders, let alone the average investor, the full extent of problems which were plaguing the group during the final six months until yearly results were released

Another factor to make investors jittery toward the group, is that operating profit before interest was altered from the original figures given in April. The original figures showed operating profit before interest declined to R3,053m from R5,0m But in an amended report which appeared in June, this figure for financial 1988 was adjusted downward to R1,441m

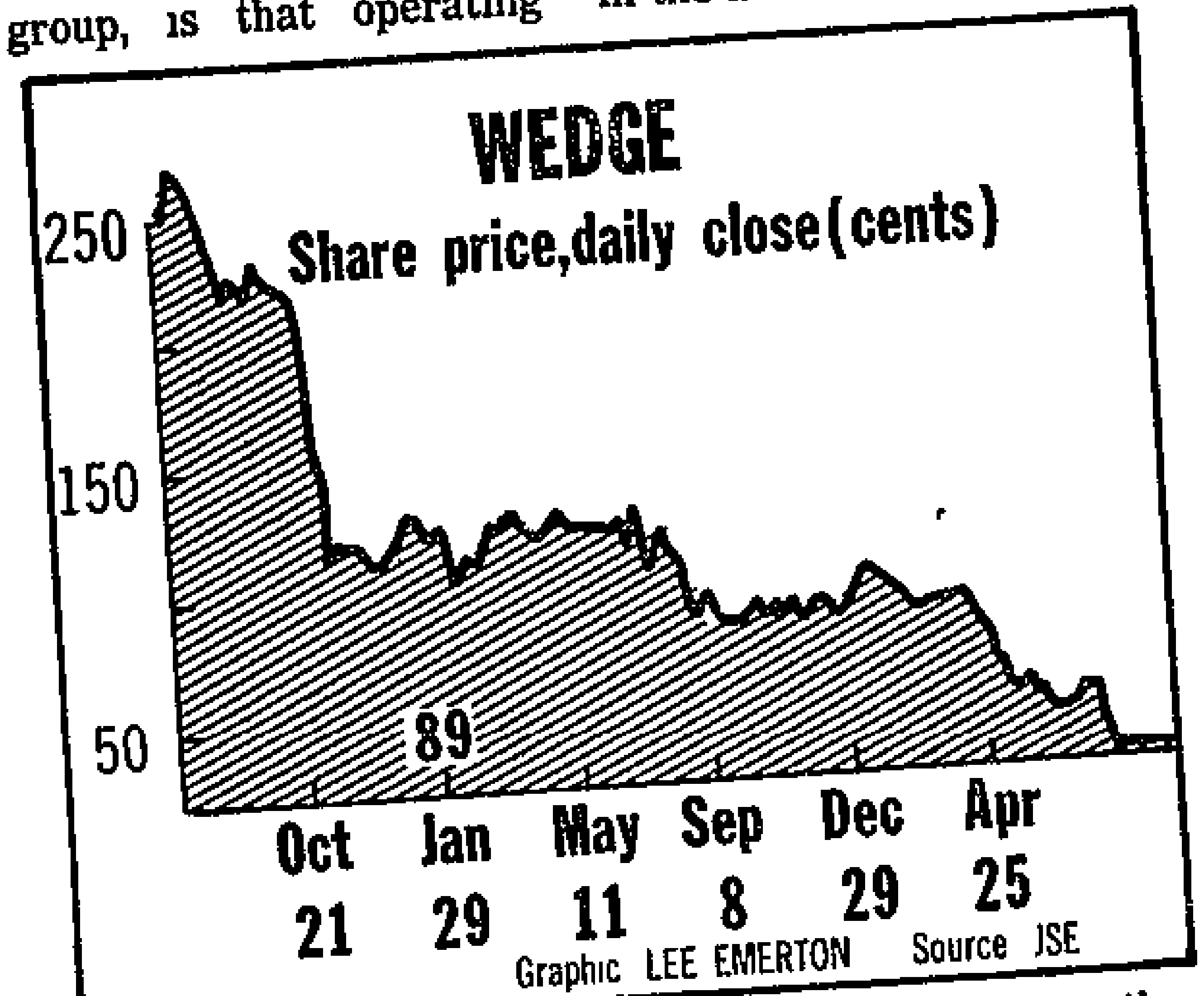
The directors explain they have decided to write off, in the 1988 results, any debtor that may be doubtful and for which there was no specific provision In addition, taking into account the equity accounted earnings of UME, the full effect on operating profit before interest is an increased loss of R1,6m This explains why the R1,441m, which appears in the latest annual report, differs from the R3,053m originally reported

MD Reg Wepener recently resigned, which could have been a major factor behind the directors' decision to sell its SA steel trading activities to Macsteel The consideration for the sale will be determined once an audit of Wedge's assets and liabilities at April 30 1989 has been completed

Thomas says if there is no dispute over price, this issue could be settled within the next few weeks But if a dispute does arise, then it will enter arbitration which could take longer

Once shareholders have ratified the sale of the steel trading activities, Wedge will basically become a cash shell with the proceeds from the steel trading operations as well as the approximate R6,8m in cash generated from the sale of its 20% stake in UME

While Wedge's NAV may justify a higher price for its share than current levels, investor confidence in the group has been severely shaken due to the recent events Consequently, Wedge shares should be avoided for the time being



Graphic LEE EMERTON Source JSE

B/Day 15/11/89 (189)

MS & A beats its own wildest profit prediction

REINIE BOOYSEN (189)

BARLOWS' wholly-owned subsidiary Middelburg Steel & Alloys (MS & A) beat its own wildest expectations for the year to September in lifting taxed profit by more than R100m to R215,7m (R114,9m)

Pre-tax profit grew R135m to R320m, but a rise in the tax rate (15% to 33%) prevented bigger growth in taxed profit

MD John Gomersall said yesterday management had budgeted for taxed profit of R181m "But these things do not come often So we should be thankful this good year has put us in a strong position in terms of cash-flow and gearing"

Record demand and prices for ferrochrome and stainless steel, and the continued slide of the rand, caused the rise

Although MS & A's facilities were worked to the hilt, officials said there was no appreciable rise in physical production

Gomersall warned the "bull-run" on MS & A's products was over, and that there had been a marked softening in market conditions since June Production facilities for ferrochrome were set to increase capacity by about 40% over the next three years

B/Day 15/11/89

Gomersall said MS & A planned to use the lull in the market to consolidate its position by looking at efficiencies

Officials said essential maintenance, which had been postponed to take advantage of the peak of the market, was now being done at some facilities

There was also a ferrochrome expansion under development, at a cost of R260m, which was expected to achieve cost reductions The facilities, which will lift capacity from 310 000 tons a year to 430 000 tons, were expected to come on stream next year

MS & A's contribution to the Barlow Rand group attributable profit rose from 15,5% last year to 21,6% this year

MS & A's performance this year could be the pinnacle of a steady, six-year growth in profitability, from a R19,9m loss in 1983 Gomersall said it would be "difficult, if not impossible, to repeat the performance of the past year this year"

Furntech to sell WTI, become cash shell

BARRY SERGEANT

FURNTECH is to become a cash shell after poor operating results for the interim period to June 30 It is to dispose of its sole operating subsidiary Western Transvaal Industries (WTI) to Macsteel Commercial Holdings for a price that will only be known after audited figures to December 31 are released

The purchase price will be the audited tangible net asset value of WTI at December 31

(189)

It will include an amount attributable to the increased value of plant and equipment at that date and is payable in cash

In the interim period for the six months to end-June, Furntech reported a loss of 9,7c a share (+6,3c)

Turnover increased 13,1% to R41,1m as an operating profit of R2,1m was turned into a loss of R2,2m

The interims include an extraordinary item of R919 000 that saw last year's interim profit of R1,8m turned into a loss of R3,8m

On the Furntech balance sheet, shareholders' equity fell from R15,3m at end-December to R11,5m at end-June The ratio of interest-bearing debt increased from 34% at last interims to 86% The net asset value was 39,3c at the latest interims, against 49,5c a year ago, and 52,2c on December 31 B/Day 24/11/89

Meanwhile, PW Corporate Services last night announced "agreement had been reached with Macsteel for the disposal by Furntech of the entire share capital and all shareholders' claims in Western Transvaal Industries (WTI)"

WTI is named as Furntech's "sole operating subsidiary" and "accordingly, the disposal of WTI will result in Furntech becoming a cash shell"

BDay 1/12/89

Robor expects to hold its own against inflation

189

SYLVIA DU PLESSIS

DIRECTORS of engineering-listed Robor Industrial Holdings are expecting 1990 profit growth in line with inflation, outgoing chairman Brian Connellan says

In the Barlow Rand subsidiary's latest annual review, he says the impact of a clearly declining economy will be felt in the group's businesses, particularly in the consumer durable and gross domestic fixed investment areas

In addition, the world steel "boom" appears to be tailing off rapidly

"The impact of a privatised Iscor, the major player in the domestic steel markets, and its future strategies relative both to local and export opportunities, will clearly have a bearing," he says

"Equally, the newly announced export incentives can bring significant improvements to earnings if we can rapidly and effectively increase the value added content of our exports"

A changing political dispensation and its impact on currencies and sanctions will also influence growth, he adds

Results for the year to September reflected a 41% rise in earnings to 149,4c (106,2c) a share and a total dividend of 62c (45c), covered 2,4 times

These figures — well ahead of market expectations of a lukewarm performance were realised on turnover which improved 27% to R763,6m (R601,1m).

Connellan says market conditions prevailing during this period were better than expected in domestic and export arenas

The split early in the year of the group's Robor business into four operations specialising in steel merchanting, steel processing, metals merchanting and tubing distribution, has already proved successful and places the group in a better position to address under-performing assets, he says

"Rationalisation opportunities to enhance asset productivity further and reduce operating costs will be pursued in the ensuing year"

Samancor moves up

SAMANCOR should have ranked higher than published in the turnover and taxed profit tables in last week's Top Companies Survey

S/Times 10/12/89

Samancor's 1988 numbers were used mistakenly in placing it 57th by turnover and 32nd by profit

Samancor's turnover in the 15 months to September 1989 was R2 128-million That annualises to R1 702-million and puts Samancor in 37th spot after Imperial Cold Storage and above Wooltru

(189)

Taxed profit for the 15 months was R567-million, which annualises to R453-million That places Samancor in 14th position after Sasol and above Driefontein Consolidated

R15m Silver Corp investors worried

S/Times 10/12/89.

(189)

By David Carte

JOHNNY Loots is one of several worried Silver Corp shareholders who will defer their holidays to attend the company's inconveniently timed annual meeting

Unlisted Silver Corp will hold its meeting in the middle of the silly season — on December 15

Mr Loots is one of hundreds of small investors who poured altogether R15-million into Silver Corp and are now wondering if they will get even small change back

Extravagant

Silver Corp has sold its shares to the public with extravagant promises for three years By December last year, its accumulated losses were R9,7-million and shareholders' funds were down to R2,2-million

The company last sold shares at 45c There are 56,2-million shares in issue, so it valued itself then at R25,3-million

Mr Loots says "Silver Corp made me keen on silver recovery I bought shares When they didn't deliver, I decided to go into gold and silver recovery myself

"I bought a couple of chemistry and metallurgy books When I had learned the theory, I got a licence as a recoverer of precious metals I bought some nitric acid and a blowtorch and started recovering silver and gold from jewellery and old computer circuit boards

"I have made more than R100 000 If I can do it with hardly any capital, why can't these guys with R15-million of public money?"

Chairman and founder Fanie Naude says Silver Corp company did badly last year because it was fighting a takeover bid by Ivan Brownlees

Co-founder Danie Nel says the long-term outlook for silver remains bullish The company has spent millions in building up an overseas infrastructure It will be profitable once silver takes off

Mr Naude enthuses about Silver Corp's latest investment opportunity — a silver-backed debenture, which the company calls SilFin Investors are invited to give the company more money

This time the funds will be put in a trust account Silver worth 44% of the value of the investment will be bought, 20% will go into a mutual fund, costs will take 10% and 26% will go towards equity in Silver Corp at 25c a share compared with 45c the last time it sold shares (before the October 1987 crash)

Image

Mr Naude and Mr Nel say the instrument will be tradeable, risk will be minimised by the silver backing and the mutual fund element and a board of trustees will eliminate any credibility gap

But it is hard for an outsider who is not a silver enthusiast to see merit in the instrument He gets no return Indeed 10% goes immediately in costs

Silver Corp's enthusiasm for SilFin matches the 1988 report's description of the company It valued its image at R8-million, its comprehensive infrastructure at R10-million, its SA and international developments at R50-million, its assets and equipment at R10-million and its "financing of losses", which are actually effective development and establishment costs at R10 million — a total of R88-million

Mr Naude says litigation with Mr Brownlees and delays at the auditors caused the annual report to be published 11 months after the December yearend

Turnover in the 15 months to December 1988 was R2,9-million, but the net loss was R4,7-million In addition, there were net extraordinary losses of R2-million, hence the R6,7-million deterioration in shareholders' funds

Directors' fees appear reasonable at R75 610 but management and technical fees of R537 000 were paid to "institutions under the control of the directors" The consolation is that the amount is down from R851 000 the year before

The directors say in their report that because of a lack of discipline, the venture capital market fell into disrepute As a result the company sought other sources of funds, resulting in negotiations with JB Foundation and Noga Holdings from Luxembourg, through Mr Brownlees

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Saficon and Reunert

SAFICON Investments should have ranked 46th in last week's Top Companies survey with an average annual return to shareholders of 37,1%

The computer fundis forgot to adjust for a one-for one share split in 1987 and a 50-for-100 capitalisation issue in August this year S/Times 10/12/89

Another omission was Reunert, which achieved a return of 25,1% a year and would have ranked 96th — ahead of AECI The capital reduction implicit in the TSI deal threw out the original calculation.

active 903087

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Vanadium price cut

HIGHVELD Steel and Vanadium Corp Ltd (HGVJ) said it set a vanadium pentoxide price of $2,50/lb for the first quarter of 1990, compared with the current fourth-quarter price of $5/lb.

Highveld, which supplies about 60% of the West's vanadium, said the price cut reflected slackening demand.

Highveld also supplies certain socialist countries, so its quarterly price setting announcements determine contract prices.

The company announced last October that it cut production at its Vantra plant by two thirds because of the fall in demand, which has caused a steady slide in prices since Highveld's 1989 second quarter contract price of $7,50/lb. — Reuter.

BDay 22/12/89

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189

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BDay 22/12/89

BASIC METALS

EXPORTS

1989

Usco may begin steel exporting

B. Day 9/1/89

189

BRUCE ANDERSON

THE export of steel products has become a feasible proposition following the improvement in world steel prices and the weakening of the rand/dollar exchange rate, says Union Steel Corporation (Usco) chairman Flores Kotzee

Describing Usco's prospects for 1989 in his chairman's review, Kotzee says the corporation has excess melting capacity available and it is envisaged this capacity will be used to manufacture products for the export market

However, he warns "It is generally expected local economic conditions will deteriorate and, under these circumstances, it is expected the corporation's profitability will be under pressure"

Dividends

Usco manufactures and sells special steels, mild steel, stainless steel wire, forgings, copper wire and cable as well as aluminium conductor and cable

The group also has investments in various steel merchants, suppliers of copper and aluminium rod, and in manufacturers of copper wire and associated products

The tripling of Usco's share price last year reflects the corporation's dramatic rise in profits — largely due to an improved performance from its steel division Dividend payments were also resumed after an absence of four years

Results to September show pre-tax profit well up after an almost 50% increase in operating profit (from R26m to R49m)

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Making a mark in steel

HELOISE HENNING

MAN IN THE NEWS

BARLOW Rand consultant Paul Hatty did not have even a day's experience in the stainless steel industry when he was seconded to the Board of Trade and Industry (BTI) at the end of last year to develop a plan for expansion in the sector

But he had distinguished himself as an industrial planner in a career marked by an ability to rationalise and organise

He was a Barlow Manufacturing director He designed the Kelvinator fridge which put the company on the map Later he was responsible for rationalising the electrical companies in the group under a holding company — the forerunner of Reunert

Hatty was in charge of both C J Fuchs and GEC when they were taken over, adapting them to the Barlows management style

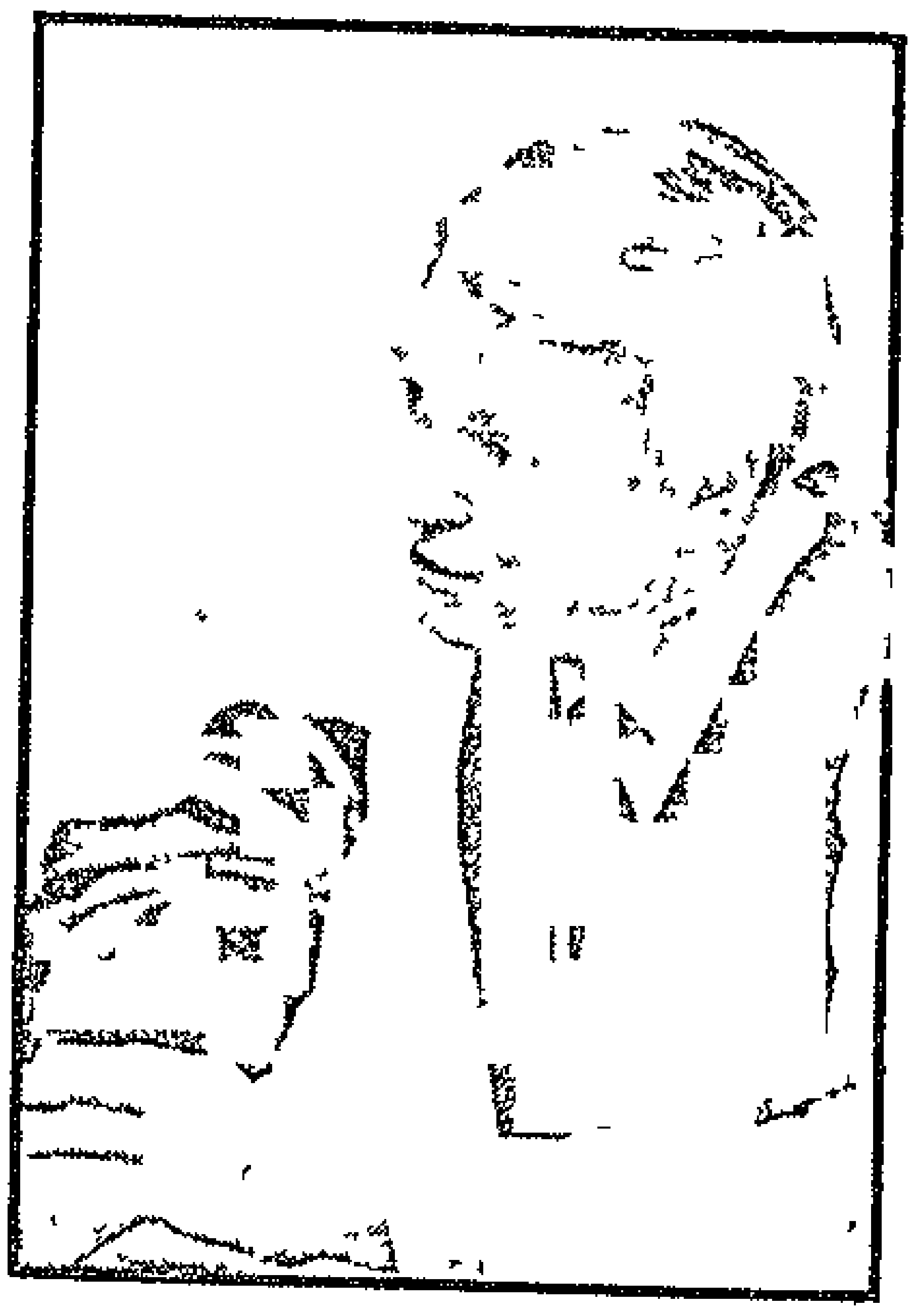
In a stint with the BTI, he investigated the country's industrial infrastructure.

Deposits

His research formed part of the eenly awaited government report industrial development It is idely believed the report included rategic recommendations that ould not be published, hence the lence

Through this investigation, Hatty came knowledgeable on technical ills and beneficiation

This is the crux of the latest task has the world's largest chromium deposits and, while these are not richest, local industry has been able to develop stainless steel to specifications the world accepts



☐ PAUL HATTY

The only stainless steel producer, Barlow Rand-controlled Middelburg Steel, exports about 50% of its flat products But SA needs to sell more value-added manufactured goods

Of the 200 local manufacturers in the sector, only 10 export their finished products, giving credence to industrial planners' accusation that there is a lack of drive among manufacturers when it comes to exports

Hatty believes manufactured exports can increase if a system of incentives and disincentives is introduced

"We have got to find a new breed of guy who wants to get out and work seven days a week in the export market Unfortunately there are fellows who make enough, and prefer to play golf two afternoons a week."

South Africans do not lack ingenuity, says Hatty They have designed stainless steel products that will sell well overseas Manufacturers complain of a lack of capital for expansion, but there are plenty of potential investors seeking a productive, wealth-creating cause What is lacking is the drive to launch products for export and keep them in the market

Santions are no excuse Manufactured goods at competitive prices, especially parts, will always find a market

Variables

Hatty says the country's export marketing has always followed the agricultural model — only surpluses have been exported An industry like stainless steel, should be investing in factories to supply exports only

Hatty hopes to develop a mathematical model containing all the variables from input costs, tax, production volumes and incentives He is working closely with the Stainless Steel Development Association

He has given himself a year from February in which to deliver the stainless pipeline study

Other projects he is involved in include Barlow Rand's drive to privatise the company's structure, hiving off owner-operated small industries He is also evaluating the skills of the group's staff

R4-bn set aside to boost steel and ferroalloy production

Sta. 3/7/89

(189)

By Derek Tommey

South Africa is expected to spend R4 billion in the next three years on expanding steel and ferroalloy production, and if some of the proposed stainless steel projects come to light, this figure could reach R5 billion

This estimate was given by Mr Leslie Boyd, chairman of South Africa's second biggest steel producer, Highveld Steel and Vanadium, at the 1989 **Capital Expenditure Prospects** conference

He said that because of the threat of sanctions steel makers were not planning to increase production But production of ferroalloys, which were mainly unaffected by sanctions, would rise substantially

Reviewing the prospects for the steel industry, Mr Boyd said that world production last year reached a record 780 million tons with South Africa producing just under 9 million tons equal to 1,15 percent of the world total

The South African steel industry is one of the lowest-cost major producers in the world, with more accessible and easily mined raw materials than most other producers

Other countries' export prices were not available but in terms of domestic steel prices, steel consumers in South Africa have the lowest-priced products.

Mr Boyd said that South Africa exports about 34 percent of its steel production This is a comparatively high dependence on exports by world standards At its peak Japan was exporting 35 percent of its production but this is now down to the 20 percent levels

However, since 1986 South Africa had lost its entire markets in North America and Europe which, apart from being major volume markets, are also traditionally the highest price markets

Stainless steel was another area where production could be increased as South Africa isthe largest source of chrome alloys in the world

Altogether the steel industry was expected to spend some R3 billion in the next three years, but it would be mainly on modernisation and not on increasing production

The opportunities for expanding the ferroalloy industry are much greater than for the steel industry, as sanctions do not have a significant impact on ferroalloys

South Africa at present is producing just over a million tons a year of chrome alloys, equal to about 43,5 percent of world production

Production in South Africa in the next two years is expected to rise 40 percent

Production of managanese alloy will also increase South Africa accounts for 16,5 percent of world but output this is misleading at South Africa is one of the four major producers of manganese ore and much of the manganese alloy production in other areas originates from South African ore, he said

At present the three major local producers are planning to increase production by more than 20 percent in the next two years

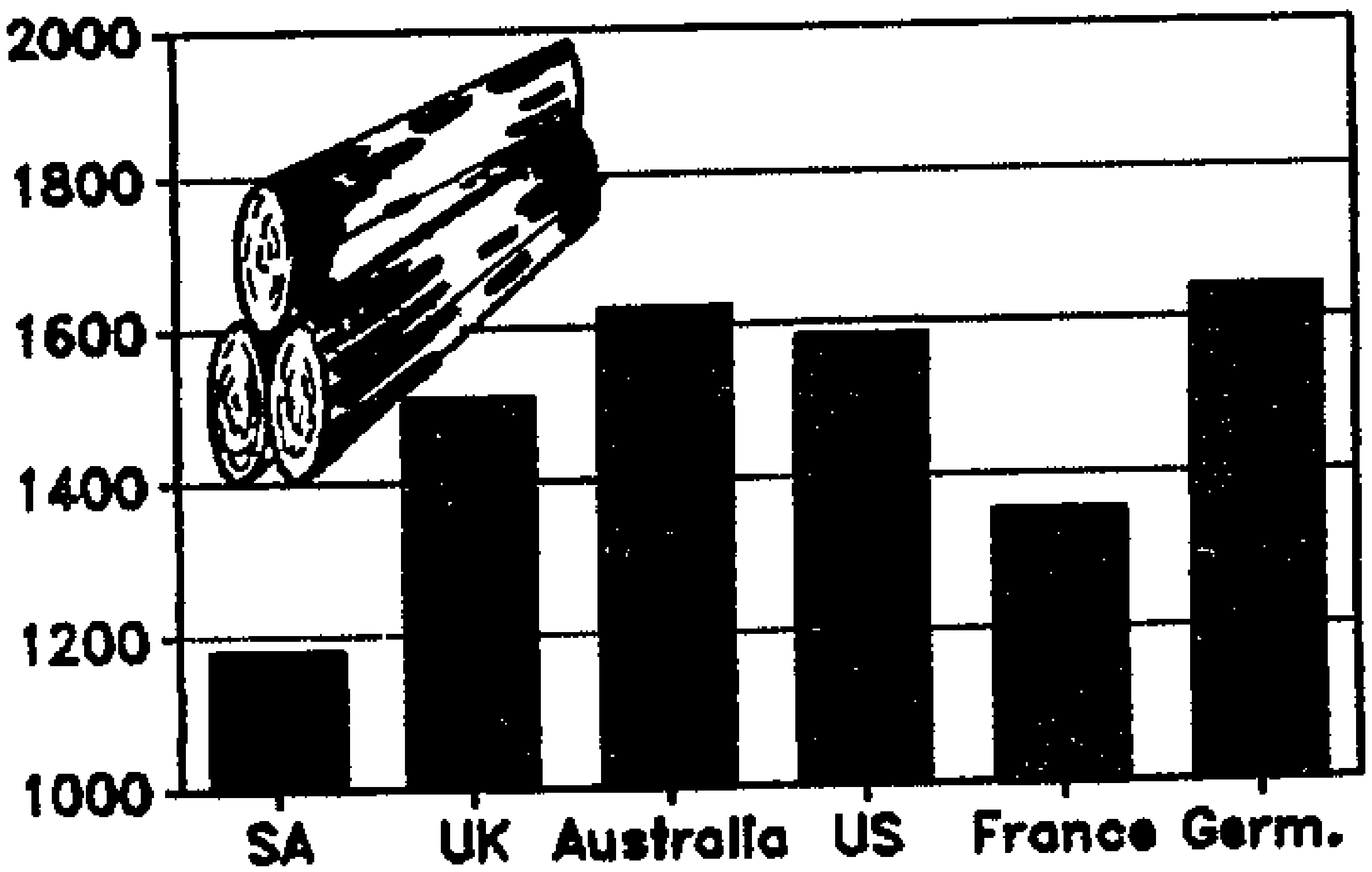
An increase in the production of vanadium pentoxide is also planned South Africa produces 61 million pounds a year equal to 65 percent of world production outside of Russia and China

The 1989 Capital Expenditure Prospects CONFERENCE

South Africa is the major player in vanadium and, because of the accessibility of high-grade vanadium bearing deposits, is likely to remain so

South African producers are planning a 25 percent increase in the next three and Usco is planning to start vanadium production with a 15 million pound a year plant

Les Boyd — "Production of ferroalloys will increase "



Comparison of steel prices (cold rolled sheets R/ton)

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Strong export growth boosts Amic

Star 10/3/89

By Ann Crotty

Amic managed to sustain the sterling performance reported at the half-way stage and for the full year to end-December reported earnings at the top end of the market's expectations

The strength of the local economy and the excellent performance from the group's export activities enabled management to turn in a 47 percent surge in attributable earnings to R517 million Earnings per share were up 43 percent to 963c (673c) and total dividend for the year was increased by 29 percent to 290c (225c) a share

The increase in dividend was on the low side of expectations Dividend cover has been increased from 2,9 to 3,3 times

In his chairman's review Mr Graham Boustred stated that the results were largely a reflection of the strengthening of the economy throughout the year and the continuing resilience of the world economies which stimulated strong export growth both in volume and value

But he cautioned that domestic demand is likely to be subdued by the measures being taken to restrain the economy In addition "Although world economies remain strong there are indications that some commodity prices may have peaked and further growth in these markets will be dependent on higher volumes and the performance of the rand in foreign exchange markets"

The star performers during 1988 were again Highveld Steel, Mondi and Boart This was in line with expectations and in each case reflects the strong contribution made by exports

At Highveld Steel, turnover exceeded R1 billion Attributable earnings more than doubled to R121 million, equivalent to 171c (80c) a share

Higher pulp and paper production and higher epxort prices enabled Mondi to increase attributable profit by 56 percent to R162 million (R104 million)

At Boart, attributable earnings were up 54 percent to R97 million (R63 million) Attributable earnings at Scaw Metals rose to R62 million (R56 million) AECI's earnings were up 20 percent to R255 million

Tongaat, Dorbyl, Samcor, McCarthy and the Ventron group all made sterling conributions to Amic's results

At year-end the group's gearing was down to 25 percent from 47 percent

On a general note Mr Boustred referred to the large increases in government expenditure and the associated rise in the tax burden which continue to detract from the country's growth potential

He stressed the need to ensure that proceeds from the privatisation of Iscor should be used for capital expenditure and not to finance current spending

Highveld vanadium prices set to increase

B/Day 20/3/84

ROBERT GENTLE

LONDON — SA vanadium exporter Highveld Steel and Vanadium is likely to break from its traditional fixed-price policy and substantially increase second quarter prices, says the UK publication Metal Bulletin (MB)

It would effectively be charging its customers $8 a pound by imposing a $3 surcharge

Highveld is reportedly keeping tightlipped about the plans, despite persistent rumours in the market

189 [illegible]

Lagging

MB says the surcharge is seen in the market as an attempt by Highveld to give itself greater flexibility in the wake of the rapid run-up in prices in recent months

Highveld's current posting of around $4,50 per pound has been lagging for some time behind free market quotes, which are in the $10 per pound range, depending on demand from sources, like Japan and Russia.

"At present prices are trying to find a level, and an announcement by Highveld should help sort things out," says MB.

The Star
Finance

Star 29/3/89 189

Samancor held in high esteem

Sharespot

LYNNE PEACH

Samancor is held in high esteem by the market, particularly so these days when the outlook for the rand is a cause for concern.

This SA-based metal mining group exports four-fifths of its production and because world sales are mainly denominated in US dollars, the relatively weak rand is very good news for Samancor.

The group is also a low-cost producer, a sizeable supplier on international markets, and its most important products are currently riding a high wave of strong world demand/prices

Samancor, whose largest shareholder is Gencor, produces a variety of mineral, metal and chemical products It is the Western world's largest producer of chrome ore, ferrochrome and manganese ore, and is one of the largest producers of manganese alloys

World stainless steel production has been growing strongly and the demand and prices for chrome ore and ferrochrome have increased substantially.

Dr John Muller (acting Chief Executive) says that although the rate of increase has slowed, prices continue to rise. He does, however, expect prices to flatten-out in the second half of this year Over the long term, he expects, demand growth for ferrochrome to average three to four percent a year

Dr Muller went on to confirm that the first of two new ferrochrome furnaces at Tubatse is due to come on stream this week while the second is scheduled to become operational during the fourth quarter of 1989

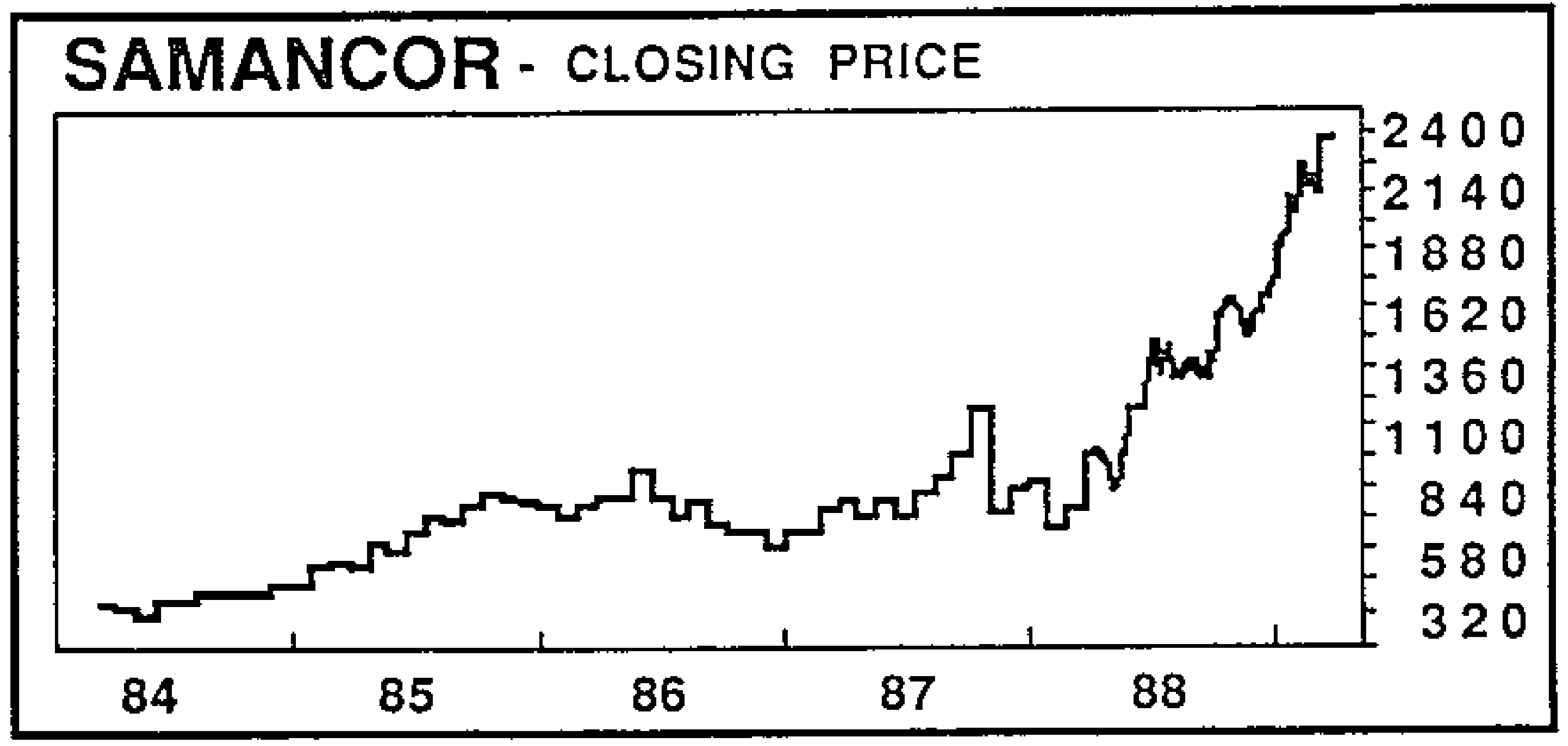
An unexpected level of growth in industrialised nations boosted the carbon steel industry which lifted demand for manganese ore and alloys It is the first time in a decade that demand has exceeded supply, and prices consequently rocketed Dr Muller confirms that prices are still firming Over the long term, he expects demand growth to average about one percent a year.

As far as new developments are concerned Samancor, in conjunction with a local partner, is currently investigating the feasibility of producing stainless steel Dr Muller says the first part of the analysis showed sufficient promise for the group to go ahead with final stages of the feasibility study.

Samancor has changed its year-end from March to June, and in the nine months to December 1988 earnings soared to 195,8c, compared with 125c for the full year to March 1988 An interim dividend of 85c was declared (75c for the 12 month period to March). The dividend includes an extraordinary dividend of 40c, a "bonus" in view of the exceptionally high attributable income

These results were achieved on the back of improved demand and prices for the group's major products, a trend which Dr Muller predicts will continue for the rest of the financial year The weaker rand also made a notable contribution to group performance

The market is speculating that earnings for the full year to June 1989 will rise dramatically, to around 380c. This places the share on an attractive forward price-earnings ratio of 6,3



Early in 1988, Samancor's share price took off and hasn't stopped since. According to the charts, the share has not run out of steam yet.

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Suppliers' order books full until 1990s

Austrians on lookout for scarce SA metals

B|Day 29|3|89

HELOISE HENNING

AUSTRIA wants to increase its imports of SA ferro-alloys and steel, but the suppliers' order books are full until the 1990s.

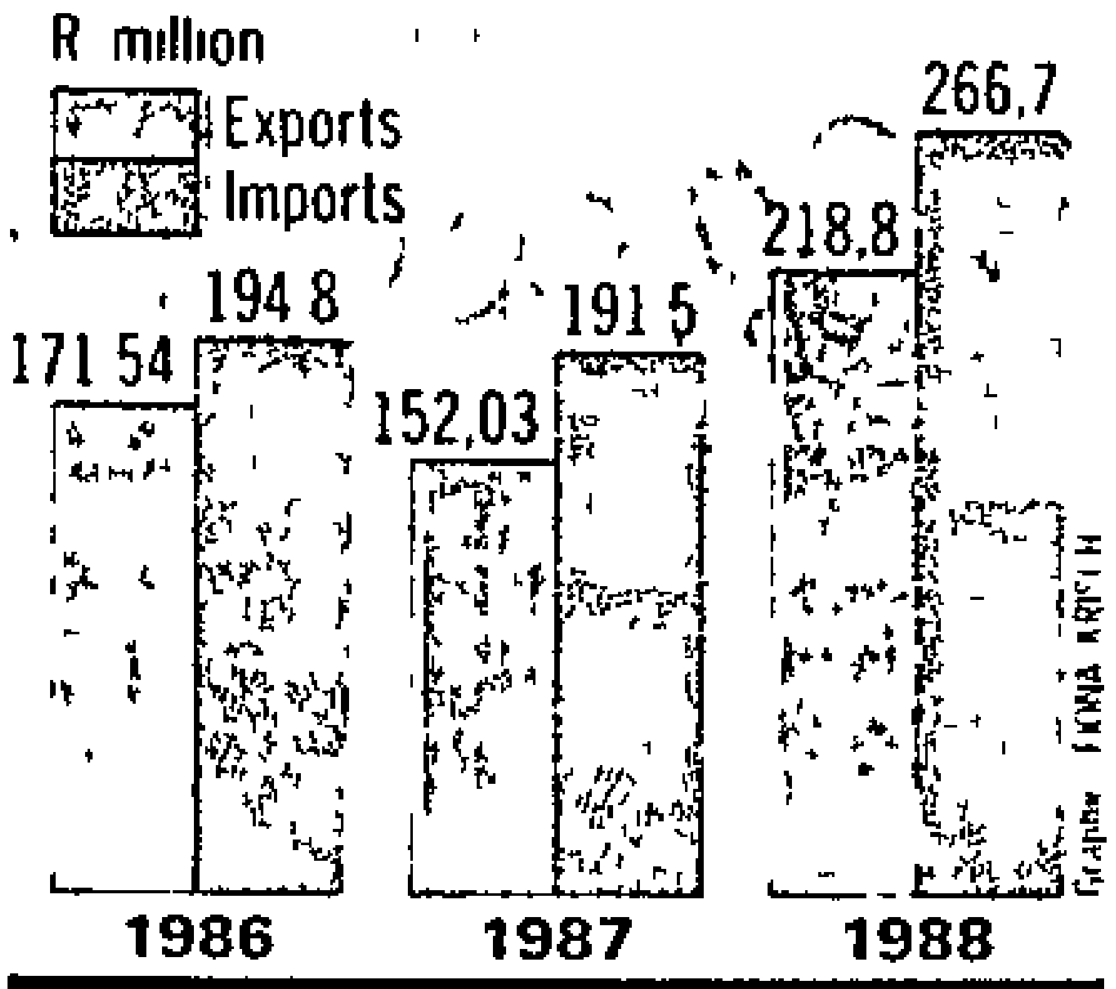
Austrian trade with SA showed a turnaround from 1986 and 1987 when its imports from SA increased by 35,3% to R267,3m in 1988 Its exports to SA rose by 43,9% to R218,8m, according to figures released by the Austrian trade delegation in Johannesburg

This makes SA, after Egypt and Algeria, Austria's third largest trading partner in Africa, although trade with SA is only 0,3% of Austria's total

The Austrian trade representative in SA, Heinz Rampitsch, told Business Day the country was keen to improve bilateral trade relations because SA's export prices were "unbeatable"

Austria would like to import more of SA's ferro-alloys, commercial steel, stainless steel and ferrochrome It would in turn export these to several Eastern Bloc countries, or would add value in manufacturing But the order books of SA ferro-alloy and steel producers were filled until the 1990s, Rampitsch said

Austrian imports to SA and exports from SA



Such imports would not be prevented by Austria's policy on sanctions Its banned list includes Kruger-rands, some steel products and cultural and sporting relations with SA Austria also prohibits trade in arms, technology and electronics with the SA Defence Force, SA Police or nuclear facilities

There are 25 wholly-owned Austrian companies in SA, the largest of which is the engineering giant Voest-Alpine A further 200 to 300 Austrian companies are involved in imports and exports

The largest exports to SA involve technology and capital projects, such as the Corex plant at Iscor's Pretoria works, as well as machinery, paper, metal goods, chemicals and synthetic fibre SA's exports to Austria are mainly minerals, fruit, chemical products and non-ferrous metals

The improvement in trade represented a reversal of the negative trends in 1986 and 1987 After the mild sanctions packets introduced by Austria in 1985 and 1986, trade with SA declined

Stainless steel alloy surcharge to go up

BDay 18/4/89 (189)

THE alloy surcharge on stainless steel for the second quarter of this year is to go up by between 20c and 40c a kilogramme, depending on the type of steel

This was announced by Middelburg Steel and Alloys (MS and A) commercial manager, marketing, Derek Engelbrecht

"The increases are mainly due to a fall in the value of the rand against the US dollar, and the fact that, in dollar terms, nickel was trading marginally higher at the end of March than in December 1988," said Engelbrecht

MS and A, SA's only supplier of stainless steel flat products, buys its nickel quota quarterly in advance and adjusts the surcharge accordingly

In the first quarter of 1989, the nickel price rose from around $7 per pound to $8,60, before dropping to just over $7 in April

"Surcharge increases have also been announced recently by producers in Europe and the US, where the alloy surcharge levels more than doubled on April 1

"We understand the implications that the increasing price of stainless steel has on the market, and MS and A are making every effort to stabilise the surcharge This was evidenced when we reduced the surcharge after a softening of the dollar price of nickel during the last quarter of 1988"

Engelbrecht said it was unlikely the nickel price would revert to 1987 levels Some incorporation of the surcharge into the base price was expected

Supply

"The nickel price has seen extreme volatility over the last year, and stainless steel producers are hostage to the wild price fluctuations," he said

The sustained world demand for stainless steel has meant a continued demand for nickel However, as there has been no increase in nickel production, demand still exceeds supply

The nickel content of stainless steel accounts for 48% of the total cost of the metal — Sapa

(189)

Vanadium producers shun refining

B/Day 20/4/89

ANDREW BUDDEN

MINTEK president Aidan Edwards predicts vanadium producers will never switch raw material exports to refined products

He says this is because it would bring them into competition with their foreign refinery customers

Mintek is the Council for Mineral Technology

Local analysts recently brought to light SA's Third-World status as a raw material supplier to foreign refiners

SA produces 70% of the Western world's vanadium

Much of it comes from deposits mined for iron ore and, because of this, major producer Highveld Steel produces vanadium-bearing slag as a by-product in its steel smelting process

The dull-grey metal is an important alloying agent in the production of extremely hard steel It is also used in the pentoxide form as a catalyst for industrial chemical processes

Most of Highveld's product is exported as raw slag to European converters

These assume the First-World role of refining the slags into pentoxide or ferro-vanadium alloy used by steel mills

Vansa Vanadium, another major producer, beneficiates to the pentoxide stage for export

Analysts point that out SA has the ability to refine to ferro-vanadium before export and small amounts of the locally-refined product are available to the lcoal steel industry

They say the vanadium sector should take the same approach as ferro-chrome producers who refine and export most of their output

The value of a product generally increases greatly with improvements such as refining

Producers, however, say there are overwhelming reasons for not refining the product locally

Retailers

Dominance as a vanadium producer means SA supplies many steelmills around the world The difficulties in marketing to such a wide range of distant customers makes beneficiation of slag barely worthwhile

Producers, by selling slag to a few strategically-placed converters, act as international wholesalers

European converters produce a long list of alloying agents and act as retailers to the steel industry by offering a full range of ferro-alloys

Amendment

Steelmills find it easier to buy from one regional converter than from many widely-spaced producers

Producers add that vanadium does not face have the same size market as ferro-chrome because so little is used in steel production (vanadium contents as low as 0,1% will produce high-grade hard steels) and mills buy ferro-vanadium in small batches

A Mintek spokesman suggests other reasons for producer reluctance to refine their product

One is incentives for exporters under Section 11(bis) of the Income Tax Act which, he adds, are disincentives to beneficiation of a product beyond any but the primary stages

Under the existing scheme — now under amendment — any company that demonstrates added value in its exports could benefit from the export incentive

Mintek's Edwards explains "If an incentive is given too far upstream it can militate against further beneficiation"

Producers deny this The allowance is available only to companies whose exports are subject to import tariffs in the country of destination

Vanadium exports to Europe, the US and Japan face tariffs protecting local converters Nothing is levied on slag because this would harm the industry tariffs are protecting

Pentoxide — a step along the value-added chain from slag — faces limited but significant tarrifs Ferro-vanadium, the end product of the converters, is subject to levies so severe that SA exports of this product are not feasible

Under the existing incentive scheme only pentoxide or ferro-vanadium exporters qualify for the marketing allowance

Producers say even then only pentoxide or slag exports are worthwhile

TRADE

Argus 5/5/89 (189)

Iscor posts record iron ore exports

Business Staff

EXPORTS of iron ore from the Sishen mine through Saldanha Bay are running at record levels

Sales of ore reached 1,1-million tons in February, an increase of 57 percent on budget, says Iscor's house newspaper, Iscor News

Industry officials add that not only have sales tonnages risen sharply, but so has the overseas ore price

STEEL BOOM

The Sishen mine is going full out to meet export and domestic requirements.

But it is not only iron ore that Iscor is exporting in large quantities Steel is also going overseas, although Iscor is keeping details of these exports close to the chest.

Iscor, along with Highveld, Samanco and other suppliers of raw materials used in the manufacture of steel, is benefiting from the overseas steel boom.

Iscor, which is to be privatised later this year, should have some good news for prospective shareholders when it produces its 1988-89 figures in July or August

Investors will have to wait for the profit statement to gain some indication of the value of Iscor sales

However, owing to political considerations Iscor is unlikely to disclose its export markets.

Both the US and the European Community have imposed restrictions on steel imports from South Africa.

But Iscor and other producers have learned that the closure of one market usually leads to the opening of another.

Iscor and other producers are being helped by the limited expansion plans of most steel producers.

For the past 15 years most of the world's steel mills have been operating below capacity and, in many instances, at a large financial loss.

Although demand has recovered, the memories of the past 15 years remain strong and none of the major producers seems to be in a hurry to embark upon the huge capital expenditure needed for a major expansion

Instead, the majors are spending money on plant that helps to reduce costs so that when the expected world downturn arrives and demand drops they will still be able to sell steel at a profit.

Fuelling the demand for steel overseas has been the six-year upsurge in economic growth.

This has resulted in a a steady growth in sales of new motor vehicles — a major user of steel.

Car sales in the European Community last year reached a record 12,5-million — roughly one for every 16 people.

The corresponding sales figure for South Africa was one new car for every 120 people.

SHARE ISSUE

Meanwhile, intensive work is reported to be going on behind the scenes at Iscor preparing for its privatisation and share issue later this year.

No figures are available, but it appears that R1,5-billion worth of shares might be offered to the public

The institutions are expected to take up about 80 percent of the issue, leaving 20 percent for the small investor

Robor revels in first-half shareholder confidence

B/Day 10/5/89

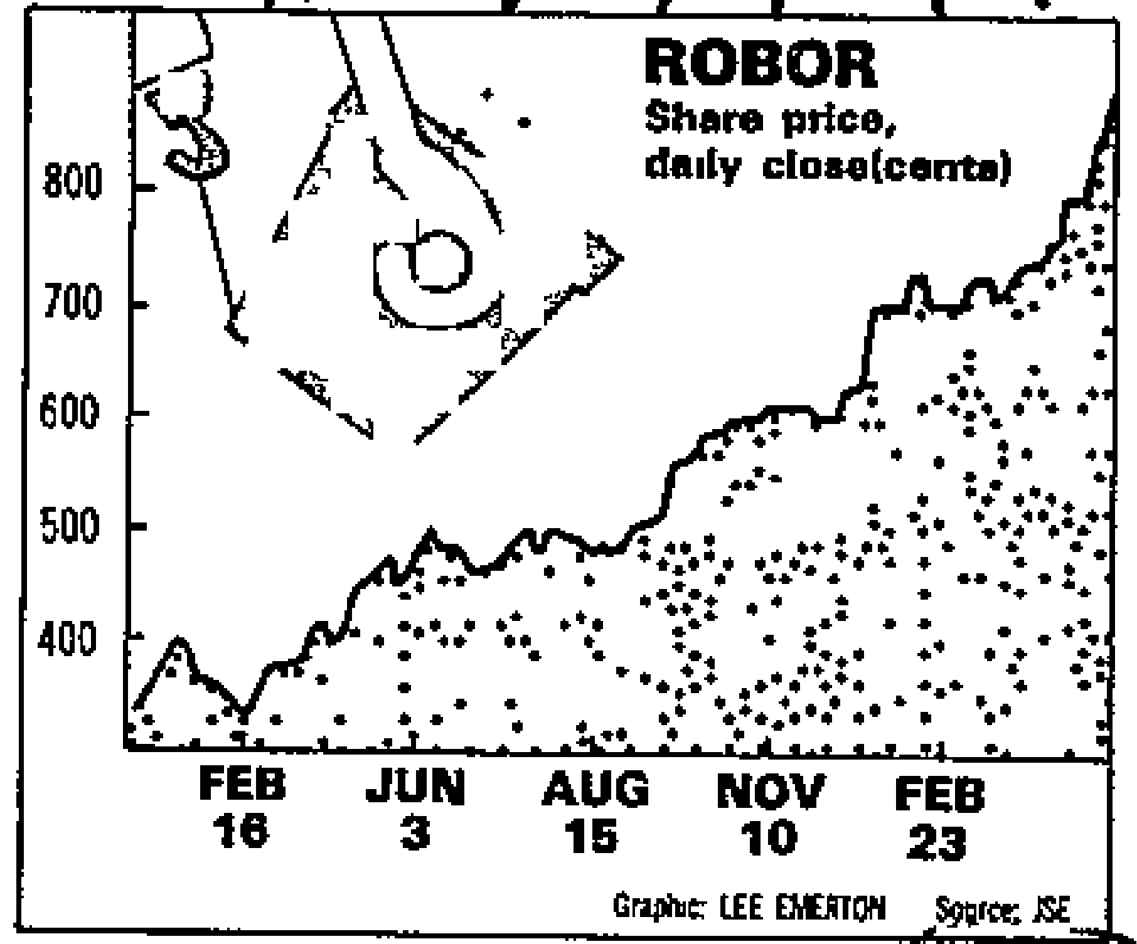
BRENT MELVILLE

BULLISH sentiment towards Barlow Rand group subsidiary Robor Industrial Holdings (RIH) continued yesterday with shares closing 50c higher at a record R9

However, the high shareholder confidence was not necessarily reflected in RIH's results, because the group showed only marginal improvement with earnings up 22% to 60,3c (49,5c) a share for the six months to March

The interim dividend has been raised to 19c from 16c

The manufacturer, processor, distributor and exporter of steel and non-ferrous metals, which recently sold two of its subsidiaries — Wadesteel and Almex for a total of R10,7m — has been struggling with supply shortages and a depressed market



Graphic: LEE EMERTON Source: JSE

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These adverse factors are reflected in a 20% rise in operating profit before interest to R24,6m (R20,6m) — and a turnover increase of 29% to R345m (R267,7m) — on reduced operating margins of 7,1% (7,7%)

In spite of this attributable profit rose by 23% to R19,4m (R15,8m) due partly to a reduced effective tax rate brought about by an increase in exports to 33% (25%) of turnover

MD Mike Gahagan says RIH is committed to optimising its export potential

He notes that "recent and projected export trends have become vital to shareholders as a rand-hedge stock"

However, a reduction in export profitability could be expected — because of margin pressure and material shortages — although demand should remain strong

Gahagan expects strong growth from subsidiary companies over the next six months but warns of a deterioration in domestic market conditions as a result of "actions taken to cool off the economy"

He does, however, forecast a growth in line with last year's and says year-end results should see profits up on last year's The second six months of last year saw turnover up 124% and attributable profit up by 115% on the interim figures

Increase

"The group has also achieved notable advances in its concerted bid to optimise productivity and eliminate material waste and unnecessary expenditure," says Gahagan

This is reflected in RIH's newly-announced increase in capital commitments — up by almost R20m to R21,1m — "designed to increase productivity and to protect and boost the group's international markets"

Higher rates cut back on Robor's earnings

(189)

Star 10/5/89

By Magnus Heystek, Finance Editor

A slight drop in operating margins, coupled with a sharp increase in interest costs, held back the interim performance of Robor Industrial Holdings (RIH) to an increase of 22 percent in earnings per share

RIH is a major manufacturer, processor, supplier and distributor of a wide range of steel products, steel tube and pipes, stainless steel and aluminium

Reporting for the six months to end March, RIH, a Barlow Rand subsidiary, recorded a turnover growth of 29 percent to R344,98 million

Operating profit rose by 20 percent to R24,58 million (R20,5 million)

RIH ascribes the drop in operating margins from 7,7 percent to 7,1 percent to competitive conditions in the local market and a shift towards exports

The increase in exports, which rose from 25 percent to 33 percent of total turnover, however, had the effect of reducing the overall tax rate by two percent

Taxed earnings rose by 23 percent to R19,423 million, which had the effect of increasing earnings per share, on a slightly increased weighted number of shares in issue, by 22 percent to 60,3c per share

The interim dividend has been increased by 19 percent to 19c per share

Commenting on the performance, RIH's chief executive Mike Gahagan said yesterday the rate of growth in domestic demand had held up remarkably well, but that RIH was unable to take full advantage of a bouyant export market as a result of shortages of supplies of certain material

He added that RIH had become more important as a rand hedge stock as exports have grown from 25 to 33 percent of the group's turnover over the past six months

The disposal of two under-performing operations had led to a slightly lower increase in turover, compared with the previous reporting period, he said

Working capital levels have been contained, but the sharp rise in interest rates over the period caused interest costs to increase by 38 percent

Mr Gahagan said he expected market conditions to deteriorate somewhat as a result of actions taken by the Government to cool down the economy

He expected export demand to remain strong, but said that material shortages and pressures on margins would tend to reduce export profitability RIH was nevertheless committed to optimising its export potential

He nevertheless expected earnings for the second half to exceed those of the same period of 1988

Robor slows, but the worst is over

S Times 14/5/89

(189)

By Ian Smith

THE growth in attributable earnings of Barlow Rand's Robor Industrial Holdings (RIH) slowed in the first half of the current year, but new managing director Mike Gahagan is far from downhearted.

RIH's earnings growth slipped to 23% from the previous year's 41% jump But in the six months to March 31 the group has gone through a restructuring, it has faced heavier pressure on margins from tougher competition and greater exposure to export markets and it has been squeezed by supplier shortages and higher interest rates

Slipped

"We have weathered a storm," says Mr Gahagan "Changes involved in a restructuring always means uncertainty, but we are excited about how quickly we have dealt with the problems

"The new structures are in place, day-to-day control has been established, teamwork has developed and we are expanding market share in key areas"

Mr Gahagan is confident second-half results will be better than last year's Investors seem to agree — the share slipped slightly to 835c from its 900c high immediately before the results, but it is well above the 450c of a year ago

The share's strong performance in the past six months probably reflects overdue recognition of its value

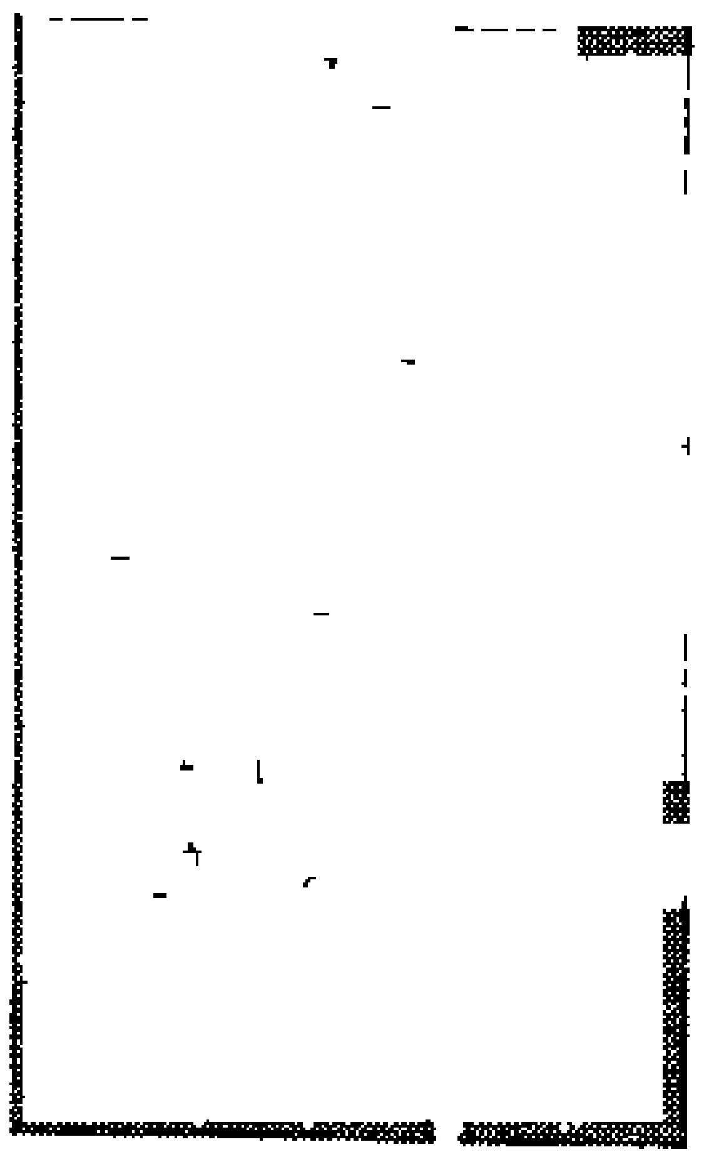
The group's interest payments in the past six months increased by 38% from nearly R1,4-million to R1,9-million, mainly because of higher rates But gearing is still low, says Mr Gahagan

The export drive, which has pushed foreign sales from 25% of turnover to 33%, resulted in incentive benefits which reduced tax charges by 2% on higher pre-tax profits

Capex

On the bottom line attributable income increased from R15,8-million to R19,4-million and earnings per share increased from 49,5c to 60,3c The interim dividend was lifted from 16c to 19c

RIH has provision for heavy capital expenditure of R21-million, but Mr Gahagan says all of it is intended to improve productivity and maintain the group's competitive position



MIKE GAHAGAN

Mr Gahagan says the group has found particularly severe competition in the stainless-steel market where price cutting has been prevalent "But we have kept our market share, although margins have been cut"

A general downturn in the economy is bound to affect the group, but Mr Gahagan says that because so much of turnover is tied to national gross domestic fixed investment it is less likely to be hit immediately

Many of the large-scale projects will run for some time and any change will take six months or more to filter through to RIH results

ST Times 14/5/89

Iron-ore shortage revives Sishen

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By Don Robertson

A SHARP decline in international supplies of iron ore has given Iscor's trouble-stricken Sishen mine a fillip which is likely to last for at least two years

Production and strike problems experienced by major suppliers Australia, Brazil and India have left steel producers short of ore and they have been forced to order additional tonnages from Sishen

As a result, the mine and rail link to the Saldanha port, both of which have been a headache for Iscor in the past, are now profitibale and contributing to earnings

Record

World steel production this year is expected to top the record 783-million tons in 1988

Ben Alberts, general manager, mining, at Iscor says Sishen had been producing 15-million tons a year But last October it raised production to 21-million tons a year A total of 18-million tons could be exported

Last year's exports of about 8-million tons have since October risen to about 11-million tons annualised

In the past six months, tonnages shipped on the Sishen-Saldanha line have increased to between 15-million tons and 18-million tons

As a result, the line is "making money and we hope to repay, within three years, the R814-million the Government paid to take over the line in October 1984"

"We are also getting a percentage of this and it is contributing to profits"

In the past two years, Iscor has not disclosed Sishen production figures

Because of world shortages, the prices of lump ore have risen by 17% and fine ore by 13% to R40 a ton and R30 respectively

Mr Alberts says the Mount Newman mine in Australia has been hit by strikes and production problems

Planning has been affected and waste stripping at the opencast mine has fallen behind This has affected production and will take up to two years to rectify

Mount Newman is a major producer, especially of lump ore and makes up a large part of Australia's 24,4% share of the export market

Exports of ore through Brazil's Ponto Madeira port have been affected by an accident relating to the stacker-reclaimer

Brazil is the largest exporter of iron ore and has a 26,2% share of the market

Protest

India, the fourth-largest producer with 17,6%, has been hit by strikes In addition an African government has decreed that exporters pay part of their earnings to the state. Some shipments have been stopped in protest

Because of the weak rand, Iscor's iron-ore exports are competitive internationally, even though SA is further away from its main markets than other shippers

Japan is the largest importer of iron ore for its steel mills Last year it imported 123,4-million tons, of which Australia supplied 52,4-million tons, Brazil27,9-million, India 21,7-million, Chile 4,92-million and SA 4,9-million

SA is the ninth-largest exporter of iron ore

Taiwan venture for Samancor, Hiveld?

189 [illegible] [illegible]

REINIE BOOYSEN

BDay 18/5/87

SAMANCOR and Highveld Steel & Vanadium are negotiating with Chun Yuan Steel — a Taiwanese concern — on a possible joint stainless steel venture, says London-based Metal Bulletin

The report says the parties are investigating the feasibility of a novel split production agreement whereby the initial stages of stainless steel production will be undertaken in SA, and the final finishing stages will take place in Taiwan

The initial stages would entail the construction, in SA, of a melting shop and hot rolling mills, while a more capital intensive cold rolling mill would be built in Taiwan for the final finishing stages

Chun Yuan — which holds a 28,5% stake in Taiwan's proposed new stainless steel company, Ussco (United Stainless Steel Company) — represented Ussco's three other shareholders (the chairman of Hua Eng Electric Wire and Cable, Wang Yu-Yun, Walsin Lihwa Electric Wire and Cable, and the China Development Corporation) in the discussions

Metal Bulletin's sources say the melting shop, to be located in SA, is planned for 300 000 t a year capacity, with future expansion possibly doubling the output

Some of the hot stainless band would be exported to Taiwan to provide feed for a 250 000 t/year cold rolling mill But final capacities, and the production share each side might take, have yet to be decided

"Before (split production) was just an idea Now that it has been accepted both parties want some time to study it in detail," said Metal Bulletin's source The report adds "Both sides will take about six months to complete their studies before returning to Taipei around September to compare findings"

4/6/89. S/Times

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Bamboo Curtain pierced

By Ian Smith

SA steel fabricator Steinmuller-Lavis has broken through the Bamboo Curtain

The company has won a R7-million contract to supply nearly 2 000 tons of fabricated structural steel for a power station in China

Competitors included five Australian bidders and companies from the UK, Singapore, the Republic of China and SA

"China has declared us welcome suppliers," says Steinmuller-Lavis managing director Jurgen Schneider "We did not have to resort to any secretive transport or country of origin arrangements to win the order

"The material is being shipped fob Durban, clearly marked with South Africa as country of origin"

In spite of the low value of the rand, Steinmuller-Lavis was not the lowest tenderer "Australia came in well below our price, but strikes and unreliability of supply ruled them out," says Mr Schneider

"Quality, price and good delivery schedule all played a part in our suyccess"

The first shipment is on the way to China

The steel will be used in the construction of the Yue Yang power station, about 200 kilometres up the Yangste River from Shanghai Two units at the power station will each generate 353 MW

Delivery is due to be completed by the end of the year

Standard 43A steel and 3CR12 stainless have been used for the fabricated sections for the main building and a dry coal store The sections have been machined and painted

"They only need to be bolted and welded together," says Mr Schneider

COMPANIES

ARGUS 15/6/89

Macsteel, UME in R32,5-million deal

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Business Staff

INTERNATIONAL steel trader Macsteel is to take control of Cape-based steel merchant UME for R32,5-million

Unlisted Macsteel has already begun the process to acquire the trading operations of another steel merchant, DCM-listed Wedge Steel for an amount rumoured to be in the vicinity of R12,5-million

The deal will make Macsteel, already a giant on export markets, the largest independent steel merchant in the country

Macsteel maintains a low profile But its turnover runs into billions of rands a year as the company handles most of Iscor's exports

Last night the controlling shareholder of UME, which claims to be the largest steel merchant in the Western Cape, has accepted Macsteel's offer of 150c a share

A similar offer is to be made to minority shareholders The company will be delisted

UME is currently controlled by Mrs Smaller Winnikow, the present chairman and managing director, who intends emigrating to Australia to be with her children

Mrs Winnikow has 56 percent of the issued share capital with Wedge owning another 20 percent According to Mr Peter Thomas, chairman of Wedge, it will accept Macsteel's offer

UME, listed in the engineering sector of the Johannesburg Stock Exchange, has recorded compound earnings growth of 34 percent over the last four years

In the 1988 financial year attributable earnings rose from R2,8-million to R5,7-million with the outlook for the current year very favourable, according to the 1988 annual report.

The purchase price of 150c a share puts the deal on a price earnings ratio of less than 6, based on historic earnings of 25,5c a share in 1988

Asked whether the offer is not on the low side, a spokesman for UME said it might turn out to be a favourable price considering the higher tax rate the company is expected to pay in the current year

Also, the equity-accounted earnings of more than R1-million that UME earned on its investment in Wedge Steel, will fall away as Wedge has recently reported a sharp turnabout in profitability

Steel group Robor bucks sanctions

189

B/Day 10/7/87

BRENT MELVILLE

BARLOW Rand's steel arm, Robor Industrial Holdings (RIH), had significantly increased export earnings for the year in spite of sanctions, MD Mike Gahagan said last week

"The rand's weakness against other major currencies and the development of specific market niches against international competitors has helped the group to achieve greater export volumes which now account for 33% of group turnover of R345m," he said

Gahagan points to the dramatic growth since 1984 when exports accounted for only 8% "US sanctions compelled the group to become more aggressive about finding and exploiting additional new markets," he said

RIH's star export performer, Brollo Africa, had increased its exports from a high base by 46% in real terms since 1984, said Gahagan

Middelburg announces restructuring

Star 14/7/89

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Finance Staff

Middelburg Steel and Alloys, one of Barlow Rand's major profit contributors, has announced some senior management promotions to structure the company for the next phase of growth

Paddy Probert has been appointed general manager of the alloys division and Keith Luyt, general manager of the steel division Both have also been appointed directors of Middelburg

They take over the day-to-day running of their divisions, while John Gomersall remains group managing director and John Hall executive chairman

In addition, Tony Bagnall has been promoted to group technical and research and development director and Brian Wegerle to group manpower director

Middelburg then recovered strongly to move from a break-even situation to a profit last year of R110 million

It exports 15 percent of the world's ferrochrome from its plants in Krugersdorp and Middelburg Middelburg last year announced two ferrochrome expansion projects for its two plants totalling R250 million

This is expected to lift its present production of ferrochrome from 310 000 tons a year to over 430 000 tons Middelburg is also planning the next phase of its steel expansion plans

Tight manganese market a boost for SA producers

(189)

B/Day 17/7/89

REINIE BOOYSEN

SA MANGANESE producers are still reaping a windfall from a tight market

And, unlike with chrome, there is little prospect as yet of a significant increase in production to ease the situation, say producers

Samancor — SA's largest producer of manganese ore and alloys — recently negotiated a 65% rise in the price of manganese ore, for the year from April 1939 to March 1990, with its Japanese customers

The price rise was from $1,36 per percentage of manganese per ton of ore to $2,25

Japanese prices are the only ones that are routinely published, but it is likely that a similar uptrend has taken place in the rest of the East and in Europe and North America

Samancor manganese division GM John Muller says the price-rise is the highest he can recall

Alloys

He said the shortage of high-grade ore on the market strengthened Samancor's bargaining position significantly The other major producers in Gabon and Australia were also fully committed

But Samancor makes more profit out of manganese alloys than ore — and the prices of alloys have made equally impressive gains over the past year-and-a-half

For example, the market price of high-carbon ferromanganese has risen about 75% from around $350/ton in January last year to the current price of about $615/ton

Silicomanganese has risen from around $460/ton in January 1988 to about $885/ton now — a gain of more than 90%

The proof of the pudding will be Samancor's results for the year to June, which should appear some time in August If price trends in the markets are anything to go by, results for the second half of the year should be even better than for the first six months (to December) — when a gigantic leap in profits was recorded

On turnover of R801m — compared with R913m for the 12 months to March last year (before the change in year-end) — Samancor managed net attributable income of R225m compared with R188m in the 12-month period

These results were so good that the board decided to declare an extraordinary dividend of 40c in addition to the 45c interim dividend — which, in total, already exceeds the 75c distributed in the entire 12-month period to March 1988

Samancor does not provide an exact break-down of its different divisions, but analysts say manganese accounts for roughly 45% of its profit — and chrome, which is also benefiting from a tight market, accounts for another 45%

The other major manganese producers are Associated Manganese Mines (controlled by the Sacco family) and Highveld Steel & Vanadium's wholly owned subsidiary Transalloys

About 85% of SA's manganese ore is mined from the Kalahari manganese field, according to the Minerals Bureau

Associated Manganese lifted distributable profit from R4,4m in the year to December 1987 to R49m in 1988

Highveld chairman Leslie Boyd says the contribution to Highveld's financial performance by Transalloys, to December 1988, improved considerably in line with buoyant trading conditions

The various expansions in production of manganese alloys are not expected to make a significant impact on the market

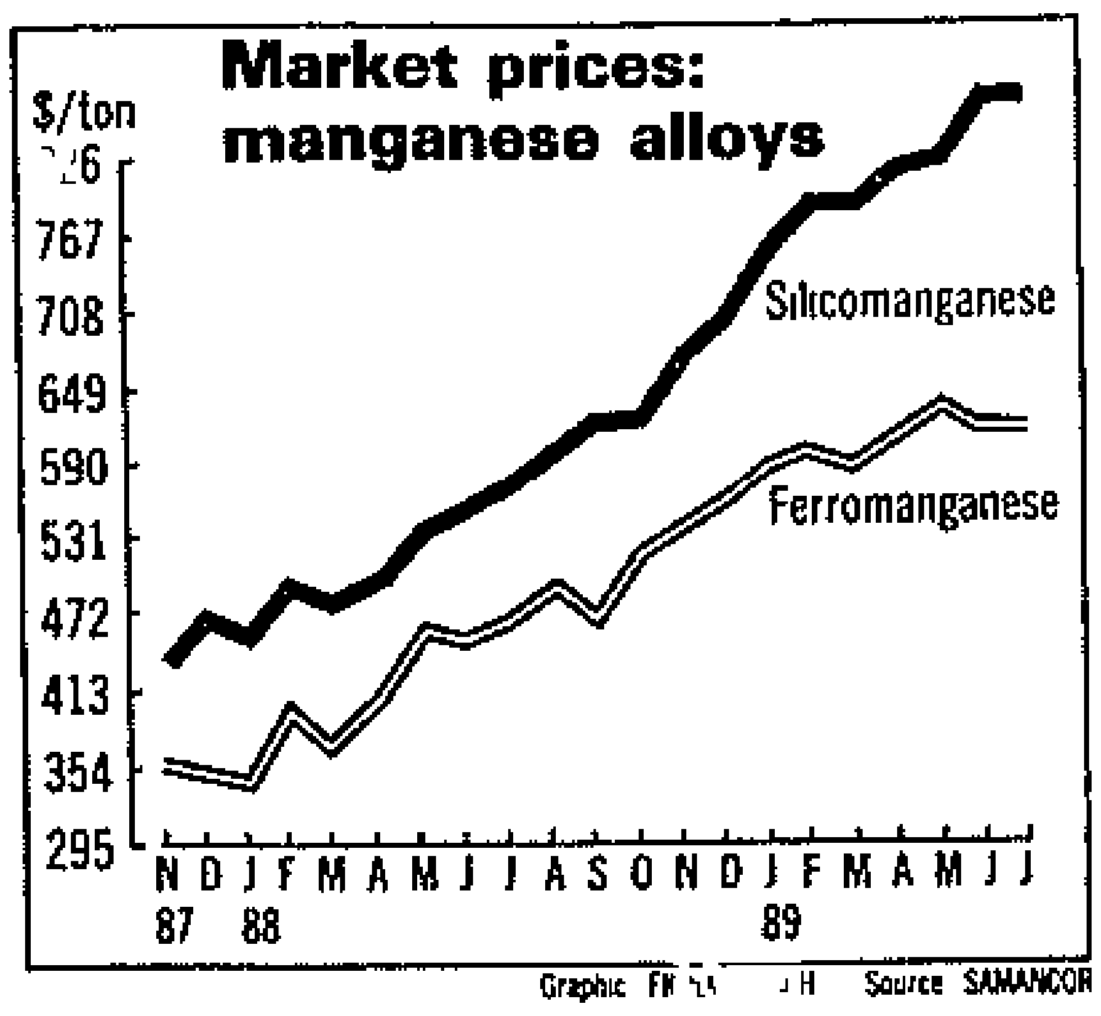
Expansions at Transalloys should result in an additional 60 000 tons a year of silicomanganese, while Associated Manganese subsidiary Feralloys will bring another 30 000 to 40 000 tons a year of ferromanganese on stream

Unaware

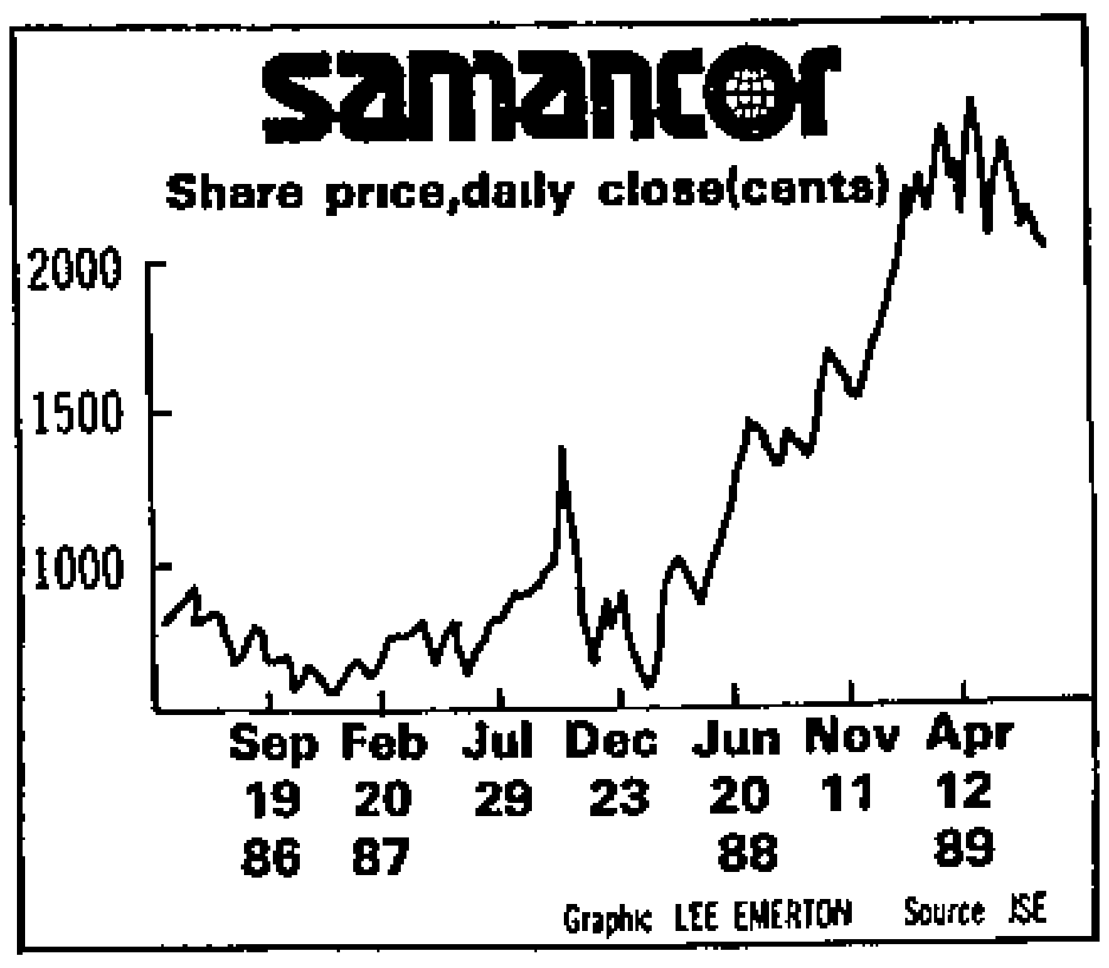
Samancor's new Mamatwan manganese sinter plant will increase the efficiency of its ferromanganese furnaces by about 15%, from 500 000 tons a year

At most, these expansions will add another 175 000 tons a year to the non-communist world's annual ferromanganese and ferrosilicomanganese production of around 2,5-million tons

Producers say they are unaware of any definite plans by foreign producers to expand production



Graphic FN [illegible] H Source SAMANCOR



Graphic LEE EMERTON Source JSE

Last year SA exports of manganese ore rose about 70% from 1,6-million tons to 2,7-million tons, while the rand value of these exports rose about 140% from R116m to R278m

About 90% of manganese production is consumed in the production of steel It is added to steel to remove oxygen, to control the sulphur content and to act as a toughener and hardener

The future of the manganese market is therefore dependent on the future of steel.

And there is still little sign that international steel production is slowing down from last year's record level of about 782-million tons

The previous high was 747-million tons in 1979

Iscor may build new steelworks

Cape Times 2/8/89

(189)

By AUDREY D'ANGELO
Financial Editor

ISCOR may build a steelworks at Saldanha, providing hundreds of jobs in the Western Cape

Disclosing that this was being discussed, Johan Deetlefs, manager, mining operations, of Iscor's open pit mines said that the steelworks would manufacture products for export from Saldanha harbour

This would be in line with Iscor's policy of adding value to raw materials for export, and would make it more profitable to use the 840 km railway line built to carry iron ore from the mine at Sishen in the Northern Cape

Building the line and the harbour facilities to handle the ore at Saldanha burdened Iscor with debt in excess of R800m

This was paid with an interest free loan from the government The loan is being repaid by Iscor from the export profits

Since 1984, the ore has been carried by SA Transport Services (Sats) at cost and 80% of the export profits have gone towards repaying the government

Iscor has been allowed to keep the remaining 20% of the profit because the ore is an asset which it is losing

The debt will be repaid by the end of this year and Deetlefs said the agreement under which Sats transports the ore at cost will then expire

"We shall have to negotiate a new tariff with Sats

"It will be impossible for us to pay their normal tariff for the Western Province because it would then be uneconomic for us to continue to export We are in that business to make a profit, and if we cease to do so we shall simply stop exporting

"But we want to export, and Sats wants to transport the ore, so I am confident we shall come to an agreement"

Deetlefs said the construction of a steelworks at Saldanha, which would provide between 500 and 600 jobs at first but could grow much larger, was being considered as a way of making better use of the railway and port facilities and maximising export profits

It was possible that a major customer for the steel could be persuaded to invest money in the works

"In order to have a steelworks we must have a market for its products and we must have investors in the project If we can find a customer who will invest we shall have a guaranteed market"

Another, major, obstacle to the plan is that SA is running short of coking coal necessary for the blast furnaces to make steel But Iscor is experimenting at its Pretoria works with a new type of corex coal

"This project is in its interim stage," said Deetlefs "It has been stopped for modifications but we know it is going to work"

Most of the ore produced at Sishen — one of the five largest iron ore mines in the world — is sold at cost to Iscor for its own use Only the surplus ore is exported, at a profit of R15 a ton

Deetlefs said the mine had vast resources of the ore and a life of at least 50 years

Gencor group gets 30,7% stake in Alusaf

Cit Times 10/8/89

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Financial Staff

ALUSAF has come under private sector control with effect from July 1, 1989, following the acquisition by the Gencor group of a 30,7% stake in the Richards Bay-based aluminium producer at a transaction value of R270m

Colin Officer, executive director of Gencor and deputy chairman of General Mining, Metals & Minerals (Genmin), announced yesterday that agreement had been reached with the Industrial Development Corporation of SA (IDC) in terms of which Gencor is to acquire an effective 30,7% of Alusaf in exchange for R63m in cash and an interest in an unlisted Gencor company

Alusaf's will be part of Genmin, the management company responsible for Gencor's mining, metals and mineral interests

Alusaf's board of directors will be reconstituted under the chairmanship of Officer, with Rob Barbour continuing as MD and Pieter de Waal continuing as technical director

Officer said Alusaf operates in a specialised invironment and has experienced, efficient and well-motivated personnel

It is therefore not anticipated that the change in control will bring about changes in Alusaf's management or employees

Alusaf will be listed at an opportune time on the Johannesburg Stock Exchange, said Officer

He said that a major part of the residual interest in Alusaf, held by the IDC, would form the basis of a future share issue to the public

Alusaf's employees will also be consulted in respect of a preferential allocation of these shares to them

Officer said Gencor had identified aluminium as an important growth area on the local as well as the international markets

Alusaf has, since its inception, established itself as a force in these markets and Gencor looks forward to participating in this growth Alusaf will also complement and diversify Gencor's existing interests in the important base metals and minerals field

He said the transaction will have no immediate material effect on the net asset value, earnings and dividends of Gencor

Alusaf, one of the IDC's largest investments, was established 22 years ago to render SA self-sufficient in respect of its aluminium requirements

The company doubled its capacity in 1982 to approximately 170 000 tons per annum About 35% of its output is exported

Alusaf employs 2 800 people and has an annual turnover approaching R800m After-tax profit in the latest financial year was more than R120m

Fagersta here to stay

S/Times 20/8/89.

STAINLESS-steel producer Fagersta Steel discounts talk that its operations in SA are restricted by Sweden's sanctions laws.

A member of the Swedish-based Sedoroc AB, it says it is in a strong financial position and there is no restriction on its growth. Sales in the past few years have grown by 250% since 1984.

Fagersta is staying in SA.

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Brollo changes tack

BROLLO Africa, a member of Robor Industrial Holdings, is to put renewed effort into the domestic market after the acquisition of Robor Metals

S/Times 20/8/89

The decison to set up its own marketing, sales, warehousing and distribution facilities came after the Robor group split its operations into three divisions — Robor Trading, Robor Coastal and Robor Metals

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Before this, Brollo made the steel tubing and open steel sections marketed by Robor Brollo concentrated on exports, which make up between 40% and 50% of its production

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Logical

"The assimilation of the tubing interests by Brollo was a logical move because we have always manufactured the steel tubing and open steel sections marketed by Brollo," says Billy Sendin, works and marketing director

"Since 1972, we have been known as an exporter, serving more than 40 countries To survive in that competitive market, you have to deliver the goods on time and at the right price

"The SA market is equally price-sensitive We believe our entry into this sector will provide customers with cost-effective products backed by improved service"

SUNDAY TIMES, Business Times, August 20, 1989

The Steel Industry

A Business Times Survey August 20, 1989

High prices, low ranc boost exporters' profi

S/Times, 20/8/89

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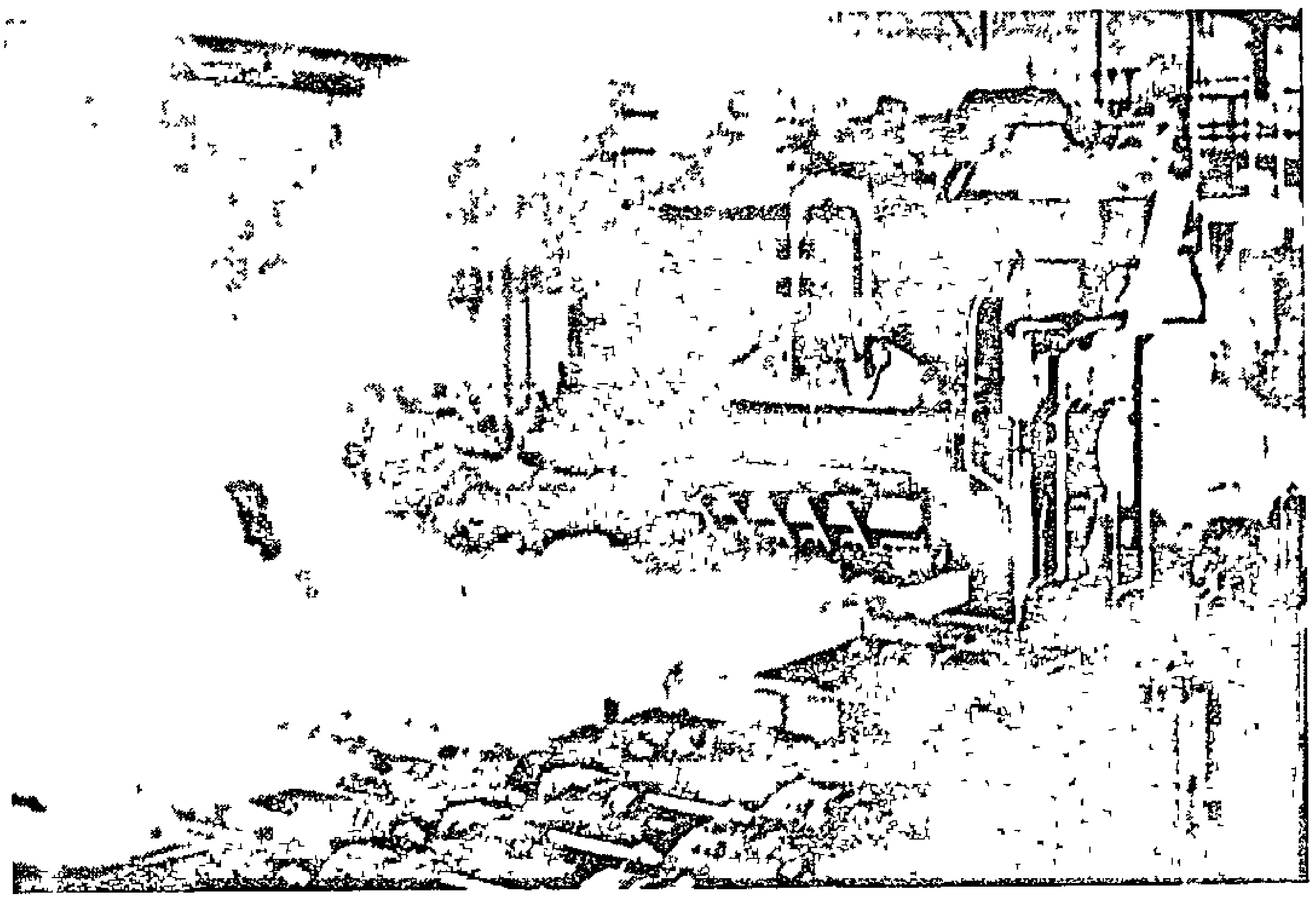
INTERNATIONAL steel prices are likely to be higher in the second half of this year than in the first six months, providing a bonanza for SA producers

An expected further decline in the value of the rand against other currencies will also benefit producers by lifting export earnings

These factors and the rise in the price of various alloys have increased the profits,of Highveld Steel & Vandiaum (HS&V) and Samancor



A steel slab being rolled in the four-high stand at the Highveld Steel & Vanadium near Witbank

Sanctions

In the six months to June, HS&V posted an attributable profit of R170,1 million compared with R43 5 million in the same time in 1988 Samancor earned taxed profits of R217,5-million in the six months to December compared with R182,7-million in the 12 months to March 1988 The company has changed its yearend

SA exports about 34% of its steel, most of it from Iscor, which makes 78% of total production, and HS&V with a 12% share

By world standards, a 34% export dependence is extremely high Japan at its peak touched 35%, but is now down to 20%

As a result, the possibility of sanctions against SA is worrisome

Les Boyd, chairman of HS&V, says SA has been able to cope with sanctions on some products like steel and coal — but at the cost of revenue and jobs

However, he warns that markets are now more limited and any additional sanctions would have a detrimental effect on the industry

Advantage

Until 1986, SA producers were able to export throughout the world, but in September 1986 America adopted the Comprehensive Anti-Apartheid Act which banned the import of steel, among other commodities The European Economic Community followed SA lost its share of lucrative markets in America and Europe

In most instances, however, producers were able to export to other countries

Had these sanctions not been introduced, SA production could have been increased to almost 10-million tons compared with 8,8-million in 1988, says Mr Boyd

SA is one of the lowest-cost producers in the world It has readily accessible and easily mined raw materials such as coal and iron ore But in some cases the cost of transport is high

Japan, Taiwan and South Korea have to import all their raw materials to make steel

To maintain their competitive position, SA steel makers are expected to spend nearly R3-billion in the next three years on new or modernised plant.

Mr Boyd estimates that Iscor will spend R2,3-billion, Highveld R230-million, Usco R110-million, Scaw R100-million and Davsteel R50-million

The result will not necessarily be greatly increased tonnages because much money will be spent on modernisation for improved efficiency

The ferroalloy industry will spend R1 billion If the planned HS&V-Samancor stainless-steel plant gets the go-ahead, another R1-billion will be spent

Mr Boyd says SA dominates world production of vanadium Its share of world vanadium output is about 65% — 61-million pounds

SA is followed by America with 21 million pounds, or 22%

HS&V is SA's top producer with 48-million pounds A total of 9 million pounds is due to come on stream in 1991

China and Russia are also large producers, but most of their output is used internally They do not influence world markets

The increased demand for vanadium resulted in spot prices rising to record highs The price moved from $4,50/lb in January-March to between $10 and $12 in the second quarter

As a result, and for the first time, HS&V introduced a surcharge on its contractual sales of $2,50/lb Because prices are expected to fall in the second half, the surcharge has been reduced to $1,30/lb for the third quarter

Mr Boyd welcomes the privatisation of Iscor, saying it will make the corporation more profit conscious

Star 12/9/89.

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String of export successes boosts business confidence

By Michael Chester

The Federated Chamber of Industries (FCI) credits a chain of successes by exporters in driving deeper into overseas markets for a renewed upward tilt in the overall level of business confidence in recent weeks

Its index of expected sales volumes from the manufacturing sector for the next 12 months, which steadily declined in the first six months of the year, last month gathered momentum

With a base of 100 used to measure the acid test between pessimism and optimism, the index surged from 116 in July, when the recovery started, to 126 in August.

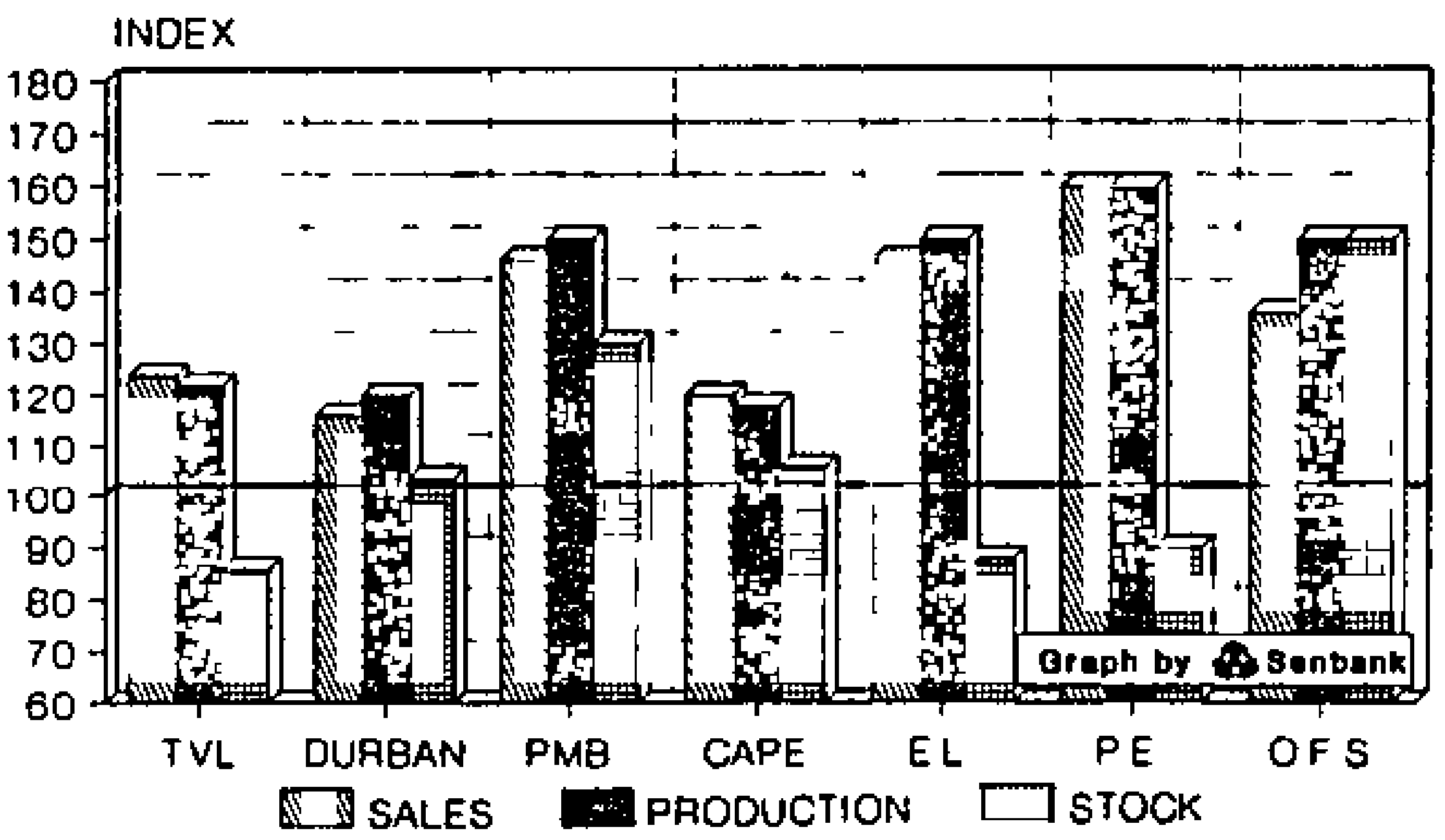
FCI senior economist Roelof Botha said yesterday, when results of the latest opinion poll were released, the strong export performance was expected to press ahead well into 1990

The export drive was still developing, encouraged by signals of a strengthening global economy, a weaker rand exchange rate and a perception that the sanctions threat appeared to be on hold — at least temporarily

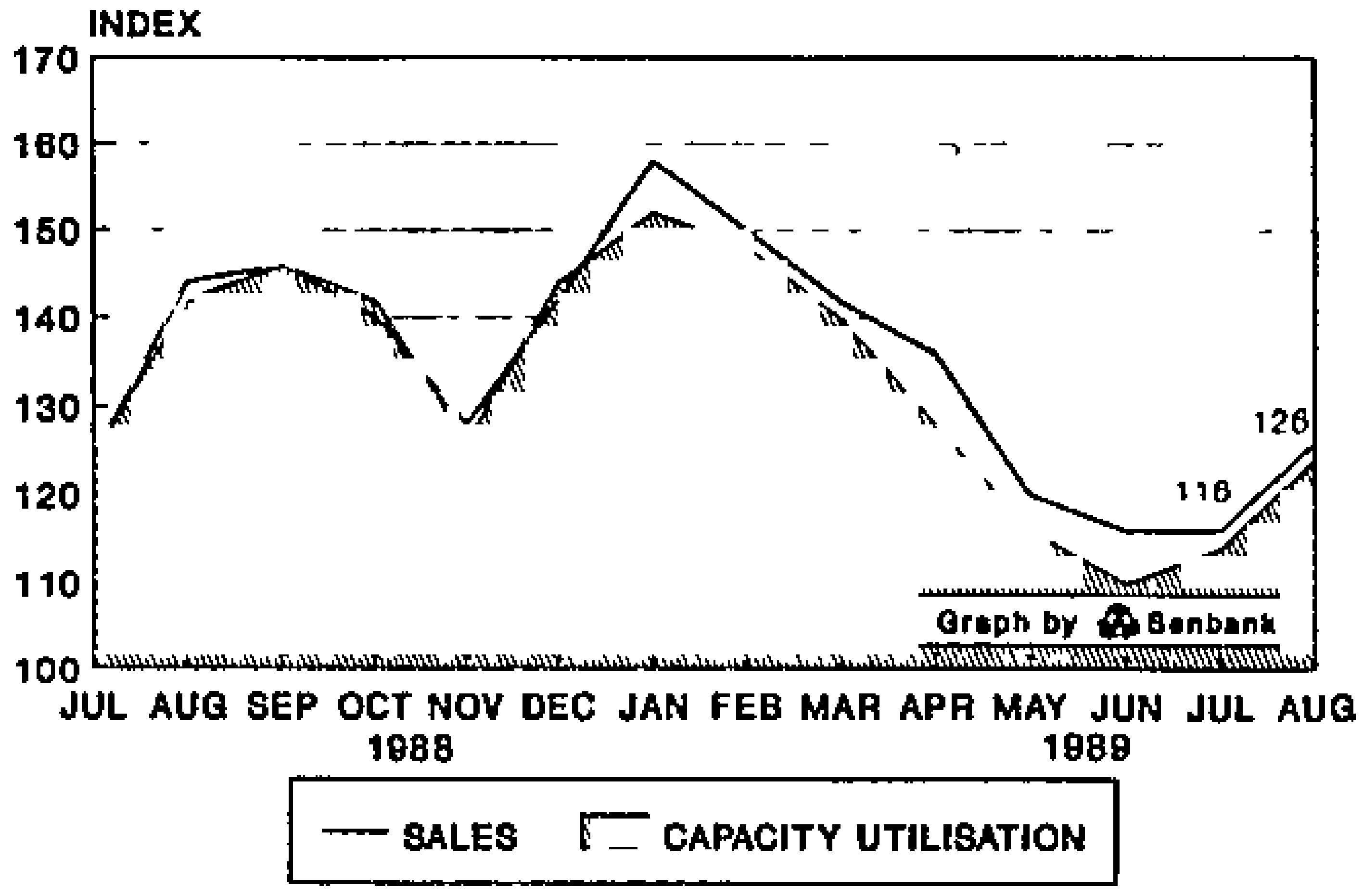
He said "It is clear that manufacturers remain relatively optimistic about the future despite measures taken by the fiscal and monetary authorities to cool down demand

"The results of the general election are unlikely to impact significantly on confidence levels

"In view of the improvements in the level of gold and foreign reserves and the trade balance, the likelihood of further restrictive measures is remote



Forecasts for sales, production and stock volumes by region for the 12 months ending July 1990.



Index of 12 month forecasts — total manufacturing sales and utilisation of production capacity

"At the same time, recent statements by the new Governor of the Reserve Bank suggest that credit conditions will remain tight and that interest rates are unlikely to decline before well into 1990

"This, together with rising inflation, will preclude significant increases in real private consumption expenditure on manufactured goods

"Expenditure on capital goods also appears to be slowing, with the result that future increases in expected sales will be increasingly dependent on export prospects'

Industrial consultant Dr Gad Ariovich said the pattern of share price movements on the Johannesburg Stock Exchange since February last year confirmed the optimism of investors in general about the muscle behind the export drive

An analysis showed that most of the leading sectoral advances in JSE indices had been achieved by metals and minerals exporters

The steel sector led the pack with an average climb of no less than 318 percent Manganese was up 313 percent, metals and minerals 195 percent, platinum 193 percent, other metals 176 percent

But Mr Botha advised caution about interpretations of the scale of the improvement in index readings

He said many manufacturerers were feeling a bit jittery about how the Reserve Bank intended to tackle its counter-offensive against inflation

The export outlook looked good, however, especially as companies gained confidence that the extra production capacity created from recent surges in fixed investment was likely to be filled by a faster flow of orders

Rob Herbertson, marketing director of Highveld Steel and chairman of the FCI International Trade Committee, forecast a continuing strong performance by exporters as they anticipated an expansion of international economies in the 1990s — and learned to cope with sanctions problems

Much depended, though, on how the Board of Trade and Industry succeeded in finding the correct balance in its programme of structural adjustment in the industrial sector and the package of new export incentives

Gencor ship-shape for stormy waters

S/Times 29/10/89. 189

GENCOR chairman Derek Keys aims to confound analysts' expectations that SA's second-biggest mining house is heading for a profit crunch in 1990

By David Carte

Gencor watchers say everything went right last year to enable a taxed profit of R1-billion for the first time — but this year profits are likely to fall in the two biggest income sources, Samancor and Sappi

They say that there are also question marks over earnings from gold platinum coal and industries

A JSE analyst says Rimmer de Vries of Morgan Guaranty told the FM conference that the world economy was stronger than expected last year and would probably be weaker than most expect next year I agree Gencor is exposed Its best days are over"

Most analysts contend that earnings and the share price have topped out — but the well covered dividend is safe.

Commodities

Mr Keys told Business Times that Samancor and Sappi could well hold earnings in spite of softer world commodities price trends

Malbak chairman Grant Thomas says his company which contributed R145-million to Gencor's bottom line, intends 'to be one of the few companies to actually improve earnings in the year to September 1990'

A mining analyst says. "With the possible exception of the dollar price of gold, everything went perfectly for Gencor last year World demand and prices for manganese, ferrochrome, platinum other metals and coal, also for pulp and paper, rose strongly

"There was a soft rand to maximise export earnings and the company timed its rights issue to perfection raising R1,5-billion at the top of the market."

Mr Keys agrees with this description of 1989 but in regard to Samancor says manganese prices remain firm. Although ferrochrome prices are well off the top, the highest price did not obtain for the year

"The average price — as opposed to the maximum — last year was not that high. We don t believe the average price in 1990 will be that much lower"

Mr Keys says Samancor sells most of its production under contract.

Platinum

Sappi should be able to increase earnings He dismisses one analyst s fear that tax will knock it in the current year Sappi s heavy investment in plant will keep tax low

Mr Keys says the gold mines will have the benefits of cost cutting for a full year in 1990 not a few months

General Motors is closing plants because of falling demand for cars in the US, but demand for platinum is undiminished.

A stronger rand brought about by high interest rates, falling inflation and possibly an improving political outlook, is probably the biggest threat to Gencor and other mining houses and exporters. Mr Keys replies however that the rand is still down on its average value last year

Gencor issued its shares on an earnings yield of 14% If the new money is not to dilute earnings, the company must earn 14% after tax on it. Can it achieve this?

Mr Keys says. 'The rights price was at a big discount to the market one The idea was to give something to shareholders By ensuring there would be a good price for the letters we made sure the issue was something of a distribution We did not try to maximise the issue price and thus to minimise our cost of capital. I believe we can carry the extra funds without significant dilution."

Gencor has net assets of R14,2 billion and no net debt. It is thus immune to the direct effects of higher interest rates.

The energy division, which houses Mobil, made no contribution in the past year but will do so

Mr Keys says Gencor took defensive steps in a good year

"For example we spent about R30-million improving the funding of various pension funds.'

That is a cost that should not recur

Mr Keys says the gold division s performance in 1989 was instructive Rand prices fell but profits were maintained by reducing costs and improving grades. Gencor could take similar action across the group to adjust for changing circumstances.

Mr Keys attitude is that if there are catastrophes, Gencor might not achieve its aims — but it is not sitting there waiting for fate to overtake it.

(189) Fmail 3/11/89

STEEL DEMAND

Downturn, but not to worry

Demand for steel is slowing and 1990 sales are not likely to reach this year's peak But the downturn is not expected to be sharp — and at least one analyst predicts there could even be a slight increase in demand next year In any case, weaker demand would allow the industry to avoid the shortages that plagued it earlier this year

"Government's curbs on the economy are taking effect," says Arthur Browne, president of the Association of Steel Merchant Stockholders of SA "Most merchants are overstocked, which isn't good, because interest rates are high Not only does that make stock holding expensive — our clients will need extra credit "

But Browne doesn't foresee any casualties among merchants He says most are now "strong companies because of considerable rationalisation, mergers and takeovers " He lists the big five, in alphabetical order, as Baldwins, Gulf Steel, Macsteel, Steelworld and Trident

Producers raised prices twice this year and this is now curbing demand, especially for small companies catering to low-volume users Flekser Steel, for example, says it suffered a 20% drop in sales in October "compared with September and this time last year " Director Ivor Cohen adds "Many clients have put expansion on hold because of the interest rates, the turning down of the economy and Iscor's second price increase "

Iscor says the first increase was 8,2% in March and the second was 6% in October, compounded, that's 14,7% for the year

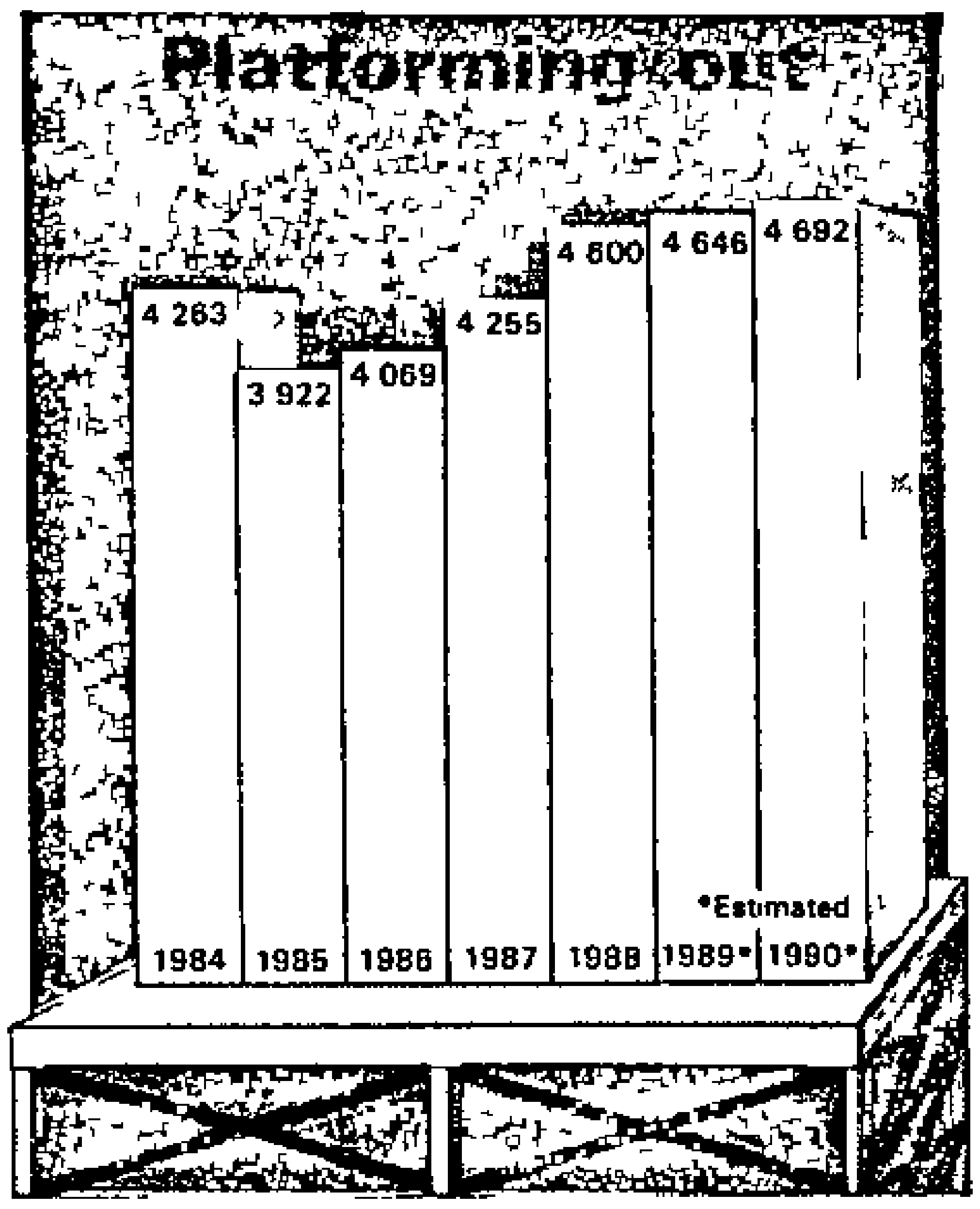
Black informal fabricators are also seeing less demand. These businesses — which make gates, security fencing and other items in township backyards — have been hit by the cooling economy

Iscor believes the domestic steel market is holding up well In the year ending June 30, the company expects steel sales to drop by 2,5%, only a small fall but not the best news as the company is privatised in a massive R3bn share issue

However, Nols Olivier, senior-GM (commercial), says the company's exceptionally good first quarter, ended September 30, bodes well for the financial year It shipped 983 000 t during the quarter — over 140 000 t more than it shipped in the same quarter last year In the current quarter, Iscor expects to ship 740 000 t, easily surpassing the 680 000 t shipped in the same period last year. Iscor produces 78% of SA's steel

Browne says there shouldn't be shortages of any grades, sizes or profiles next year "Iscor could not supply certain grades and gauges of flat steel earlier this year. People ran out and there was some disruption, but it wasn't the end of the world Merchants order their stocks a quarter in advance and they were able to supply most demands — though sometimes they had to substitute "

Olivier says Iscor could not meet flat steel demand because of problems late last year at its Vanderbijlpark works, where flat products are made "We also had to withdraw from the flat steel export market — but things virtually returned to normal in the last quarter and we have caught up with the backlog, except for some special grades. We'll be able to supply all grades normally by the end of the year."



Economist Michael McDonald, of the Steel and Engineering Industries Federation of SA, says long-term demand for flat and structural steel is beginning to fall but he doesn't foresee a major drop. He says engineering may not be doing as well as last year but is still doing well.

"That doesn't mean 1989 will be a bad year, nor will 1990, when the workload will continue to slow. There are still enough projects on the go to keep the industry busy There was a problem with transport-related engineering companies but even they are beginning to do well again now that SA Transport Services is placing orders again "

The SA Roll Steel Council, which monitors the use of steel, is more bullish and foresees a 1% increase this year on the 4,6 Mt that the SA market absorbed last year and another 1% increase on top of that in 1990.

This sentiment is in line with what's happening internationally Olivier says there is almost insatiable demand, coupled with high prices Iscor is still exporting all the steel it can — but prices that peaked earlier this year dropped recently in dollar, though not rand, terms "because of a temporary flooding of the European and Far Eastern markets," he says "This was largely because of a drop in Chinese demand due to the Beijing debacle But things are improving and the excesses will, hopefully, be mopped up in about six months "

Olivier adds "The 1989 International Iron and Steel Conference was the most optimistic I have attended in years Last year, the feeling was that demand for steel was at the top of a cycle and would dip steeply again, soon The feeling this year is demand will stay high but fluctuate mildly "

Lenhard Holschuh, secretary-general of the International Iron and Steel Institute, agrees. World steel consumption this year will reach a record 791 Mt and Western countries will consume 494 Mt, "virtually matching the all-time peak recorded in 1973," he says. "And 1990 will be an equally good year, with only a slight downturn of 7 Mt forecast at world level."

Speaking at last week's Investment Conference, Highveld Steel chairman Leslie Boyd said steel in SA was cheaper than anywhere else, "which should stimulate the export of processed and fabricated steel products " SA already exports 34% of its steel production, high by world standards, he added Producers lost 1 Mt in sales to North America and Western Europe because of sanctions but have found new markets for that steel.

Boyd warned, however, that producers should "proceed with caution when expanding facilities, a downturn in the world economy can have a negative impact on SA steel's export performance "

BEER INDUSTRY

Frothy tussle

On the face of it, the strike at SA Breweries and the painful beer boycott that has come in its wake creates an ideal opportunity for rival SW Breweries to grab a bigger share of the SA beer market (see *Currents*)

Not so SW Breweries has problems of its own The company, it turns out, is recovering from its own strike and related consumer boycott

The action against the Windhoek brewer was called by Swapo two months ago after a Namibia Food and Allied Union member was fired During the 45-day stoppage, drinkers in the two main Namibian beer markets, Katutura, north of Windhoek, and Owambo,

Fmail 3/11/89.

Robor earnings rise 42%

189

Cape Times 8/11/89

Financial Editor

EXPORT earnings helped Robor Industrial Holdings (RIH) to lift after-tax profit in the year to September 30 by an impressive 42% to R48,2m (R34m), on a 27% rise in turnover to R763,6m (R601,1m)

Operating profit rose by 40% to R59,4m (R42,4m) and pre-tax profit by 38% to R52,3m (R37,9m) Earnings at share level were 149,4c (106,2c) The final dividend is 43c (29c) a share, making a total distribution of 62c (45c) for the year

The higher earnings were achieved in spite of a 58% rise in the interest bill to R7,1m (R4,5m) and a 5% rise in the tax bill to R4,1m (R3,9m)

RIH, in the Barlow Rand stable, consists of companies which manufacture, process, galvanise, distribute and export a wide range of steel products

MD Mike Gahagan said yesterday that the rise in profits was due to increased export volumes, keener local demand, improved productivity and a bigger market share

"International demand for steel and steel products remained buoyant throughout the year," he commented

"As a result, prices were firmer than in previous years But orders for future deliveries taken in the second half indicate that prices are now over their peak."

Gahagan said that exports were limited only by a lack of available supply from SA steel producers "Domestic demand increased, and we achieved some gains in market share, but the fourth quarter results reflect a slowing down of the economy"

Gahagan pointed out that return on average shareholders' equity "reached a new high of 25,2% Based on a ruling market price of 600c, RIH offers an earnings yield of 24,9% and a dividend yield of 10,3% compared with the engineering industry averages of 16,1% and 5,8%"

Underrated RIH turns the corner

S/Times 17/12/89

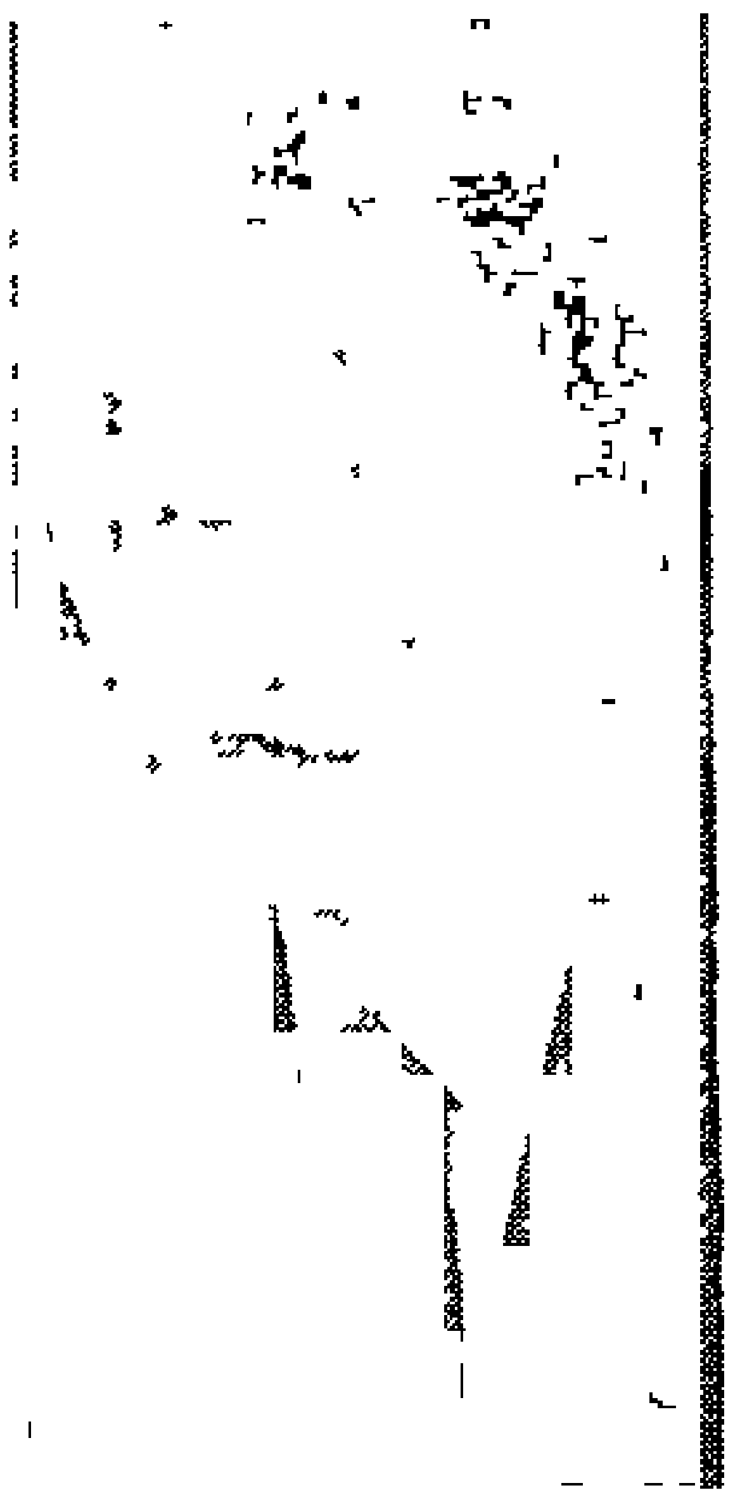
189

By Ian Smith

A CORPORATE restructure is often arranged to hide a multitude of sins. But it has worked well for Barlow Rand's Robor Industrial Holdings.

At the end of the first half last March managing director Mike Gahagan attributed the slide in earnings growth to 23% from the previous year's 41% to the hangover from a major restructuring and market pressures

But the steel fabrication, distribution and exporting group has come back with a bang in the second half-year



MIKE GAHAGAN ... impressive growth

Margins

Attributable earnings increased by 42% on a 27% rise in turnover to R763-million Operating profit jumped by 40% to R59-million, and taxed profit increased from R34-million to a record R48-million.

Mr Gahagan is pleased that the group's operating margins have improved from 7,1% to 7,8%

The share price is languishing nearly 200c below its May high of 850c, but Mr Gahagan says in the annual report "Significantly, returns on average shareholders' equity reached a new high of 25,2% on the strength of the year's earnings of 149,4c a share"

Several factors contributed to the improvement. The streamlined organisation has led to productivity gains, keener marketing and improved market share The group's well-planned export drive has also paid dividends.

Last year exports increased by 54% to R246-million, or 32% of total turnover In the previous year exports worth R168-million amounted to 28% of turnover

The group also benefited from improved SA demand for its products and services.

Revenue from manufacturing jumped by 24% to R216-million, or 28% of turnover

Fraction

Compound earnings growth has averaged 38% since RIH's listing in 1983, but Mr Gahagan warns that the current year will be one of consolidation

"International markets will not be as buoyant as they have been in 1989 Nor will ruling prices be as high Group exports, however, represent a fraction of 1% of world steel and steel tubing trade in spite of their R250-million contribution to RIH.

"It is unlikely we will experience any significant negative impact from the international downturn

"Domestic demand will be adversely affected by Government's curbs on spending — especially in building and consumer products On the other hand, demand from coal and platinum mines is expected to be good

Property

"The wild card in 1990 will be demand from the gold mines Recent gold price increments could stimulate the mining houses' capital expenditure and maintenance programmes"

The current year's earnings are expected to grow in line with inflation

Mr Gahagan believes that the shares have not received the recognition they deserve

Shareholders' equity last year increased by 18% from R176-million to R207-million after providing for a record dividend of 62c

RIH's net asset value has risen since the listing from 389c a share to 639c — "impressive growth in real terms", says Mr Gahagan

"If one revalues the group's extensive property interests to the valuation ascribed on a free-market basis in 1989 net asset value would jump by 102c to 741c

"Further, if one revalued plant and equipment with a current book value of R16-million to the insured value of R161-million the group's net asset value would increase dramatically by another 450c to 1 191c

"This level of cover is exceptionally high when compared with the ruling market price Even at a price of 700c the share is still undervalued relative to earnings, with an earnings yield of 21,3%, and to net asset value, which is covered 1,7 times"

IRON, STEEL
+ ENGINEERING

GENERAL

1989

(NO EXPORTS)

B/Day 14/2/89

MALBAK BUYS WIGGINS TEAPE IN R15m DEAL

186 **BRUCE ANDERSON**

MALBAK, Gencor's industrial holding arm, has purchased paper merchant Wiggins Teape for R15,3m.

Malbak director Klaus Zirker said yesterday the acquisition from the UK Wiggins Teape group had left the company in a dominant position in the local paper-merchanting market

"Through Wiggins Teape and another listed Malbak company, Haddons, Malbak's share of the market has risen to over 50%

"The quality of the management at Wiggins Teape is superb — they will add a new dimension to our management," Zirker added.

He said Wiggins Teape UK decided in September last year to sell its small paper-merchanting operations in Australia, New Zealand, SA, Malaysia and Singapore.

"We were just lucky enough to initiate discussions with Wiggins Teape UK at the time they took the decision to sell"

The local operation's main focus is on paper merchanting Wiggins Teape buys from paper mills and manufacturers and distributes to the printing trade

Malbak's new acquisition will fit into its packaging and paper division, together with the three other listed companies in that division, Carlton Paper, Haddons and Kohler

Last year the division contributed 21% to Malbak's earnings

Higher tax rate hits NTC

(189) Star 7/3/89

Finance Staff

Higher interest charges and tax payments hit National Trading Company (NTC) profits for the year to end-December, with earnings per shared declining by over 20c to 74,6c The total dividend fell by 10c to 35c

While operating income increased by 33 percent to R17,06 million on a R70 million rise in turnover to R319,7 million, finance charges rose by R2,44 million and tax payable surged from R1,95 million to R5,32 million

The company also announced that a deal has been finalised, which will see NTC sell part of its trading divisions to Natmac Holdings, which is owned jointly by NTC and MacSteel

Following on this deal NTC will sell its 50 percent holding in Natmac to MacSteel

Basil Starke divisions pile up dismal losses

(189)

B/Day 31/3/89

EDWARD WEST

BASIL Starke Investments suffered dismal losses after over-extending its civil engineering division and incurring losses in its Premier Wire Division

Despite forecast profits, the civil engineering and construction group suffered a loss — before extraordinary items — of R3,8m (R1,5m profit 1987) for the year to December

While turnover increased 77% to R136,8m, losses in the civil engineering and Premier Wire divisions resulted in loss before interest of R842 000

A high interest bill of R2,3m increased the losses to R3,1m, while an extraordinary item of R586 000 which related to the sale of subsidiaries to the Premier Group in 1987 pushed losses to R4,4m

Before extraordinary items a loss of 36,9c a share (24c profit) was recorded on weighted number of shares in issue

No final dividend was declared

Directors said problems in the group had been dealt with Four new senior appointments had been made and the number of projects undertaken by the civils division had been slashed to ease the load on human resources

In addition, the loss-making office furniture sector of the Premier Wire division was sold in December

The building division and the plumbing, plant and autotube divisions all performed satisfactorily and order books for all divisions were well placed, boding well for improved performance during the current financial year

TOCO BUYS STAKES IN VITREX, PREMIER VIA ALZAC HOLDING

BDay 3/4/89

ZILLA EFRAT

TOCO Holdings has acquired strategic interests in Vitrex and Premier Chemicals via its interests in Alzac Holdings, for an effective cash outlay of R1,6m

Through a partnership structure with management, Toco has bought a 24% stake in Vitrex and 14,4% of Premier

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry.

The move will strengthen Toco's position as a manufacturer and distributor of industrial products

Columbia Consultants and Pride Consultants, which acquired stakes in Premier via their investment banking arms last year, will participate as passive partners of Toco in Vitrex and Premier.

Had the transaction been effective on April 1, 1988, it would have had no material effect on Columbia or Pride's earnings for the year to March 1989, but would have increased Toco's earnings by 0,78c a share.

Vitrex and Premier are expected to contribute meaningfully to growth in earnings a share of Toco.

Various transactions since October mean 60% of Alzac is retained by its management and 40% held by Toco, Pride and Columbia in the ratio 60 20 20. Alzac holds 60% of Premier, while Premier management holds 40%. Vitrex is fully held by Alzac.

"To maximise the benefits which Vitrex and Premier gain through access to the technical and marketing experience within the Toco group, Toco will have a 50-50 representation on the board of Alzac with the Alzac management," says Toco MD Adrian Goodman

Wedge reports loss and passes dividend

Wedge Holdings has reported a loss of R2,59 million after running into trouble in the financial year to December

During the previous year the group recorded a profit of R3,646 million

Earnings per share show a loss of 13,8c (22,8c profit) The dividend has been passed (3,5c previously).

Pressure on margins and a high interest bill are given as the main reasons for company problems.

Interest paid soared from R1,35 million in the 1987 year to R5,65 million

Star 14/4/89

189

Group borrowings

Management says group borrowing are too high and that it is examining proposals that could have a major impact on the problem

It says margins remained under pressure and this, combined with an increased provision for doubtful and bad debts, resulted in operating margins dropping from 1987's 8,6 percent to 2,6 percent

The board says talks started in January involving a change of control or a sale of assets and liabilities had not been successful

It says talks are continuing but that no announcement will be made unless it appears they will come to fruition

The board says conditions in the current year are better and that the group has budgeted for a profit

It says profit margins have improved and that market conditions are more stable — Sapa

B/Day 14/4/89

Doubling turnover fails to help Wedge

(1/89) **EDWARD WEST**

WEDGE Holdings, distributors of a range of steel products, showed a taxed loss of R2,6m for the year to December, in spite of doubling its turnover

After a sterling interim performance, Wedge showed a 13,8c loss on earnings a share, compared with 22,8c last year The dividend was passed

While turnover increased from R57,8m to R117m, pressure on margins and increased provision for bad debts pushed operating profit from R4,9m to R3,1m Margins were slashed from 8,6% in 1987 to 2,6% in 1988

Wedge grew rapidly in a short period at the expense of increased stock and debtor levels This, and rising interest rates, led to an increase in interest paid from R1,35m to R5,65m, resulting in an untaxed loss of R2,59m Borrowings shot up from R18,4m to R41,7m

Directors said negotiations announced in January 1989, which might have resulted in a change of control of Wedge, had been discontinued Another announcement would be made if continuing talks came to fruition

Macsteel is negotiating to acquire 55% of UME Limited in which Wedge has a 20% holding The offer price is 150c cash for each UME share

The investment in UME has been reduced by R4,6m to a more market-related value

Wedge is closing or selling branches and divisions which fail to measure up to management standards, and profits are forecast for 1989

Reinstatement of workers challenged

ARGUS 19/4/89

Labour Reporter

THE reinstatement of 11 workers by the Industrial Court, dismissed after they went on strike last year, has been challenged in the Cape Town Supreme Court

Mr D van Reenen, appearing for Photocircuit, the company from which they were dismissed, claimed that the Industrial Court did not have jurisdiction in the case, had not applied its mind to the matter and the reinstatement was invalid

He argued that the dispute procedures for the Iron, Steel, Metal and Engineering Industries Industrial Council promulgated in 1987 had not been extended to non-parties such as Photocircuit

The council had no jurisdiction in the matter and could not refer it to the Industrial Court and it had been improperly referred there by the union

The dismissed workers went on strike and were dismissed in May last year after Photocircuit had refused to recognise the Electrical and Allied Workers Trades Union or to implement stop orders for union dues

They were reinstated by the Industrial Court on the grounds that their dismissal was unfair

Mr A Oosthuizen, appearing for the Industrial Council, said the problems which led to the strike were very much wider than the question of stop orders and Mr Horst Peschkes, director of Photocircuit, had consistently refused to negotiate with the union

(Proceeding)

April 24 1989

Amshoe triples income to R15,5m

B | Day 24/4/89 (189)

CHARLOTTE MATHEWS

THE success of the Jaguar-Budget merger into Amshoe in March 1988 is reflected by the tripling of attributable income to R15,5m in the group's results for the year to February, released today

Combined Jaguar and Budget figures from March 1988 to February 1989 are given, with total figures including Jaguar's January and February 1988 results since Jaguar's previous year-end was December

The figures are compared with Jaguar's 1988 results.

Earnings of 27,9c a share for the 14 months are 80% higher than Jaguar's previous 15,5c and 63% higher for the 12-month period — in spite of the increase in the number of shares in issue.

A dividend of 7c (Jaguar paid 4c in 1987) will be paid

Amshoe CE Roy Eckstein says the dividend cover is being increased to fund further expansion.

Jaguar and Budget were both footwear companies, but as a result of the merger Amshoe is diversifying into PVC and EVA soling and foam sheeting for the manufacturing, mining and construction industries, which is seen as contra-cyclical expansion

Eckstein said the full benefits of the synergies of the merger were only coming into effect now and would have a favourable effect on the group's 1989/90 results

He said outstanding results for the current financial year could be expected as a result of additional production capacity, full order books and tight control of costs and assets

B\Day 26/4/89

Lanchem set to gain control of Whitehead

189

ZILLA EFRAT

LANCHEM is set to acquire the controlling stake in the Whitehead Group for an undisclosed amount and a new group structure will be announced shortly

Lanchem MD George Dryden says the deal will benefit both groups, open up the country to Lanchem and result in better utilisation of management and resources

Lanchem — which was recently transferred to the DCM after two companies were reverse listed into the cash shell — builds double garages, manufactures industrial doors and security equipment, and sells building materials

DCM-listed Fred Whitehead — which is involved in the finishing trades associated with construction and civil engineering — made an attributable loss of R753 000 for the six months to December after being adversely affected by its Dreamcoat division, interest rates and wage increases

Dryden says Lanchem is negotiating a further acquisition with a manufacturer in a similar field which will have a marked effect on the group's profits

Charles Ferreira has been appointed Lanchem's chairman

Employer's challenge rejected

Argus 29/4/89

(189)

by DICK USHER

A CHALLENGE in the Supreme Court against the reinstatement of 11 workers ordered by the Industrial Court has been rejected

The reinstatement was ordered after the workers were dismissed from Photocircuit, a Cape Town photographic processing concern, last May

They had gone on strike in an attempt to force recognition of their union

In September the Industrial Court made final a temporary reinstatement determination

Mr Horst Peschkes, director of Photocircuit, sought review of the Industrial Court decisions on technical grounds. He claimed the court was not competent to hear the case because the industrial council agreement was not applicable to his company.

In November the Electrical and Allied Workers' Trades Union, to which the dismissed workers belonged, secured a writ of execution against company assets worth about R4 000 to secure payment of all amounts owing to the dismissed employees

(189) Cmeis 30/4/89

Numsa demands holiday swop

CP Reporter

THE third session of annual wage negotiations in the metal industry took place this week between the Steel and Engineering Industries Federation of South Africa (Seifsa) and 15 trade unions

The National Union of Metalworkers said in a statement that little progress had been made towards reaching an agreement

In its opening response to union proposals, Seifsa

- Agreed in principle to convert the Metal Industries Pension Fund into a provident fund that allows for flexible benefits and a lump sum payment upon withdrawal

The provident fund issue is under threat of dispute action by Numsa

- Proposed changes to the sick fund

The employer organisation reiterated its demand for the exclusion of small businesses from the main agreement, arguing that this was necessary for the stimulation of small business, to create more employment and to increase employer representation to counter attempts by the Department of Manpower to block extension of the agreement (or any of its provisions) to non-party employers

While Numsa agreed to discuss this proposal with its membership because of the implications it may hold for the future of the council and collective bargaining in general, the union rejected the arguments that deregulation would lead to the creation of employment

Numsa indicated that the employers' wage offer was still unacceptable and that progress depended on Seifsa making concessions on other proposals, particularly on the issue of job security and job creation

The union demanded that

- Retrenchement proposals be submitted to the job security sub-committe for further negotiation

- June 16, March 21 and May 1 be swopped for October 10, April 6 and Workers Day respectively, instead of being additional paid holidays

Numsa also proposed that job schedules be renegotiated and that training be made completely accessible to allow members to obtain artisan status

The next meeting will be held on May 16

(189) 19/5/89

METAL INDUSTRY

(189) FMail

Gains all round

19/5/89

This week's metal industry wage talks seemed set to end in deadlock which, in a sense, would be good news for employer association Seifsa In addition, the unions, particularly the Cosatu-affiliated National Union of Metal Workers of SA (Numsa), which represents most workers in the sector, are showing little enthusiasm for strike action — again welcome news for employers.

But the unions are not losers, either There has been a palpable swing away from confrontation over wages to negotiating new agreements in the areas of pension funds, job creation and job security And this represents a long-term defensive strategy, destined to be resolved by paperwork and to lead to better deals for union members

Numsa's demand of 44,8% (compared to Seifsa's offer of 11,3% on average) was expected to be moderated at this week's talks The union's national organiser, Alistair Smith, told the *FM* Numsa was likely to lower its demand "depending on Seifsa's movement on the issues of the funds and jobs "

Seifsa communications head Hendrik van der Heever welcomed Smith's comments — "considering that Numsa has so far been inflexible on its minimum wage demand of R5 an hour" (an increase of 65% for labourers) Van der Heever says Seifsa has already made two offers The federation also agreed in principle to Numsa's demand for the existing pension fund to be converted to a flexible benefit fund, which would entitle workers to choose between pension or provident fund benefits This meets the union's demand that workers who resign or are retrenched can withdraw their contributions in a lump sum A restructuring of the industry's sick pay fund has also been agreed to in principle

Van der Heever says Seifsa has also offered to increase afternoon shift allowances from the current 6% to 7,5% on basic wages and evening shift allowances from 12% to 15%

Smith says the decision — indicated by local branches — is to reach settlement But he says it came with a proviso "We will not be in a position to make major compromises " He says the union's major thrust — to get Seifsa to counter unemployment through job creation — means an end to temporary work and sub-contracting, restricting overtime, negotiating closures and relocation of plants to homelands Where retrenchments are unavoidable, Numsa wants them to be negotiated, especially severance pay

The talks took place in an atmosphere of some uncertainty because of the Department of Manpower's refusal to gazette some clauses in last year's final agreement The clauses found objectionable by the department were the swapping of protest holidays for official days (such as June 16 for Founders Day) and the agreed-upon arbitration procedure in cases of alleged racial discrimination Numsa claims the objection is in reality inspired by government's insistence that centralised wage bargaining is contrary to deregulation

To underline this, Numsa points to the comment made by the Director General of Manpower, Joel Fourie, at the opening of the negotiations. Fourie said a deregulated bargaining system would provide employers with more "flexibility " ■

Assurances given to Toco minorities

BDay 29/5/84

ANDREW BUDDEN

OFFICIALS involved in the management buyout of Toco Holdings, from its holding company Columbia Consultants, have assured minority shareholders they would be "given full details of the offer"

MD Adrian Goodman, who is heading the buyout, said minority shareholders accepting the offer would be entitled to Toco's 5c a share dividend declared today

The dividend declaration precedes publication of Toco's financial results for the year to March in order to facilitate the previously announced acquisition by Toco's senior management of a controlling interest in the company

The results are expected to be published later this week

Goodman said the buyout team intended to retain Toco's listing

BDay 20/7/89

RESTRUCTURING HELPS TOCO TO AN 11% SURGE IN EARNINGS

BRENT MELVILLE 189

RESTRUCTURED Toco Holdings has posted an earnings rise of 11% to 12,8c (11,5c) and directors have declared a 5c (4c) dividend for its maiden year to end-March

However, operating margins dipped to 15,2% (16,6%) on a slight 8% increase in operating profit to R10,6m (R9,8m)

Interest charges jumped by a hefty 35%, taking a R508 000 (R377 000) bite and resulting in a virtually unchanged pre-tax profit of R10m

The group still managed an 11% rise in attributable profits to R7,9m (R7,1m), however, mainly as a result of its international expansion which chopped 17% off last year's R2,5m tax bill to R2,1m.

"The 12 months following the group's listing in August 1987 was characterised by internal structuring and streamlining designed to provide a solid foundation for sustained growth in the years to come," says MD Adriaan Goodman

In addition, Goodman says the group's strong balance sheet and committed team augured well for on-going growth.

The group is geared at 35% (23,3%) with interest cover resting at 21 times (26 times)

It has recently acquired a 24% interest in Vitrex and 14,4% of Premier Chemicals

Vitrex manufactures vitreous enameled steel composite panel, while Premier produces synthetic body fillers for the automotive industry.

Ownership

The transaction will strengthen Toco's position as a manufacturer and distributor of industrial products and should contribute "meaningfully" to growth in earnings a share next year, says Goodman

He expects for the year to March 1990 sales could top R100m — entailing at least a 44% increase on this year's turnover figure of R69,3m.

Ownership of Toco rested, until earlier this month, with Columbia Consultants which sold its 53% controlling interest to a Toco management team for R16,2m.

The buyout, consummated in the purchase of 32,9-million shares at a price of 48,6c, was initiated and financed by 20 of Toco's operating executives, headed by Goodman

The end result will be a 62% control in Toco

Goodman yesterday assured minority shareholders, who are being offered 50c a share, of their entitlement to the announced 5c dividend — covered 2,6 times — regardless of whether they accepted the offer or not.

In addition, Goodman said, the team intended to retain Toco's listing and to develop the company in partnership with institutional and individual investors.

The 50c special share price covers earnings by 3,9 times and the dividend yield was 10% — as against sector averages of 7,7 and 4,9% respectively.

Contempt in braai-oven case alleged

S Times 11/6/89

By Don Robertson

A THREE-YEAR Supreme Court battle over oven braais could continue even though Weber Stephen Products of the US, represented in SA by Galactex, won the initial case and the appeal

Last week Business Times incorrectly reported that Alrite Engineering, manufacturers of the Mirage braai, said by Weber to be a copy of its product, won the case Alrite lost both cases and had to pay costs

Galactex, sole distributor of the Weber Stephen Products' One Touch Barbeque Grill, believes that Alrite Engineering is in contempt of a court order made in March by continuing to sell its Mirage braai in its present form

Disclaimer

A Supreme Court judgment in January 1988 held that Albrite was prevented from selling or distributing its Mirage grill or any other one with a similar "get-up" to the Weber product "without clearly distinguishing it" from Weber's

Alrite appealed against the ruling In March this year, its appeal was turned down

Alrite believes that by sticking a disclaimer to its product to the effect that it is specifically not a Weber product, it is observing the terms of the judgment

The appeal court judge altered the order made in January 1988 to read "the respondent, its servants and agents are interdicted from passing off as a Weber One Touch Barbeque Grill, by sale, distribution or any other means, its kettle-type barbeque grill known as the Mirage, or any other grill which embodies a get-up confusingly or deceptively similar to the Weber One Touch Barbeque Grill, without clearly distinguishing it from the Weber One Touch Barbeque Grill of the applicant"

Label

Alrite, however, claims it is complying with the court order by attaching a label to its grill, reading "This Mirage oven/braai is an all South African product by Alrite and has no connection with the 'One Touch Barbeque Grill' of Weber-Stephens Co of America"

Galactex claims that Alrite is in contempt of the order because the judge said "I do not think the use of different names effectively excludes the likelihood of confusion"

Galactex says the public continues to be confused by the striking similarity in the get-up of the two barbecues Alrite continues to gain mileage from the goodwill caused through advertising of the Weber barbecue, it says

Clive Wasserman, a director of Galactex, has instructed his attorneys to call on Alrite to desist from violation of the court order, failing which Galactex will institute proceedings for contempt or for a further interdict

More preferential trade pacts mooted

B|Day 12/6/89 . 189

LESLEY LAMBERT

THE Department of Trade and Industry is considering preferential trade agreements, similar to the one established with Turkey, with one or two other countries, a senior official has told Business Day.

Acting director-general of the Department of Trade and Industry, Gerrie Breyl, said on Friday the agreement which allowed local importers to buy certain domestic electrical appliances from Turkey at substantial tariff rebates would continue as long as the governments of both countries continued to support it.

He said similar trade agreements had been signed with Malawi and Zimbabwe. One or two other countries were being considered for preferential treatment..

He agreed that if the Turkish authorities requested that the preferential agreement be extended to other manufactured products, the SA government would consider the request.

However, Breyl said this type of intervention would be applied sparingly — only in special circumstances and limited by specified quotas which, in the Turkish case, were limited to 7% of total imports

The agreement with Turkey allows local importers to apply for permits to import certain domestic electrical appliances at a ceiling duty of 3% *ad valorem* and a rebate of the full surcharge.

Normally, it would cost importers duties and surcharges ranging between 40% and 181%, depending on the product, to bring these goods into SA Local manufacturers of the electrical appliances included in the agreement say the competition has affected their operations by forcing them to produce fewer units at higher costs They argue government's continued extension of the agreement contradicts an undertaking that it was a temporary measure to balance trade between SA and Turkey

The agreement aims to achieve a shift in imports from countries applying unilateral trade embargoes on SA to those, like Turkey, which continue to buy SA goods

However, local manufacturers — particularly of the smaller appliances — who say they have the capacity to satisfy local demand, believe the Turkish imports are exceeding the quota, according to Small Electrical Appliance Manufacturers' Association chairman Neil Carlson

Manufacturers of vacuum cleaners, stoves and microwaves say several large retailers have imported appliances directly from Turkey and, as a result of the cost advantage, have shifted from being their

☐ To Page 2

Trade pacts

B|Day 12/6/89 189

☐ From Page 1

major clients to their major competitors

Carlson, MD of Electrocol, a division of Barlow Manufacturing and a major producer of vacuum cleaners, argues that the arrangement also means a higher outflow of foreign exchange than would normally be the case, due to relatively high Turkish prices, and a loss of tax revenue.

At least one Turkish supplier is known to have exported goods to SA at a premium of up to 20%, compared with the prices of Pacific Rim exporters

Once import duties have been applied to the other country's goods, the goods become more expensive to the importer But, because the landed price of the Turkish goods is higher, more foreign exchange leaves the country

Carlson told Business Day last week that if the authorities gave manufacturers an undertaking that the arrangement would continue, his and many other local operations would be forced to import Turkish goods rather than continue to manufacture the goods locally

This, he said, would have serious economic implications, especially as far as employment was concerned

Federated Chamber of Industries (FCI) economist Roelof Botha said government had consulted the private sector before announcing the first quota in October last year

Premier to restructure operations

Cape Times 20/6/89 180

By AUDREY D'ANGELO
Financial Editor

THE huge Premier Group Holdings is to separate its core businesses — ranging from food and pharmaceuticals to entertainment and leisure — from its 34% stake in SA Breweries (SAB), chairman Peter Wrighton said last night

The stake in SAB, acquired five years ago, will be put into a new investment company which will be listed and named Newco

Premier, which will be called the Premier Group, will raise approximately R280m through a rights offer

Wrighton said the cash would be used to expand the core holdings and to reduce their borrowings

Premier shareholders will still be invested in it and will also hold shares in Newco on a pro rata basis

Premier will have no interest in Newco It will have four focused areas of operation — food (through Premier Food Holdings), pharmaceuticals (through Twins and Gresham), entertainment, information and leisure (through CNA Gallo) and consumer wholesale and retail (through Gresham and Score)

Explaining why the restructuring, which will make the shares more marketable, is being carried out, Wrighton said it would help investors to identify the respective values of the investment in SAB and that of the core businesses

They would then be able to assess the prospects and management of the core businesses on their own merit.

Premier's earnings from its equity accounted investment in SAB had tended to obscure the performance of the core businesses whose earnings this year amounted to approximately R92,3m and whose turnover had exceeded R4bn

Wrighton said the core businesses had posted substantial increases in earnings since 1984 of 130%, 135%, 50% and 42% respectively This had progressively reduced the contribution of SAB to group earnings from 90% in 1985 to 65% in 1989

"I suspect that the market has been somewhat confused by the existing structure and accordingly understates the true value of Premier

"This view is supported by the fact that if the market value of the SAB investment was stripped out of the Premier share price shortly before we made the cautionary announcement, then the traditional core businesses would be valued at approximately R6,20 a share, which represents earnings multiple of less than five times

"This is well below the average for equivalent stocks in the market On the other hand, if the market is valuing the core businesses properly, the value of the SAB component is being taken in at a discount"

Discussing the rights offer Wrighton said "We believe this move will not only facilitate the development of the inherent potential of the core businesses, but will also ensure that the group is properly geared"

He said the rights offer and restructuring were "the culmination of a period during which all the strategic issues affecting Premier have been addressed"

Premier acquired its stake in SAB from a consortium made up of JCI, Liberty Life and the Anglo American Corporation, in exchange for shares in Premier

Additional shares were acquired to bring the holding to 93m shares, making Premier the largest individual shareholder

Wrighton said he was confident that the company was leaner, more focused and more efficient than ever before and would welcome the challenge of separate evaluation

Investment in staff training pays off

S/Times 2/11/89

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IT is gratifying to learn that in South Africa, a company which trains its staff regards the amount spent as an investment not an expense

In a country which is crying out for skilled people, the higher the quality and support of a training programme, the higher the returns on the investment in it

It should form part of every company's business strategy by developing its key personnel to meet the challenges of the day and the future

PLS focuses on the education of sales, service, management and administrative staff, and is launching Target 2000 — a sales training system which has been revised, updated and expanded to meet the needs of the 1990s

Separate

The research and development of Target 2000 has cost $11-million so far The work was undertaken by three groups in the US and Canada, and the outcome was consistent with European studies

The three groups concentrated on separate issues

The US group determined how businesses would market and sell in the future

The Princeton Research and Consulting Centre conducted a study of the market to find out what kind of training businesses needed to train their people

Interviews were held with members of Learning International's salesforce to gather data on market preferences

Roles Research — the third group — included two studies to ascertain what makes salespeople and sales managers effective

SA is facing similar sales and market trends to those of America and Europe, and the common implications were drawn together in the development of Target 2000

The curriculum was developed in 20 modules under three category headings — effective selling, specialist selling and sales management

Neglected

The seven critical content modules in the first category are

- Initiating business relationships — first impressions count
- Interactive listening for salespeople — the neglected skill
- Need-satisfaction selling — do not sell your client something you know is not what he wants.
- Professional selling skills, which come in four videotape versions which address tangible and intangible products with long and short sales cycles
- Professional telephone-selling skills — a telephonic version of the above
- Telephone prospecting — how to gain that qualified appointment.
- Time management for salespeople — work smarter, not harder

Advanced

The second category heading — specialist selling — includes advanced content modules:

- Account development strategies — handling complex accounts
- Added-value selling — side-by-side selling
- Interpersonal selling strategies — building positive business relationships
- Probing strategies — asking the right questions
- Sales Challenge — a videodisc series providing simulations for success
- Self-leadership for salespeople — going that extra mile
- Selling against the competition — the competitive edge
- Successful sales negotiations — understanding, planning and conducting sales negotiations

Winning

The third level of the curriculum is aimed at sales management

- Challenges of sales management — importance of their roles
- Developing your sales team — the winning ingredient
- Professional selling-skills coaching — protecting your investment
- Time management for sales managers — the complete tool kit

The critical content of the effective selling modules assumes no prerequisite mastery of product knowledge, market knowledge and selling experience — it is aimed at the less experienced salesperson.

The advanced modules assumes mastery of the critical elements

PLS can prepare you for the year 2000, this year

B|Day 6|7|89

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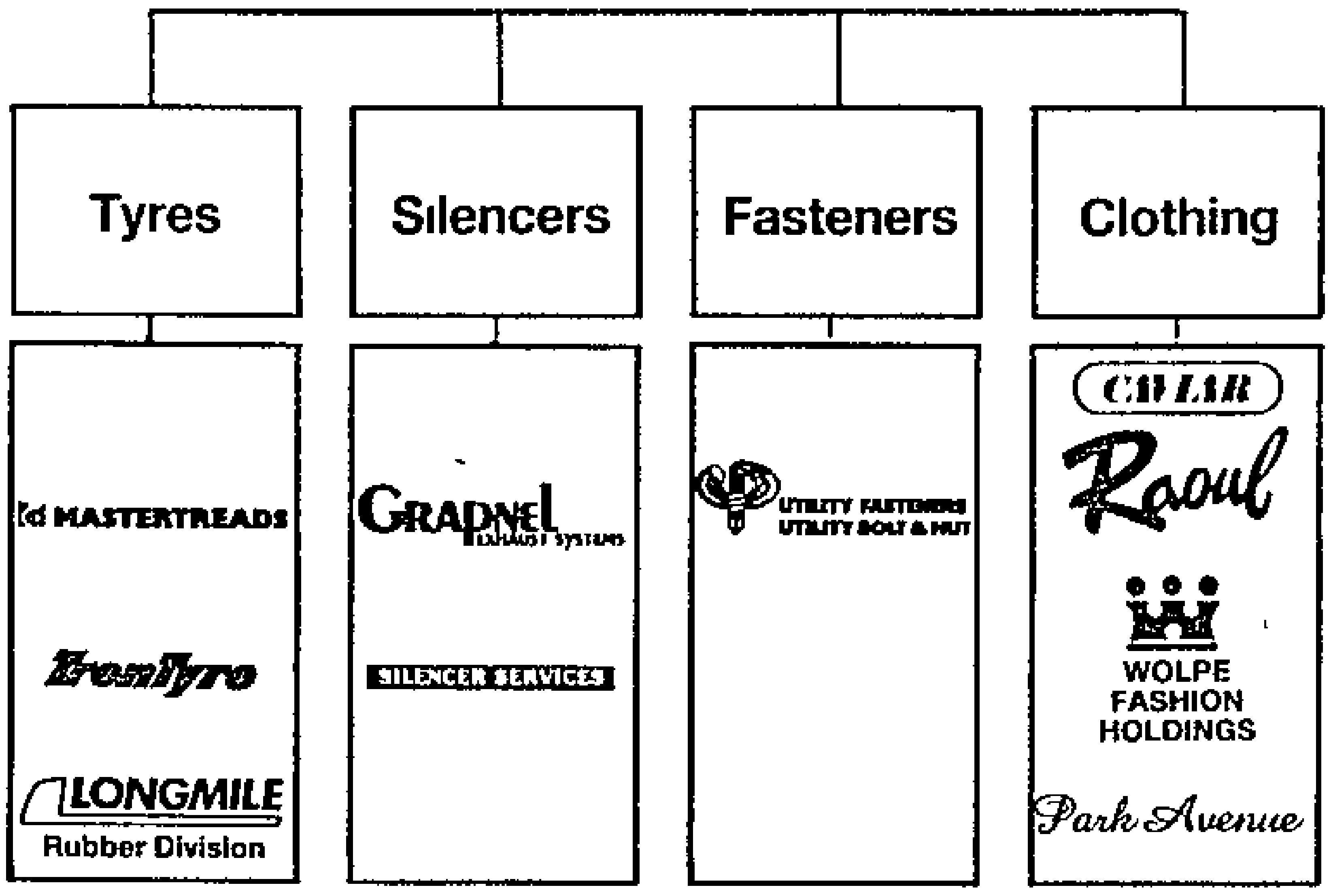
Business Day

SURVEY

A JSE star performer in terms of profits and close to being among SA's top 100 companies, the Longmile group is relatively unknown, even in the western Cape where its head office and many of its major operations are based ***MANDY WOODS*** *reports on this force to be reckoned with*



Low profile, but track record is impressive

DESPITE an impressive financial track record, Longmile has a relatively low profile

Deputy chairman Nick van den Bergh says one reason for this is that the group's trading operations do not bear the Longmile name, although they are household names in their respective sectors

Compatibility

Another factor is that Longmile is a conglomerate, combining a number of activities that might seem to lack compatibility

The group therefore appears to be somewhat unfocused

Tyres and silencers have obvious common ground, but women's clothing and industrial fasteners are apparently less linked

Focused or not, it has proved to be a winning formula, says Van den Bergh

"We concentrate on acquiring well-established businesses trading in key consumer markets

"We bring to this a common threat of strong financial control and focused policy making"

An area where the group's various activities do enjoy common ground is their relative immunity to cyclical economic swings and to sanctions, he says

"Motor vehicles are vital to a modern industrialised society and tyres and silencers are vital to motor vehicles

"Obviously tyre and silencer sales are affected by new vehicle sales trends but our big involvement in the replacement markets for both smoothes the path"

Van den Bergh notes (tongue-in-cheek) that when women are depressed, for instance by tough economic circumstances, "they go out and buy a new dress"

Even fasteners, which are influenced by cycles in the building industry, are reasonably cushioned by the demand from other sectors, such as the DIY market

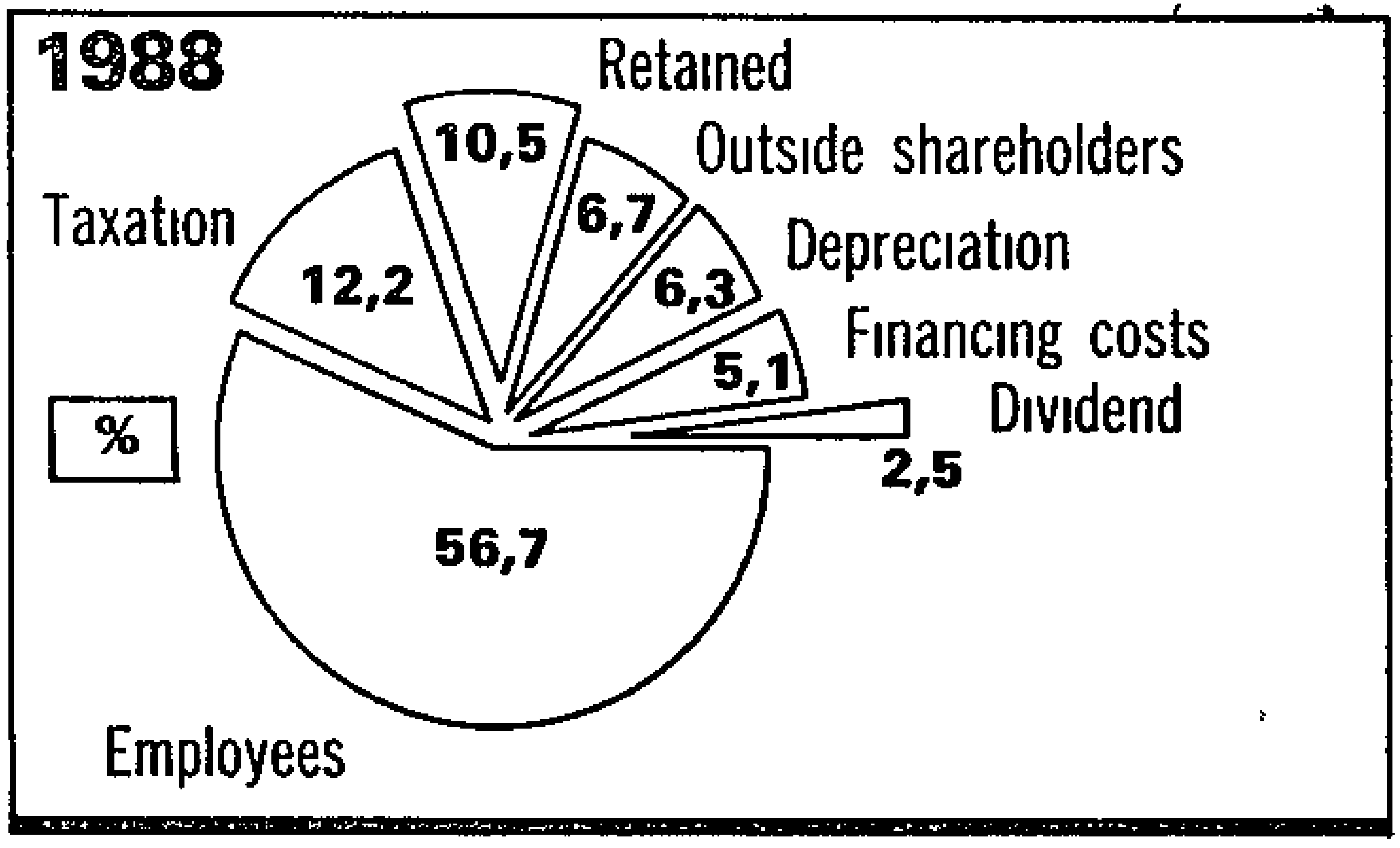
On the sanctions front, Longmile companies neither import nor export to any great extent, although they are successfully building up their respective export components, Van den Bergh says

Alternative

"While some of our clothing companies do import a significant part of their material requirements, they could firstly source from so many alternative suppliers that the effect is not likely to be serious

"And, in the event of a major cut in supplies, nearly all could switch to totally locally sourced products"

Longmile's value added statement



Graphic FIONA KRISCH Source LONGMILE

Capex aids penetration of local markets

UTILITY Fasteners in the business of industrial fasteners was purchased by the Longmile group in 1982 creating a division which has become a significant contributor to the group s performance

The fastener division comprises two companies and sub divisions Utility Fasteners, which manufactures bolts, nuts and screws, and Utility Bolt & Nut which distributes and markets them

MD Barrie Cox says Utility ranks about third in size in the fastener industry in southern Africa, but is particulary strong in the servicing and supplying of its customers

The company specialises in standard ranges of screws, bolts and nuts in brass mild stainles and high tensile steel, from M3 to M20 diameter

Direct

"Our major customers are the bolt and nut merchants and we are careful not to compete with them ' Cox says

Utility also sells directly to the large-end users in the manufacturing fields and has combined retail centres in Durban Cape Town and Johannesburg

A sustained capital expenditure programme has helped the division make inroads into the local market, he says

Utility has been exporting for four years mainly to Europe, taking up excess capacity rather than as a focused drive

"It s a competitive industry, but once you re over the backyard machine stage, it becomes very capital intensive and this not only constitutes a high threshold to entry but benefits of size come into play," Cox says

Virtually all equipment imported was a single bolt-making machine costing about R2m

— Sapa

Tayler.

Cape Times 17/7/89 (189)

Union settles wage negotiations

Own Correspondent

JOHANNESBURG — Friday's 15,2% to 18,5% metal industry wage settlement, following a week after the NUM/Chamber of Mines agreement, marks this year as the first since 1983 that SA's two major sets of negotiations have both been resolved without resort to industrial action.

And, said Confederation of Metal and Building Unions (CMBU) chief Ben Nicholson yesterday, this is the first time in a decade that every union party to the metal industrial council has accepted the settlement

This, he said, represented a new maturity on the part of unions and an acceptance by Seifsa that employers can no longer take a "take it or leave it" approach to wage bargaining

Seifsa said the large number of trade union groupings with divergent and sometimes conflicting demands complicated the talks.

Even so, a spokesman added, the negotiations were conducted in good faith on both sides and had, in the main, been approached in a mature and responsible manner

The public holidays issue, which held up settlement for two weeks because of differences between white and black unions, was resolved with agreement that May 1, Workers' Day and June 16 should all be treated has public holidays

This aspect of the settlement has been drawn up as a separate common law agreement between the parties.

It will not form part of the official agreement to be gazetted by the Manpower Department because of government's refusal to recognise the unofficial, though de facto, May 1 and June 16 commemoration days as paid holidays.

It was also agreed that the council should make representations to government to revise the Public Holidays Act generally and, specifically, to introduce May 1 and June 16 as public holidays.

Hourly wage increases, to be implemented from July 1, range from 56c for labourers to R1,11 for artisans, raising the minimum rates to R3,56 and R8,31 respectively

Some further adjustments were made to eliminate anomalies in certain rates on the wage curve

The industry's sick pay fund would be substantially restrucutred and sick leave provisions would be extended The employer body also agreed to speed up payment of benefits under the fund to employees injured on duty

Shift allowances for the afternoon shift are to be increased from 6% to 7,5% and from 12% to 15% for the evening shift

Finally, it was agreed in principle to convert the industry's pension fund to a flexible benefit fund, the fund's board of management will attempt to finalise the details of these changes by November 30

AECI shows 38% earnings growth

B Day 19/7/89

189

ZILLA EFRAT

EXPLOSIVES and chemicals manufacturer AECI has achieved a 38% growth in earnings for the six months to June

Strong demand for most of its products, reliable operations improving capacity utilisation and the firming of plastics and petro-chemicals prices contributed to these results, says MD Mike Sander

Attributable profits increased to R130m (R94m) while earnings rose to 84c (61c) a share. An interim dividend of 30c (25c) has been declared, with dividend cover increasing to 2,8 (2,4) times

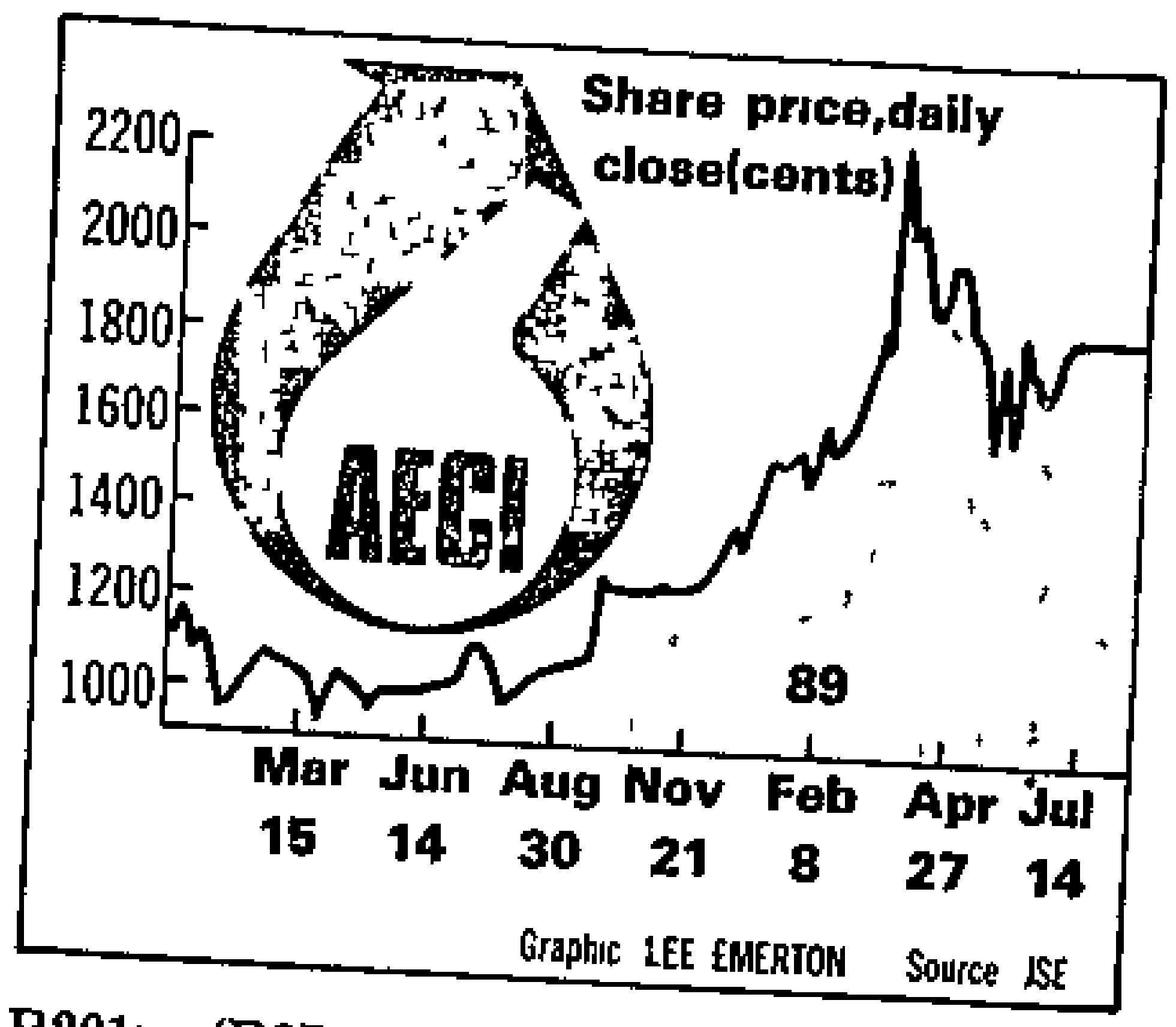
Sander expects further growth in earnings in the second half of the year, given a reasonably stable business environment in the industrial and mining sectors and the prospect of improving climatic conditions

However, against the probable background of increasingly difficult economic conditions, it is unlikely that the rate of improvement over last year's second half will be sustained at the level achieved in the first half, he says

With the exception of the polyethylene plants, all major plants operated satisfactorily at planned rates

In the previous interim period, turnover and margins were adversely affected by an extended plant failure at Coalplex which led to substantial imports to satisfy domestic requirements

In this period, turnover rose 25% to R2,3m (R1,8m) Domestic sales volumes grew 10% and exports were up 107% to R201m (R97m)



Graphic LEE EMERTON Source JSE

The production facilities purchased from Fedmis increased the group's fertilizer capacity However, to optimise total capacity certain of the older plants were closed at the beginning of 1988

In addition, rationalisation of fertilizer production to reduce fixed costs had a favourable impact on margins and contributed positively to group profits

Sander attributes improved margins of 11,3% (9,6%) to the hardening of international prices of key commodities, Coalplex running at design rates and a major "de-bottle-necking" exercise at Coalplex, which added additional capacity

The interest bill jumped 77% to R53m (R30m) because of significantly higher interest rates and higher average levels of borrowings to fund additional working capital for the increased business activity

Epping firm retrenches 150 workers

ALs 7/4/87

Staff Reporter

ABOUT 150 men and women are being retrenched today from Multimech, an Epping-based subsidiary of Tollgate Holdings.

This is a quarter of the firm's workforce. Most are shop-floor and clerical employees and members of the National Union of Metalworkers of South Africa (Numsa).

Company spokesman Mr Andrew Wilson said the retrenchment was in accordance with a rationalisation programme by its parent company.

He dismissed as "nonsense" claims that a company director's car was set alight by angry workers. There was no violence, he said.

Cpt Times 8/8/89

14 000 on strike

(157)

Own Correspondent

PORT ELIZABETH — About 14 000 workers are now affected as strikes for higher wages at several factories continue to escalate — 4 000 were dismissed at one factory yesterday, while lockout notices were served on 2 000 at two other plants

Nearly 4 000 workers at the Prospecton assembly plant of Toyota in Durban were dismissed yesterday after they did not resume their duties

Meanwhile, nearly 1 200 National Union of Metalworkers of South Africa members on strike at Goodyear are to be served with lockout notices today, following the more than 800 Numsa members locked out of Eveready yesterday

At the Volkswagen plant in Uitenhage and the Samcor plants in Pretoria and Port Elizabeth, there was also no production

At Volkswagen the factory was closed because of the high absenteeism — affecting almost 5 000 workers — and at Samcor workers struck for the fifth consecutive day, affecting more than 3 000 workers

At Goodyear it was stated in a notice that contracts of employment would be terminated and workers would not be allowed access to the company's premises

Goodyear set out its proposals on the disinvestment dispute and attached it to the notice Public relations manager Mr Mike London said "If an employee does not sign the acceptance form and return to work by 9am on Friday, August 11, the company's offer will lapse and the termination of employment will stand"

Meanwhile, at Eveready Numsa members were locked out while office workers were told they could take a day's leave if they wanted to stay away or could be met at Greenacres and bussed into the plant

According to Numsa, workers assembling outside the company gates were met with a show of force from armed police, two Hippos and four other police vehicles yesterday They were told by a policeman using a loudhailer that the company had resorted to a legal lockout

● It was reported earlier that nearly 4 000 workers at Toyota were dismissed yesterday after not resuming duties This follows the shutdown of the Prospecton plan on Thursday when Toyota obtained an urgent Industrial Court order calling workers to end unlawful action

Labour disputes spread, 5 000 workers fired

ARG 45
5/9/9

181

The Argus Correspondent

DURBAN. — Police stood by today as about 4 000 workers at the Prospecton assembly plant of Toyota filed in to collect their pay.

This follows heightened conflict between the motor industry and the National Union of Metalworkers of South Africa (Numsa) which has resulted in more than 5 000 workers countrywide being dismissed and locked out.

Numsa negotiator, Mr Les Kettledas, said that the Toyota workers did not consider themselves as having been dismissed He said the workers were insisting that the company participate in the negotiations from which it withdrew last week.

They were also insisting that it withdraw the court order it obtained against them last week

Mr Kettledas said the workers were willing to go back to work provided the company did these things.

From Port Elizabeth it is reported that production at some Eastern Cape factories has come to a standstill as labour disputes spread

Eveready management locked out 800 workers yesterday while Goodyear warned 1 200 striking workers that they would be locked out unless they returned to work today

Absenteeism

Volkswagen in Uitenhage and Samcor in Port Elizabeth and Pretoria continue to lose production in a dispute involving 8 000 workers

Volkswagen closed its factory because of high absenteeism, affecting about 500 workers. About 3 000 workers were affected at the local Samcor plant where workers refused to work for the fifth consecutive day.

At Eveready, Numsa members were locked out and office workers were given the option of leave or being taken by bus to the plant A Numsa official said there had been a strong police presence at Eveready Workers assembling outside the gates were told they had been locked out

Mr Barry Easton, industrial relations manager for Eveready, said the lockout was an attempt to induce employees to accept the company's final proposal on improved conditions of employment

The lockout follows months of negotiations and a failure to resolve a dispute at a conciliation board on Friday, according to a Numsa official

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Union studies new motor pay offer

MNews 23/8/89

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Argus Bureau

PORT ELIZABETH. — Wage talks between Numsa and motor manufacturers will resume on Thursday. No agreement was reached at the wage talks held last week.

A spokesman for Numsa said the motor industry had made a revised offer which would be discussed today by the National Automobile Shop Steward Council to be held in Pretoria.

A report-back on today's meeting will be held tomorrow with union members.

A recruitment programme to hire new staff continues at Goodyear.

Goodyear still regards the workers who were locked out last week as dismissed.

Numsa is demanding R5 000 separation pay for each worker because the company has been taken over by South African interests A spokesman for Goodyear said management would reconsider reopening negotiations if the union approached them.

The position at Eveready is still unclear where 1 000 workers were locked out last week.

A spokesman for Eveready said the union had not accepted the company's wage offer, which remained unchanged. Workers have been given until 3pm today to return to work.

W & A increases dividend by 20%

BDay 12/9/89 ~~189~~ 189 ~~189~~

BARRY SERGEANT

W & A Investment Corporation has lifted its interim dividend 20% to 120c a share for the six months to June from earnings of 395c a share (315c previous interim)

Chairman Jeff Liebesman says in a statement the three-stage process of corporate reorganisation, cost control and operational streamling initiated when FSI gained control of W & A in September 1987 is now complete

The operating companies are now well positioned to "produce organic growth for many years to come", says Liebesman

The W & A share price, currently rated as lower quality than ultimate holding company FSI, but better quality than immediate holding company Waicor, closed strongly yesterday, priced at R70 with bids standing at R71 ahead of the results

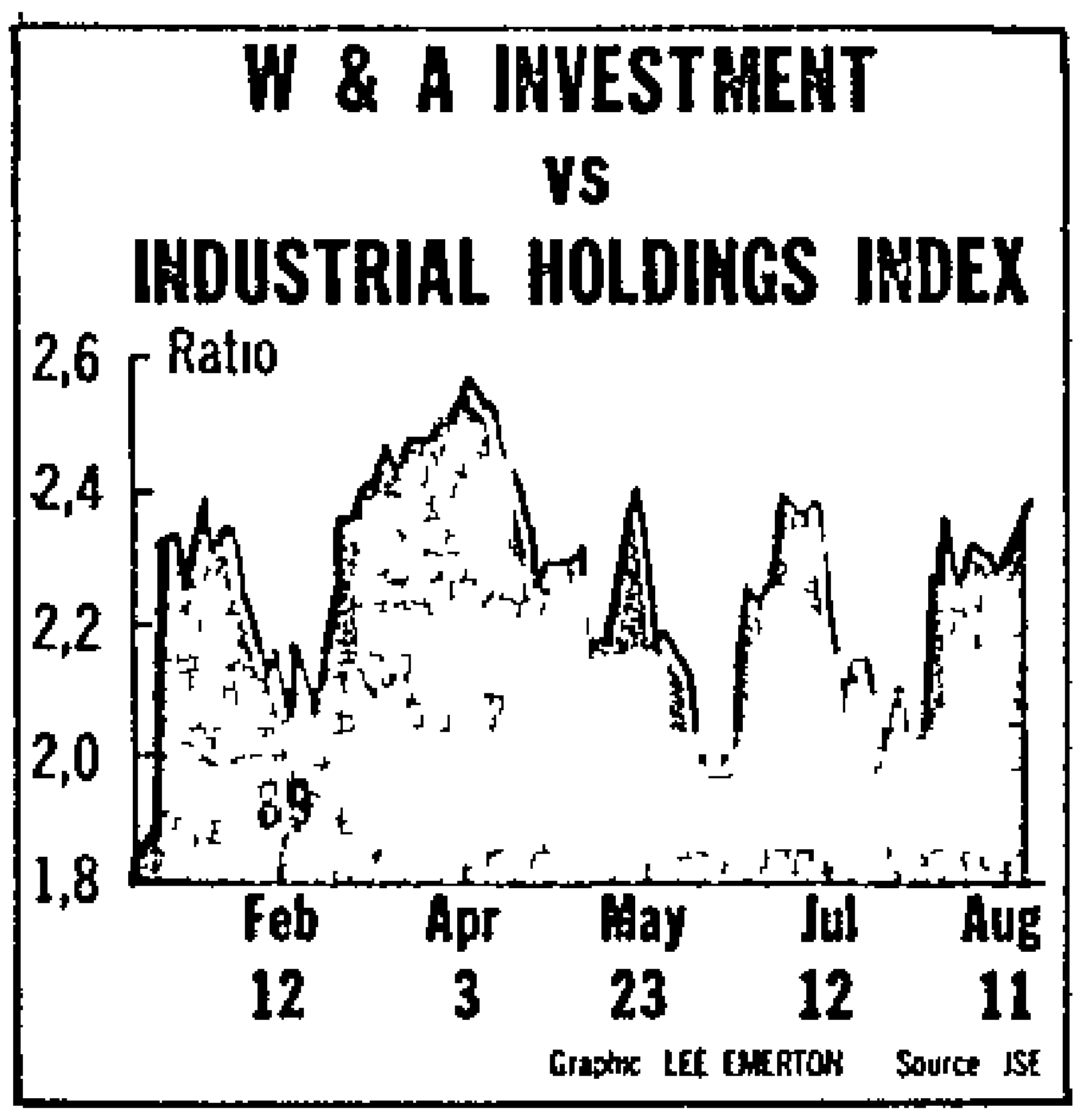
W & A's finance charges for the six months were R26,4m, 366% above the interim finance charges a year ago Interest cover was slashed from 8,6 times to 4,0 times But gearing, at 44%, was well within the overall group's policy level maximum of 60% although it was markedly up on last year's interim figure of 32%

Much of the debt, gearing and finance charge increases come at the end of an buying spree — in particular, the acquisition of Natbolt, now a 78% subsidiary of Hunts, in turn, a 76% subsidiary of W & A

Clearly, one of the most important rela-

☐ To Page 2

W & A INVESTMENT VS INDUSTRIAL HOLDINGS INDEX



Graphic LEE EMERTON Source JSE

W & A dividend up

189

☐ From Page 1

tionships for shareholders to watch is that between profit attributable to ordinary shareholders and finance charges Such profits of R29,5m are almost wiped out by finance charges of R26,4m

The abridged balance sheet shows long-term liabilities have increased by R101m since end-December, while current liabilities have swelled R43m The implied extra finance costs for the current six months of the financial year, had this extra debt not been raised, could be as high as R14m

On the other hand, current assets have swelled R103m since end-December While it is impossible to calculate accurate cash flows from the interims, finance director Neville Cohen said in an interview last night that W & A was "more than happy with its cash flow"

"Every one" of the 10 subsidiaries and associates recorded "record" results for the period, says Liebesman The increases ranged between the 12,5% of AAF and the 71% of MacPhail BDay 12/9/89.

AAF, listed in London, and sitting on a £28m cash pile, is a useful rand hedge for W & A but not yet a significant earnings contributor

W & A's share price, which tends to move in narrow volumes but can increase 10% on yields in a week, has risen solidly from below R40 in January to R70

Star 13/9/89 189

Picapli fails the test of tough times with earnings halved

By Ann Crotty

Tough trading conditions are the real test of management ability

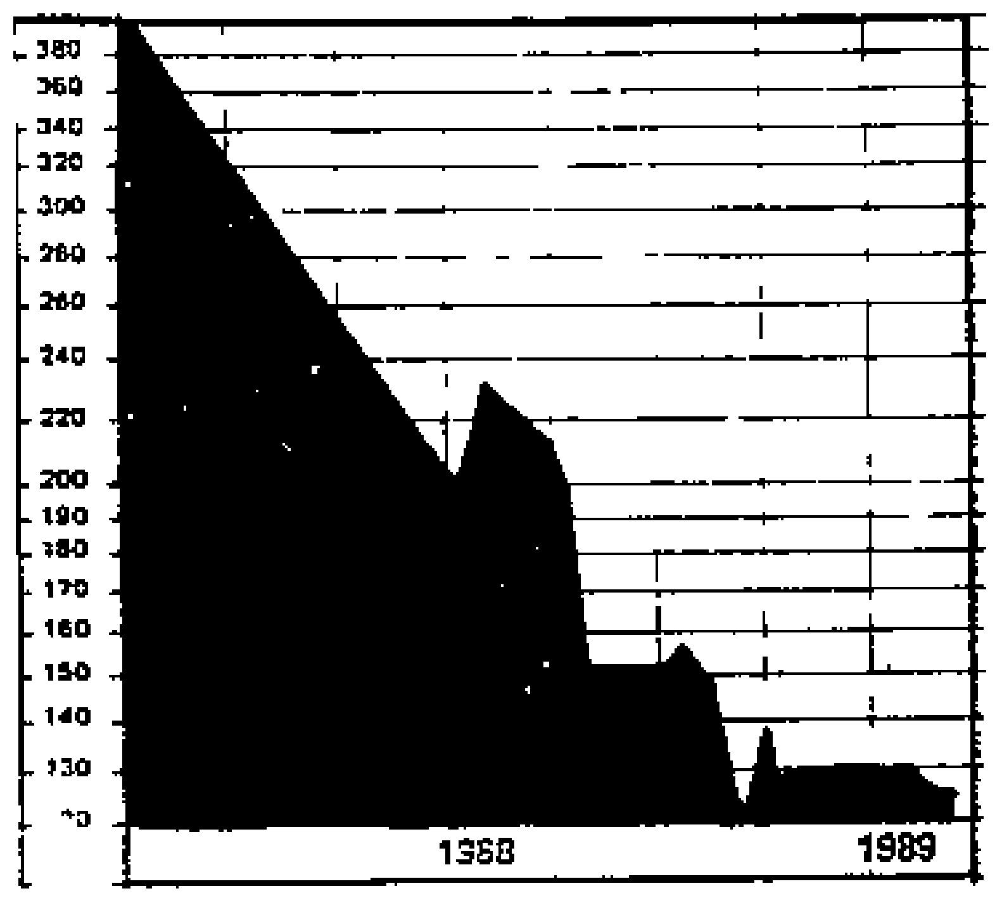
It is a test that Picapli appears to have failed in financial 1989 when earnings were more than halved — down from 51,2c a share to 22,3c The dividend was cut in two — from 15c to 7,5c

For years Picapli rode along on the back of strong consumer spending with the sales performance sufficient to outweigh the cost of the heavy borrowings that were needed to fund the massive levels of working capital

When the tough times hit them in financial 1989, the enormous cost of chasing sales — including high stock levels, generous discounts and relatively easy payment terms — became apparent

In the 12 months to end-June turnover was up by only 12 percent (for competitive reasons no figures are given), compared with the 69 percent surge in financial 1988

During financial 1989 operating income was up by only 7,8 percent to R37,2 million (R34,5 million), indicating a sharp squeeze on margins



Picapli price movement

But the major problem was the massive increase in interest payments These more than doubled from R11,8 million to R26,5 million

The hike in interest payments is only partly attributable to the higher level of interest rates More significantly it reflects the surge in group borrowings from R128 million in June 1988 to R161 million in June 1989 This 26 percent increase in borrowings (compared with a 14 percent advance in sales) reflects the cost of chasing sales and indicates a lax approach to working capital management

The tax charge was up from 41 percent to 45 percent This left attributable earnings of R5,8 million — which is just 55 percent of the previous year's R13 million

According to the directors "A severe clampdown by the government on consumer spending in the form of a surcharge on imported products, restrictive measures on HP financing and significantly increased interest rates resulted in a sharp decline in the performance of the group over the past year"

In order to reduce stockholdings (in line with the fall off in demand) goods had to be sold off at lower margins — "This had a negative impact on profitability"

That's the bad news

The good news is that there has been some management changes and the new management strategy (since February) involves paying much closer attention to working capital and expense controls This strategy is well supported with management control systems

The directors believe that the benefits of focusing on asset management will begin to show results during the current financial year and "will provide a solid foundation for improved perfomance in the future"

Already there are signs of improvement on the borrowings front The year end figure of R161 million is significantly down from the end-December level of R175 million

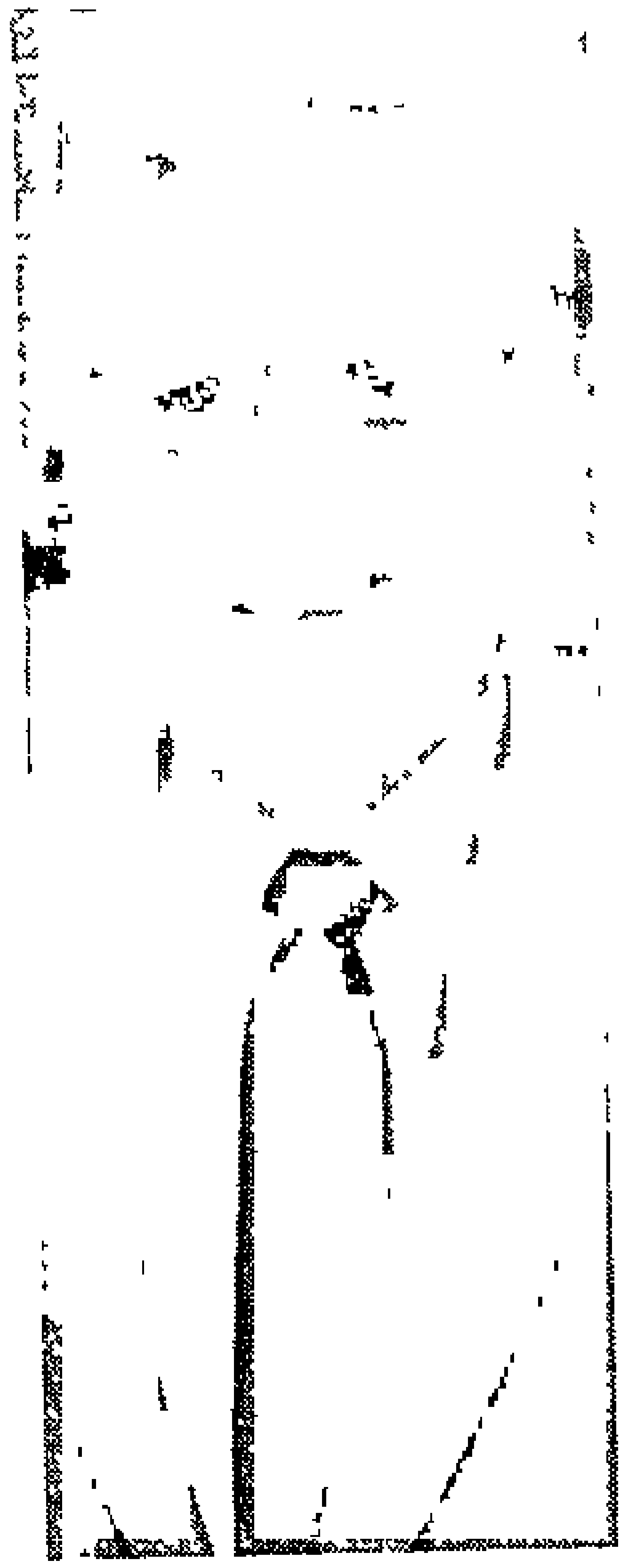
For financial 1990, the directors are expecting no substantial increase in volume turnover but are looking to an earnings improvement of around 25 percent

Further down the road, the benefits of the keener management strategy combined with the group's exposure to the strong white goods market, should enable it to produce more acceptable returns for shareholders

4 SUNDAY TIMES, Business Times, October 1, 1989

Rhodes tradition lives at Klipton

By Ian Smith



NIGEL MATTHEWS minnow grows in big pond

IT takes nerve to start an industrial group from scratch in the shadow of acquisitive South African giants like Barlows, Amic and Malbak

Brothers Rob and Nigel Matthews, who did that when they launched Klipton five years ago with little more than diverse business experience and a vision, are the first to admit the big boys will scarcely notice them — yet

But the joint chairmen of Klipton believe they have laid the foundation for a group which will be many times its current size in a few years — and still independent

Klipton was listed shortly before the crash in 1987 and the second annual report, released this weekend, extends the steady climb of the graph line which marks the group's progress

Turnover increased from 1985's R21,4-million to R57-million in the year to June 30 — 40% up on the previous year More importantly, Klipton has avoided any dip in attributable income in spite of a heavier tax charge because previous losses were used up

Tax more than trebled to R1,5-million, but attributable profit at R2,9-million was 35% higher

Restraint

It was achieved without account being taken of Klipton's biggest acquisition so far, the 100% stake in Austen Safes, the second-biggest player to Chubb in a growing market

The smooth take-off in what has been a fickle economy has been largely due to clear direction and fine control from the top

Rob Matthews was a merchant banker and Nigel had been an executive with Rennies and Holiday Inn for 12 years when they decided to cut loose

"We could not go into some areas we understood because of a restraint of trade, and we were aware of many areas where we knew nothing In the end, we decided to form an independent industrial group which we could grow outside the big power blocs," says Nigel Matthews

"We wanted companies supplying the country's basic industries — the last people who would turn out the lights"

For a vehicle, they settled on a company founded by Cecil John Rhodes, Klipoortjie Estates & Tramways, which was controlled by the Rhodes Trust Its only assets were R1,5-million of blue-chip shares which were sold to give the new Klipton cash

A campaign of acquisition followed, bringing Gardwel (protective equipment and clothing), Sapco (pneumatic, welding and lifting equipment), HBI Valves (valves and ancillary products) and Austen Safes (safes and physical security equipment) into the group

Fortunate

Klipton relied heavily on the mining industry, but this has been reduced A special effort is being made to reduce dependence on imported lines

Foreign supplier reliance has been cut from 70% to 40% in some key areas, says Nigel Matthews

The Johannesburg head office is run by the brothers and finance director Pierce Butler Rob Matthews is in Britain where he looks after Klipton's import and export operations while pursuing his own business interests

"We are fortunate to have excellent management in the operating companies and we are happy to leave them to run their own businesses," says Nigel

With the Austen deal safely under its belt, Klipton is confident of growth in operating and attributable profit in the current year

"We are still a minnow in a big pond But we're growing well for a five-year-old," says Nigel

B/Day 5/10/'89

Mossgas project boosts Klipton profit-taking

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NEIL YORKE SMITH

KLIPTON joint chairmen Nigel and Robert Matthews said in their annual report the dynamic industrial holding company was well placed to improve market penetration and boost profits

They said the group had enjoyed steady trading conditions in all its target markets in the past year although evidence of a slowdown occurred in the second six months

"The group benefited from the impetus provided to a number of heavy industries by the Mossgas project..."

Petrochemicals, power generation and transport were cited as major beneficiaries from the project

Klipton's results were "satisfactory," said the report Turnover rose 40% to R57m, and operating profits soared 84% to R5,4m Attributable income was 34% up, to R2,9m.

Klipton's recent acquisition of Austen Safes Group is seen as offering huge potential. The company paid an initial R5,2m for Austen, consisting of R3,3m in cash and the issue of 950 000 shares at R2 each

The report said Klipton was already meeting budgets for the current financial year and, despite uncertainty in the economy, was confident successful operations would be maintained

Acquisitions should boost Supreme (189)

NEIL YORKE SMITH

B/Day 6/10/89

SUPREME Industrial Holdings (Supreme) has boosted after tax earnings to R1,44m (R0,8m) for the six months to June

Turnover of R12,3m was also significantly higher than the previous year's R7,1m

However, chairman Edward Ronbeck said yesterday the figures were not strictly comparable with the previous year's He attributed this to acquisitions and a change in the group's financial year end

Ronbeck said the results included contributions from Mewa Manufacturing, as well as from Insulated Structures which was aquired in January Insulated Structures produces insulated panels for cold rooms and manufactures refrigerated display cabinets

He expected strong earnings to be maintained and the group at least to meet predicted profit levels for the whole year

"Both Mewa and Insulated Structures traditionally experience better trading conditions during the second half of the year," said Ronbeck

Supreme was significantly strengthened after last month's acquisitions of furniture groups Victoria Lewis and Sam Steele Holdings

Barlow Rand denies arms deals involvement

BDay 10/10/89

TANIA LEVY

BARLOW Rand was not involved in any controversial arms deals with notorious Ferranti subsidiary International Signal and Control (ISC), Reunert chairman and Barlow board member Clive Parker said this week

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Parker was reacting to reports in London's Observer newspaper that Barlow Rand was among South African companies which received components for military use from the US subsidiary now at the centre of the £215m Ferranti debacle

The Observer alleged that former Ferranti deputy chairman and ISC founder James Guerin broke the US arms embargo by supplying components used in military radio and radar equipment to Barlow Rand in the 1970s

Under investigation by US Federal authorities and in hiding, Guerin is said to have had such a close relationship with Barlow Rand that he persuaded directors to lend him $2m to keep his struggling company afloat in 1974

Parker confirmed the financial relationship between Barlows and Guerin but said this had ended in the early '80s, by which time Guerin had repaid the loan in full

Parker said Barlow had never imported military components from the US If Barlow had done business with ISC in the '70s it was to buy commercial components available "off the shelf" in Japan and Europe

The Observer named three other "shell" companies in SA which were allegedly receiving products from ISC subsidiary, ESI Manufacturing, until last August Attempts to contact the three — Darlon, Tool Techniques and Varitech, all based in Johannesburg — had failed, the paper said

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Scant growth from metals

JOHANNESBURG — Little if any growth in the metal industries is expected next year and the future after 1990 is very uncertain said outgoing Seifsa president Willem van Wyk in his presidential address yesterday

He stated a modest fall off in demand was experienced in the first half of 1989, mainly as a result of the austerity measures introduced by government

He said turnovers for the year as a whole were expected to top R40bn (R36bn) Production volumes were expected to increase by between 2 to 3%

Van Wyk said "However, the recent measures taken to curb imports and dampen consumer demand signal little or no growth during 1990 and the prospects beyond 1990 are very uncertain The imposition of a 15% surcharge on imported capital equipment has put many planned capital projects in jeopardy and will inhibit future expansion of production capacity"

Van Wyk went on to state "Government priorities at the moment appear at the moment appear to be focused largely on protecting the BoP rather than promoting economic growth It is alarming to consider that annual growth rate of even 2% cannot be sustained because the pressure such growth puts on the BoP"

Van Wyk added "Of particular concern has been the unnecessary removal of exemptions of the import surcharge on capital equipment and components Seifsa and the FCI have argued that the surcharge will only serve to inhibit capital investment which is sorely required if SA is to fulfil its need for increased economic growth, exports and employment

"Most capital equipment currently being imported regardless of cost cannot be sourced or manufactured locally The surcharge will therefore not offer any saving to the BoP and will only be inflationary," said Van Wyk

● Dorbyl's Dawid Mostert was elected as Seifsa president for the coming year — Own Correspondent and Sapa

Restructuring of troubled Vic Lewis, Samstel, Supreme

BARRY SERGEANT (189)

TODAY sees the announcement of a complicated corporate restructuring on the JSE The end result is that unlisted Supreme Bond will own 92% of Supreme Industrial Holdings (SIH)

In turn, listed SIH will own 51% of listed Sam Steele (to be renamed Protea Furnishers) and 90% of listed Victoria Lewis (to be renamed Supreme Manufacturing Holdings) Also today, Sam Steele reports a loss of 129,6c a share (1988: +15,4c) for the year to end August. Vic Lewis reports a loss of 4,5c (+4,2c) interim earnings a share for the six months to end-September.

Vic Lewis has posted an interim loss of R0,8m and Sam Steele lost R31m for the year. At Vic Lewis, a turnover increase of 51% was sullied by an interest bill that rose from R0,6m to R1,6m, coupled with higher operating costs.

In the latest results, Sam Steele's turnover decreased from R100m to R70m, while group operating profit before interest declined from R7,9m to a loss of about R6m The interest bill rose by R1m to R6,7m. Bad debts and losses on the sale of subsidiaries accounted for a further loss of R19m

The restructuring has included names such as Ozz and Johannesburg Mining and Finance, which have now fallen by the wayside It still includes DMB Securities and stockbrokers Lowenthal & Co, and Davis Borkum Hare.

BD 24/11/89

Management replaced

Supreme Bond director Rocque Hafner says if there is any good news, it is that the effective takeovers of Sam Steele resulted in a rescue rather than a bankruptcy.

He says the entire operational management of Sam Steele has been replaced. The latest results show the company wrote off about R15m of mainly bad debts, says Hafner.

SIH chairman Edward Ronbeck says for the 12 months starting January 2, Sam Steele should turn a loss of 129,6c a share into a positive 6,4c He adds Vic Lewis could turn its interim loss of 4,5c earnings a share into a profit for the same 12 months of 5,4c a share.

The forecast for SIH in the 12 months to December 1990 is 25,4c a share. As a result of the acquisition and the reorganisation of the group, SIH net tangible asset value a share is set to rise from 78c to 154c.

SIH is to offer Vic Lewis minorities 33c a share — the price at which it acquired control in September. It is also effectively paying R7m in cash for three Sam Steele subsidiaries — Associated Cabinets, Stebarn Steel Products and Steelebord

Corporate world at odds over inflation accounting

There seems little doubt that any attempt to deal with the impact that inflation has on the real operating performance and financial strength of a company will be met by much dissension in the corporate world.

Among the groups reporting for September year-end there are obvious signs of disagreement on this front

In his chief excutive's statement, Tiger Oats' Clive Wolpert says, the group does not publish inflation-adjusted financial statements

"The effect of inflation on cash flows is monitored through the examination of operating results, budgets and plans in real terms and business objective are focused on the creation of wealth through the generation of cash profits"

From a minority shareholder's point of view this can hardly be described as the sort of rigorous treatment that could be justified, given SA's chronic inflationary environment.

Significantly, Adcock-Ingram, the health care subsidiary in the Tiger Oats group, takes a much more vigorous approach

Adcock management has responded promptly to ED 77 published in September by the SA Institute of Chartered Accountants on "Disclosure of current value information in financial statements"

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It has taken the trouble to provide (in line with the ED 77 requirements) a supplementary income statement and balance sheet, which attempt to take cognisance of the effects of changing prices from one accounting period to another

Star 7/12/84

However, the information provided in these supplementary financial statements differs radically from that provided in the historic statements and so may cause some confusion among shareholders.

The Nampak group takes a much more critical approach to ED 77 "If accurate current value information is to be published by the group, it will be necessary at the outset, and at intervals of say, five years, to obtain professional valuations of the group's fixed assets, with chnages in the interim years being calculated by using relevant indices

"A preliminary assessment of the cost of such a valuation indicates an amount of approximately R1 million, which cost will, of course, effectively be borne by the shareholders"

Nampak publishes a bar chart showing the effects of inflation on reported operating profit